BASE RESOURCES

ABN 88 125 546 910

Base Resources Limited
Annual Financial Report
For the Year ended
30 June 2016

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

Provided below are the Results for Announcement to the Market in accordance with Australian Securities Exchange (ASX) Listing Rule 4.3A and Appendix 4E for Base Resources Limited and its controlled entities for the year ended 30 June 2016 (the "**reporting period**") compared with the year ended 30 June 2015 (the "**comparative period"**).

Consolidated results	**Movement**	**$000s**
Sales revenue	up 16% to	$169,039
Net profit/(loss) before tax	down 31% to	($20,879)
Net profit/(loss) after tax attributable to members of Base Resources Limited	down 30% to	($20,919)

Net tangible asset backing	**Unit**	**30 June 2016**	**30 June 2015**
Net tangible assets	$000s	$215,387	$220,086
Shares on issue	number	732,231,956	563,902,771
Net tangible asset per share	$/share	$0.29	$0.39

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

Dividends

No dividend has been declared.

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

In April 2016, the Company incorporated Base Exploration Tanzania Limited, a 100% beneficially controlled Tanzanian incorporated Company.

Independent auditor's review report

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

Commentary

Commentary on the results for the reporting period is contained within the financial statements that accompany this announcement. It is recommended that the year-end report be read in conjunction with any public announcements made by Base Resources during and after the year ended 30 June 2016 in accordance with the continuous disclosure obligations under the Corporations Act 2001 and ASX Listing Rules.

CORPORATE DIRECTORY

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

COMPANY SECRETARY
Mr Chadwick Poletti

PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE
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DIRECTORS REPORT

Your directors present their report, together with the financial statements of the Group, being the Company, Base Resources Limited, and its controlled entities for the financial year ended 30 June 2016.

Directors

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

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

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

Company Secretary

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

Mr Chadwick Poletti

Principal activities and significant changes in nature of activities

The principal activity of the Group during the financial year was the operation of the 100% owned Kwale Mineral Sands Operation ("**Kwale Operation**") in Kenya.

There were no significant changes in the nature of the Group's principal activities during the reporting period.

Operating results

The Group recorded a loss after tax of $20,918,682 for the reporting period (2015: $16,038,746).

Dividends paid or recommended

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

Review of operations

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

During the reporting period, mining activity continued in the high grade regions of the Central Dune, close to the processing plant, except for three months mining lower grade perimeter blocks. The average ore grade mined was 8.3% heavy mineral ("**HM**") for the year. Mining activities will remain focussed on the Central Dune deposit for the next four years of the operation, before transitioning to the South Dune for the remainder of the mine life.

The coming year will see the introduction of a second mining unit, a 400tph hydraulic mining unit ("**HMU**"). Operating dual mining units will enable concurrent mining of high grade ore with the existing dozer-trap mining unit ("**DMU**") and allow access to lower grade perimeter blocks more cost effectively utilising the HMU. This is expected to produce a blended average ore grade lower than achieved this year and result in a higher mining volume to maintain heavy mineral concentrate ("**HMC**") production.

The Kwale Operation is designed to process ore to recover three separate products – rutile, ilmenite and zircon. Ore is received at the wet concentrator plant ("**WCP**") from the mining units via a slurry pipeline. The WCP removes slimes at a particle size less than 45µm, concentrates the valuable heavy minerals (rutile, ilmenite and zircon) and rejects most of the non-valuable, lighter gangue minerals. The WCP incorporates a number of gravity separation steps using spiral concentrators. The HMC, containing 90% heavy minerals, is then processed in the mineral separation plant ("**MSP**"). The MSP cleans and separates the rutile, ilmenite and zircon minerals and removes any remaining gangue.

Summary Physical Data	**2016**	**2015**
Ore mined (tonnes)	9,202,554	9,146,102
Heavy mineral (HM) %	8.31%	8.61%
WCP Heavy mineral concentrate production (tonnes)	734,431	752,063
MSP Heavy mineral concentrate consumption (tonnes)	709,443	658,816
Production (tonnes)		
Ilmenite	455,870	427,655
Rutile	85,654	71,537
Zircon	31,389	22,416
Sales (tonnes)		
Ilmenite	480,538	373,046
Rutile	85,536	76,801
Zircon	33,062	21,287

With the consistent achievement of design availabilities and throughputs in the WCP, and the high average grade of ore mined, HMC production of 734,431 tonnes was achieved in the reporting period. HMC production exceeded MSP consumption, allowing the continued building of a HMC stockpile to mitigate risk and optimise future production. At year end, the HMC stockpile was 139,364 tonnes.

During the reporting period, 709,443 tonnes of HMC was fed into the MSP to produce 455,870 tonnes of ilmenite, 85,654 tonnes of rutile and 31,389 tonnes of zircon. The successful completion of a number of MSP upgrade projects, together with ongoing process optimisation, has yielded benefits in both throughput and downstream recoveries of rutile and zircon during the reporting period. Having achieved design recovery levels for all products, ongoing MSP optimisation is expected to yield sustained increases in feed rates above 90tph in the 2017 financial year.

Ilmenite production continued at above design capacity due to the combination of increased MSP feed rates and high recoveries. Following the installation of an additional MSP magnet stage in November 2015, ilmenite recovery reduced from a pre-upgrade average of 110% to an average of 102% for the remainder of the year, still exceeding design. The additional magnet stage had the effect of removing rutile from ilmenite product and creating a high chrome stream, which is now rejected to enhance product quality. Ilmenite production continues to benefit from the proportionally higher ilmenite content (but lower rutile content) of the high grade ore in the Central Dune, a feature of the Kwale deposit.

Rutile production exceeded the 80,000 tonnes per annum design target for the first time in the reporting period, thanks to the higher MSP feed rates and ongoing optimisation of recoveries, aided by the MSP upgrade projects. Average rutile recovery for the reporting period was 99%, surpassing design expectations.

With some altered ilmenite species, that are not defined as either ilmenite or rutile in the resource, being recovered in the production of both, calculated recoveries (or yields) of over 100% are achievable for both ilmenite and rutile.

Zircon production continued its steady improvement throughout the reporting period, in line with the planned ramp-up schedule, and ultimately exceeded the 30,000 tonne design target, driven by the combination of achieving design recovery (77.8%) and the increased MSP feed rate. Zircon recoveries averaged 78% in the last quarter and reached as high as 80% in June.

DIRECTORS REPORT

Marketing & sales

Base Resources has a number of off-take agreements across each of its three product streams spanning between one and six years of production of the Kwale Operation. The agreements are with some of the world's largest consumers of titanium dioxide minerals and zircon products, including a cornerstone agreement with Chemours (formerly DuPont Titanium Technologies).

The agreements provide off-take security for the Kwale Operation, and contain firm minimum annual offtake volumes subject to annual Base Resources' production forecasts. Pricing is derived from prevailing market prices, based on agreed price indices or periodic price negotiations, with some agreements offering downside protection in the form of floor prices.

In the reporting period, Base Resources sold almost 600,000 tonnes of product from the Kwale Operation, with shipments being made to a combination of customers with existing offtake agreements, regular customers buying on a spot basis and some new spot customers buying Base Resources' products for the first time.

The appointment of a Chinese distributor for ilmenite in early 2015 has assisted Base Resources in continuing to build its market presence in China – the world's largest ilmenite market – through the 2016 financial year. During the reporting period, Base Resources became the largest importer of ilmenite into China, having sold almost 450,000 tonnes in the 2016 financial year. Solid relationships have been established with major Chinese ilmenite consumers who now comprise a mix of shorter term contracts (one to three-year duration) and regular spot customers. Base Resources maintains a strong focus on servicing the Chinese market and continues to expand its customer base with further trial lots of ilmenite being evaluated by new customers.

Despite challenging market conditions for much of the reporting period, sales volumes increased significantly over the comparable period to match production growth. A solid improvement in the global titanium dioxide pigment market through the first half of the 2016 calendar year led to a high level of demand for Base Resources ilmenite and rutile in the June 2016 quarter. This has kept stocks at minimal levels and provided a solid base for price improvement during the 2017 financial year.

During the March quarter of 2016, Base Resources received a force majeure notice from an ilmenite customer and a volume reduction notice from a rutile customer. In both cases the impact was to defer or cancel a significant portion of previously agreed sales volumes for the remainder of calendar 2016. Alternative sales have been secured to fully cover the shortfall arising from these notices, aided by the strengthening demand for titanium dioxide feedstocks experienced towards the end of the reporting period.

Unlike the titanium dioxide feedstock markets, conditions for zircon remained subdued through the reporting period. Despite the ongoing over-supplied market, Base Resources has had sustained solid demand for zircon from its small, but loyal, customer base.

Market Outlook

Ilmenite and rutile are primarily used as feed stock for the production of titanium dioxide pigment, with a small percentage also used in the production of titanium metal and fluxes for welding rods and wire. Pigment makes up over 90% of titanium minerals demand and is the main driver of pricing. Titanium dioxide is the most widely used white pigment because of its non-toxicity, brightness and very high refractive index. It is an essential component of consumer products such as paint, plastics and paper.

Global consumption of pigment has maintained a long term average growth rate closely correlated to global GDP, or approximately 3% per annum. However, volatility in the global economy in recent years has created significant fluctuations in this growth rate, manifesting in big swings in inventory levels throughout the entire pigment supply chain. A growing supply deficit, compared with demand, over the past year appears to have resulted in global pigment inventories falling below normal levels for the first time in several years. Growth in pigment consumption, together with re-stocking activity, has resulted in pigment demand surging by more than 7% year-on-year, and substantial price improvements being reported in the first half of calendar year 2016. This has percolated through the supply chain and translated into strengthening feedstock demand by the end of the reporting period. As a consequence, feedstock levels have been drawn down at a more rapid pace than expected and tightness has emerged in feedstock markets for the first time since the Kwale Operation commenced production.

The ilmenite feedstock market has become particularly constrained owing to the further constrictions in supply and growth in ilmenite-intensive Chinese sulphate pigment production that has occurred over the reporting period. As a result, ilmenite prices are responding positively, allowing Base Resources to lock in substantial price increases for shipments in the September 2016 quarter.

Conditions for rutile also tightened by year end, although current supply and stocks appear adequate to meet demand in the immediate future.

Current analysis suggests that excess global inventories of titanium dioxide feedstocks, which have weighed heavily on prices over the past couple of years, should return to normal levels by the end of calendar year 2016. In the absence of substantial new feedstock supply coming online, the titanium dioxide feedstock market is expected to begin a period of structural supply deficit, providing an opportunity for price growth in both ilmenite and rutile over the next few years.

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

Demand growth for zircon is closely linked to growth in global construction and increasing urbanisation in the developing world. After a sharp downturn in 2012, major zircon suppliers have attempted to match their supply to demand since 2013, keeping prices relatively stable until early 2016. However, with demand remaining sluggish and supply growing from new sources, one major zircon supplier reduced prices by approximately US$100 per tonne in March 2016, forcing others to follow. Despite attempts to subsequently increase pricing, subdued demand and excess inventories are expected to keep prices flat at current levels throughout the 2017 financial year.

Any potential uplift in zircon prices remains dependent on firmer than expected economic growth in the major markets of China, USA and Europe, and on a more controlled response from major zircon producers in managing their production and stocks.

Review of financial performance

	2016			2015		
	Kwale Operation	**Other operations**	**Total**	**Kwale Operation**	**Other operations**	**Total**
	$000s	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**
Sales Revenue	**169,039**	**-**	**169,039**	**145,501**	**-**	**145,501**
Cost of goods sold excluding depreciation & amortisation:						
Operating costs	(69,647)	-	(69,647)	(64,684)	-	(64,684)
Changes in inventories of concentrate and finished product	(5,066)	-	(5,066)	1,903	-	1,903
Royalties expense	(11,845)	-	(11,845)	(10,470)	-	(10,470)
Total cost of goods sold (i)	**(86,558)**	**-**	**(86,558)**	**(73,251)**	**-**	**(73,251)**
Corporate & external affairs	(4,309)	(6,840)	(11,149)	(4,052)	(6,636)	(10,688)
Community development	(3,921)	-	(3,921)	(3,945)	-	(3,945)
Selling & distribution costs	(4,114)	-	(4,114)	(2,391)	-	(2,391)
Other income / (expenses)	(2,151)	(580)	(2,731)	488	(750)	(262)
EBITDA (i)	**67,986**	**(7,420)**	**60,566**	**62,350**	**(7,386)**	**54,964**
Depreciation & amortisation	(47,062)	(127)	(47,189)	(41,474)	(144)	(41,618)
EBIT (i)	**20,924**	**(7,547)**	**13,377**	**20,876**	**(7,530)**	**13,346**
Net financing expenses	(27,247)	(7,009)	(34,256)	(26,825)	(2,480)	(29,305)
Income tax expense	(40)	-	(40)	(80)	-	(80)
NPAT (i)	**(6,363)**	**(14,556)**	**(20,919)**	**(6,029)**	**(10,010)**	**(16,039)**

(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.

Base Resources recorded a loss after tax of $20.9 million for the year ended 30 June 2016, compared with $16.0 million in 2015. Sales revenue was $169.0 million for 2016 (2015: $145.5 million), achieving an average price of product sold (rutile, ilmenite and zircon) of $282 per tonne or US$205 per tonne (2015: $309 per tonne or US$256 per tonne). Total cost of goods sold was $86.6 million for 2016 (2015: $73.3 million), at an average cost of $144 per tonne (US$105 per tonne) of product sold (2015: $155 per tonne or US$130 per tonne). Operating costs per tonne produced for 2016 was $121 per tonne or US$88 per tonne (2015: $124 per tonne or US$103 per tonne).

With an achieved revenue to cost of sales ratio of 2:1, the Kwale Operation is well positioned in the upper quarter of mineral sands producers. Having reached design recoveries for rutile and zircon in 2016, it is expected that, when combined with higher MSP throughput rates, production of these high value products will increase in 2017, further improving the revenue to cost ratio.

Despite lower commodity prices, increased production and sales volumes and a sharp focus on cost management has delivered a Kwale Operation EBITDA of $68.0 million (2015: $62.4 million) and a Group EBITDA of $60.6 million for 2016 (2015: $55.0 million).

A net loss after tax of $6.4 million (2015: $6.0 million) was recorded by the Kwale Operation and $20.9 million (2015: $16.0 million) for the Group. Loss per share for the Group was 3.41 cents (2015: 2.85 cents).

Cash flow from operations was $78.6 million for 2016 (2015: $38.2 million), higher than Group EBITDA predominately driven by a decrease in receivables of $10.9 million during the reporting period, associated with $10.3 million of Kenyan operational VAT refunds and timing of sales receipts.

In December 2015, the Kwale Project Debt Facility ("**Debt Facility**") was rescheduled in order to establish a repayment profile more appropriate to the commodity price environment. Under the terms of the reschedule, US$14 million of the Debt Facility was paid down on execution, with a further US$9.5 million scheduled repayment made in June 2016, reducing the outstanding debt to US$180.5 million. Total debt outstanding, inclusive of the Taurus Debt Facility, at 30 June 2016 was $270.3 million (US$201 million) compared with $292.6 million (US$224 million) at 30 June 2015.

Significant changes in state of affairs

The significant changes in the state of affairs of the Group during the year and to the date of this report were:

- ***a.*** Reschedule of the Debt Facility in December 2015; and
- ***b.*** Completion of a pro rata renounceable entitlement offer to existing shareholders in March 2016, raising gross proceeds of $10 million. The proceeds will be used to provide continuity and certainty of corporate funding, and allow progression of Base Resources' strategic plan and capitalise on achievements to date.

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

After balance date events

Subsequent to year end, in July 2016, and in accordance with the terms of the Debt Facility, US$10.8 million of surplus cash was 'swept' from the Kwale Operation. Half of the cash sweep (US$5.4 million) went towards mandatory repayment of the Debt Facility, with the other half distributed up to the Australian parent entity, Base Resources Limited. From the cash sweep portion received by Base Resources Limited, a mandatory fifty percent (US$2.7 million) was applied to repayment of the Taurus Debt Facility, as required under the facility agreement, with the balance available for general corporate funding.

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

Future developments, prospects and business strategies

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

DIRECTORS REPORT

INFORMATION ON DIRECTORS

Mr Keith Spence *Non-Executive Chairman*

Qualifications: BSc (Geophysics) (Hons)

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

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

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

Other current public company directorships: Geodynamics Limited (since 2008), Independence Group NL (since 2014), Oil Search Limited (since 2012) and Murray and Roberts Holdings Ltd (since 2015).

Past public company directorships held over the last three years: Clough Limited (resigned 2013).

Mr Tim Carstens *Managing Director*

Qualifications: BCom, ACA

Appointed: 5 May 2008

Experience: Mr Carstens brings a diverse and substantial skill set to the development of Base Resources, having previously held senior executive roles with Perilya Limited, North Limited, Robe River Iron Associates, Iron Ore Company of Canada and St Barbara Mines Limited in operations, strategy, corporate development and finance, both in Australia and overseas. A chartered accountant by profession, he has successfully managed all aspects of business strategy development and implementation, acquisitions and divestments, debt and equity financing, organisational development and operational performance.

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

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 – Operations & Development.

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

Mr Samuel Willis *Non-Executive Director*

Qualifications: BCom

Appointed: 23 May 2007

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

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

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

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

Mr Michael Anderson *Non-Executive Director*

Qualifications: BSc (Hons), PhD

Appointed: 28 November 2011

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

Special Responsibilities: Member of the Audit Committee.

Other current public company directorships: Hot Chili Limited (since 2011).

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

Mr Michael Stirzaker *Non-Executive Director*

Qualifications: BCom, ACA

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

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

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

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

DIRECTORS REPORT

Mr Malcolm Macpherson *Non-Executive Director*

Qualifications: B.Sc. FAusIMM, FTSE

Appointed: 25 July 2013

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

Special Responsibilities: Member of the Remuneration & Nominations Committee; member of the Audit Committee.

Other current public company directorships: Nil.

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

COMPANY SECRETARY

Mr Chadwick Poletti

Qualifications: LLB (Hons), BCom

Appointed: 19 May 2015

Experience: Mr Poletti is a practising lawyer and holds a Bachelor of Commerce majoring in Finance and Accounting. Mr Poletti has broad experience in providing advice to 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 the international law firm, Ashurst, where he specialised in both domestic and cross-border regulated and unregulated mergers and acquisitions, including takeovers and schemes of arrangement, capital raisings and corporate advisory and governance.

DIRECTORS REPORT

Meetings of directors

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

	Directors' Meetings		Audit committee		Remuneration & Nominations Committee		Risk Committee		Taurus Refinancing Committee	
	Meetings held while a director	Meetings attended	Meetings held while a committee member	Meetings attended	Meetings held while a committee member	Meetings attended	Meetings held while a committee member	Meetings attended	Meetings held while a committee member	Meetings attended
Keith Spence	16	16	4	4	5	5	3	3	1	1
Tim Carstens	16	16	-	-	-	-	-	-	1	1
Colin Bwye	16	16	-	-	-	-	-	-	-	-
Samuel Willis	16	15	4	4	5	5	3	3	1	1
Michael Anderson	16	15	4	4	-	-	-	-	-	-
Malcolm Macpherson	16	16	4	3	5	5	-	-	-	-
Michael Stirzaker	16	16	-	-	5	5	3	3	-	-

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 against any liability (other than a liability for costs and expenses) the Director or officer incurs to another person (other than the Company or a related body corporate of the Company) as a Director or officer of Company or a related body corporate, unless the liability arises out of conduct involving a lack of good faith by the Director or officer.

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

Options

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

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

In accordance with the terms of the Taurus Debt 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 21 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 2016:

	2016	2015
	$	**$**
Taxation services	267,243	282,030
Other services	10,000	10,000

Auditor's independence declaration

The lead auditor's independence declaration for the year ended 30 June 2016 has been received and can be found on page 34 of the Annual Report.

Rounding

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

REMUNERATION REPORT - AUDITED

This remuneration report sets out the remuneration arrangements for Base Resources Limited for year ended 30 June 2016. This Remuneration Report forms part of the Directors' Report and has been audited in accordance with the *Corporations Act 2001.*

Details of key management personnel

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

Name	Position	Changes during the year
Senior Executives		
T Carstens	Managing Director	
C Bwye	Executive Director - Operations & Development	
K Balloch	Chief Financial Officer	
C Forbes	General Manager - Environment & Community Affairs	
A Greyling	General Manager – Project Development	Appointed 1 August 2015
S Hay	General Manager - Marketing	
J Schwarz	General Manager - External Affairs & Development	
D Vickers	General Manager - Operations	
Non-Executive Directors		
K Spence	Chairman	
S Willis	Director	
M Anderson	Director	
M Macpherson	Director	
M Stirzaker	Director	

Changes since the end of the reporting date

None.

REMUNERATION REPORT - AUDITED

Role of the Remuneration & Nominations Committee

The Remuneration & Nominations 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 Committee, determines the remuneration of the Executive Directors and approves the remuneration of the executive management team.

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

Services from remuneration consultants

The Remuneration Committee engaged Godfrey Remuneration Group ("**Godfrey**") to review the market competitiveness of the Group's remuneration practices for the Senior Executives in 2016.

The Committee is satisfied the advice received from Godfrey is free from undue influence from the Senior Executives to whom the remuneration recommendations apply.

The Godfrey remuneration review was provided to the Committee as an input into decision making only. The Remuneration Committee considered the review, along with other factors, in making its remuneration decisions.

In addition to the Senior Executive remuneration review, Godfrey provided advice on the remuneration of the Group's non-executive directors, and various other advisory services. Total fees paid to Godfrey for these services were $30,200.

Remuneration policy

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

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

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

REMUNERATION REPORT - AUDITED

Key principles of Senior Executive remuneration

Remuneration comprises fixed remuneration, and variable (or "**at-risk**") remuneration, which is determined by individual and Group performance. The Group targets total fixed remuneration ("**TFR**") at the 50^{th} market percentile and total remuneration package ("**TRP**"), including at-target variable remuneration, at the 75^{th} 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 plus 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. In order to attract and retain people of the requisite capability to key roles located in Kenya, an additional market allowance may be paid. The market allowance, while fixed in nature, does not form part of TFR for the purposes of calculating at-risk remuneration entitlements.
When and how is fixed remuneration reviewed?	TFR is reviewed annually. Any adjustments to the TFR for the Executive Directors must be approved by the Board after recommendation by the Remuneration Committee. The Executive Directors determine the TFR of other Senior Executives within specified guidelines approved by the Board. The Group seeks to position the fixed remuneration at the 50^{th} market percentile of salaries for comparable companies within the mining industry, 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 the 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 the delivery of annual business plans. A reward structure that provides at-risk remuneration is also necessary as a competitive remuneration package in the Australian and global marketplace for executives.

STIP (continued)	
Does the STIP take into account different levels of performance compared to objectives?	The size of any 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 total remuneration package 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 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 derived from the annual operating plan and may vary from time to time to include other aspects of performance for which there is shared accountability and which the Group wishes to emphasise. The target corporate performance (50% STIP component) criteria for Senior Executives for the 2016 financial year comprised: • 5% above budgeted group EBITDA, assuming fixed AUD:USD exchange rate and variances in actual sales prices against budgeted prices limited to +/- 25%.
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 <u>any</u> 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 2016 financial year: • No workplace fatalities. • No major reputational or environmental events.

STIP (continued)	
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 total remuneration package market positioning.
How is 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 Committee and approved by the Board. **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 the commencement of the cycle. The first cycle of the LTIP began on 1 October 2011.
Why does the Board consider an 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 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 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.
Was a grant made in 2016?	Performance Rights were granted to eligible participants in the LTIP for the cycle commencing 1 October 2015. The number of performance rights granted for each executive was calculated by reference to the volume weighted average share price ("**VWAP**") on the twenty trading days up to the start of the cycle, being $0.0575 per share.

LTIP (continued)

What are the LTIP performance conditions?	The Group uses two LTIP performance criteria to determine the proportion of performance rights which vest, as follows: Half of the performance rights are subject to a relative TSR criteria (the relative TSR performance rights); and Half of the performance rights are subject to an absolute TSR criteria (the absolute TSR performance rights). The Board considers that TSR is an appropriate performance hurdle because it ensures that a proportion of each participant's remuneration is explicitly linked to shareholder value and ensures that participants only receive a benefit where there is a corresponding direct benefit to shareholders.

Relative TSR performance rights

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

Base Resources relative TSR performance	Percentage of relative TSR performance rights that vest
Less than 50th percentile	Nil
50th percentile	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).

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	Percentage of absolute TSR performance rights that vest
Less than 40.5%	Nil
40.5%	25%
Between 40.5% and 60%	Pro rata between 25% and 50%
Between 60% and 100%	Pro rata between 50% and 100%
100% or greater	100%

The number of performance rights granted for the cycle commencing 1 October 2015 is by reference to the 20 day VWAP of $0.0575 per share, subject to a small scaleback to ensure compliance with applicable ASIC relief ($0.2905 for cycle commencing 1 October 2014 and $0.3697 for cycle commencing 1 October 2013). In order to achieve 100% vesting a share price of $0.1150 or greater would be required ($0.5810 for cycle commencing 1 October 2014 and $0.7394 for cycle commencing 1 October 2013) at the conclusion of the 3 year performance period.

LTIP (continued)

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

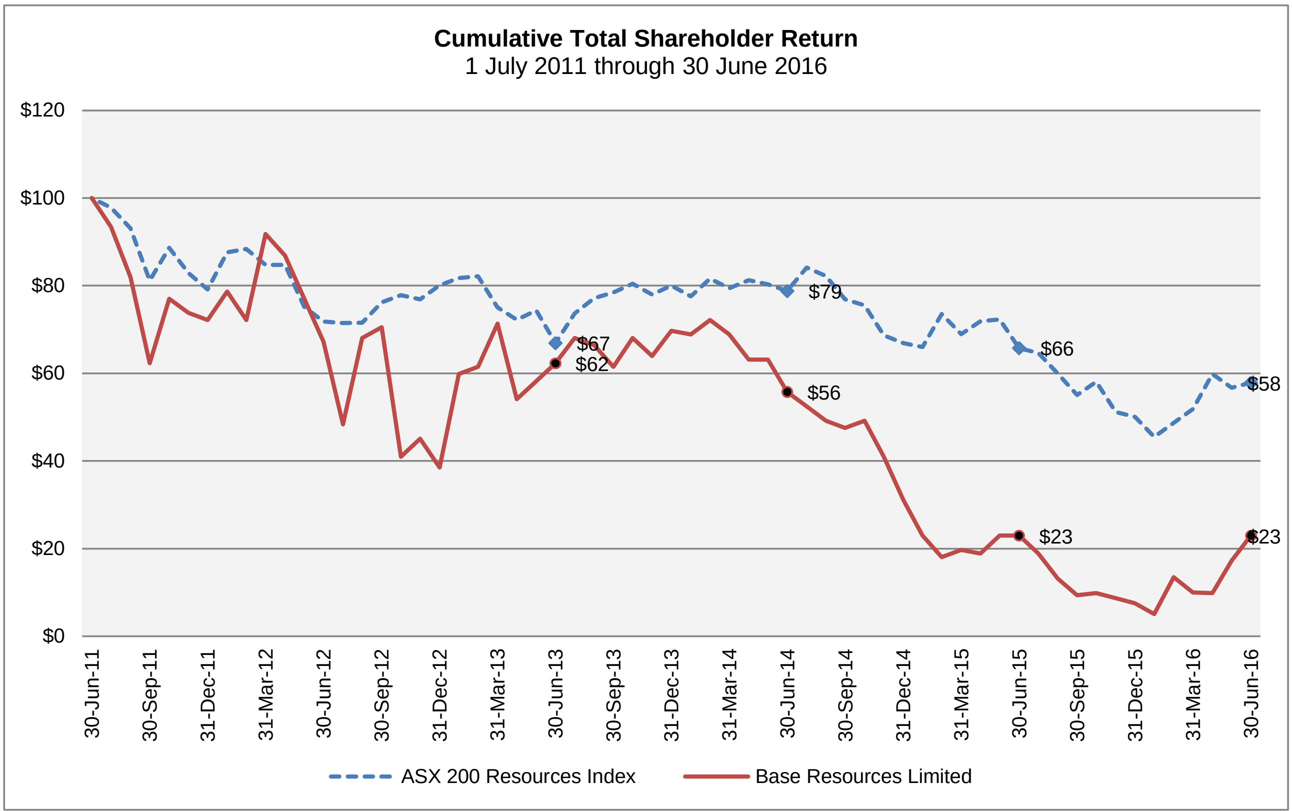
Companies	LTIP Cycle Commencing 1 October			Companies	LTIP Cycle Commencing 1 October		
	2015	2014	2013		2015	2014	2013
ABM Resources NL	✓			Medusa Mining Limited	✓	✓	✓
Aditya Birla Minerals Limited			✓	Metals X Limited		✓	✓
Alkane Resources Limited	✓		✓	Mincor Resources NL		✓	
Altona Mining Limited		✓		Mineral Deposits Limited		✓	✓
Aquarius Platinum Limited	✓		✓	Mirabela Nickel Limited	✓		
Arrium Limited	✓			Mount Gibson Iron Limited	✓		
Astron Corporation Limited			✓	Newfield Resources Limited	✓	✓	
Atlas Iron Limited	✓	✓		Nkwe Platinum Limited	✓		
Atrum Coal NL	✓	✓	✓	Northern Minerals Limited	✓	✓	
Aurelia Metals Limited		✓		Northern Star Resources Ltd			✓
Austral Gold Limited	✓			Norton Gold Fields Limited		✓	✓
Avanco Resources Limited	✓	✓		OM Holdings Limited	✓	✓	✓
Axiom Mining Limited	✓			Orocobre Limited	✓	✓	✓
Bandanna Energy Limited			✓	Paladin Energy Limited			✓
Bathurst Resources Limited			✓	Panoramic Resources Limited	✓	✓	
BC Iron Limited		✓	✓	Papillion Resources Limited			✓
Beadell Resources Limited	✓	✓		Perilya Limited			✓
Blackgold International Holdings Ltd			✓	Perseus Mining Limited	✓	✓	✓
Bougainville Copper Limited	✓	✓	✓	Pilbara Minerals Limited	✓		
CI Resources Limited	✓			Poseidon Nickel Limited		✓	
Coalspur Mines Limited			✓	Ramelius Resources Limited	✓		
CuDeco Limited	✓	✓	✓	Rand Mining Limited	✓		
Dome Gold Mines Limited	✓			Resolute Mining Limited	✓	✓	✓
Doray Minerals Limited	✓			Reward Minerals Limited	✓		
Elemental Minerals Limited	✓		✓	RTG Mining Inc		✓	
Endeavour Mining Corporation	✓	✓		Saracen Mineral Holdings Ltd		✓	✓
Finders Resources Limited	✓	✓		Sheffield Resources Limited		✓	
Focus Minerals Limited		✓	✓	Silver Lake Resources Ltd	✓	✓	✓
Gindalbie Metals Limited			✓	St Barbara Limited			✓
Gold One International Limited			✓	Stonewall Resources Limited		✓	
Gold Road Resources Limited	✓	✓		Summit Resources Limited			✓
Grange Resources Limited	✓	✓	✓	Sundance Resources Limited		✓	✓
Greenland Minerals and Energy Ltd			✓	Syrah Resources Limited			✓
Gujarat NRE Coking Coal Limited			✓	Tanami Gold NL	✓		
Highfield Resources Limited		✓		Teranga Gold Corporation	✓	✓	
Highlands Pacific Limited	✓			Terramin Australia Limited	✓	✓	
Hot Chili Limited			✓	Tiger Resources Limited		✓	✓
Indophil Resources NL		✓	✓	Tigers Realm Coal Limited		✓	
Inova Resources Limited			✓	TNG Limited	✓		
Intrepid Mines Limited		✓	✓	Tribune Resources Limited	✓	✓	✓
Iron Ore Holdings Limited			✓	Triton Minerals Limited	✓	✓	
Iron Road Limited		✓	✓	Troy Resources NL	✓	✓	✓
Jupiter Mines Limited			✓	Valence Industries Limited		✓	
Kazakhstan Potash Corp. Ltd		✓		Western Areas NL			
Kingsgate Consolidated Ltd	✓	✓	✓	Western Desert Resource Ltd			✓
Kingsrose Mining Limited	✓	✓	✓	Wolf Minerals Limited	✓	✓	
Lucapa Diamond Company Limited	✓			Wollongong Coal Limited	✓		
Lynas Corporation Limited	✓	✓					

LTIP (continued)	
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 that are not forfeited on the participant ceasing to be employed by a Group member 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 granted under the LTIP 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 2016?	The 4,870,331 performance rights granted under the LTIP for the cycle commencing 1 October 2012, completed the three year performance period on 30 September 2015 and vested as follows: • **Relative TSR performance rights** Base Resources TSR over the performance period placed it in 38th position relative to the TSR of the 50 comparator group companies, a TSR performance in the 26th percentile, resulting in none of the 2,435,166 relative performance rights vesting. • **Absolute TSR performance rights** Base Resources TSR over the performance period, by reference to a final VWAP of $0.06, equated to a TSR of -75%, resulting in none of the 2,435,165 absolute performance rights vesting. No shares were issued to the participants in the LTIP.

REMUNERATION REPORT - AUDITED

Group performance and its link to shareholder return

The following graph compares the yearly change in the cumulative TSR of Base Resources Limited shares during the period 1 July 2011 to 30 June 2016, against the cumulative total return of the ASX 200 Resources Index over the same period. The graph illustrates the cumulative return from Base Resources over the past five years, assuming $100 was invested. No dividends have been declared during this period.



Executive remuneration outcomes for 2016

Short Term Incentives

At the end of the 2016 financial year, a review of the performance of each Senior Executive was undertaken against each of their 2016 individual performance measures as explained above. The 2016 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 2016 performance are paid in the 2017 financial year.

The following table outlines the STI that was earned in comparison with the target STI for the 2016 financial year:

	Target STI		STI Awarded	
Name	**Individual performance**	**Corporate performance**	**Individual performance**	**Corporate performance**
T Carstens	30%	30%	41%	34%
C Bwye	30%	30%	39%	34%
K Balloch	15%	15%	24%	18%
C Forbes	15%	15%	17%	18%
A Greyling	15%	15%	19%	18%
S Hay	15%	15%	21%	18%
J Schwarz	15%	15%	20%	18%
D Vickers	15%	15%	21%	18%

LTIP Performance Rights

The LTIP, introduced in 2012, operates on the basis of a series of 3 year performance cycles commencing on 1 October each year. Accordingly, LTIP performance rights issued in the year ending 30 June 2016 are subject to a 3 year performance period ending on 30 September 2018. Performance rights issued under the plan in the 2013 financial year, totalling 4,870,331, completed their 3 year performance period on 30 September 2015, with no performance rights vesting.

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

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

Take home pay for 2016

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 27), 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 2016 financial year. The remuneration packages for all Senior Executives are shown in the following table in their employment currency and remain unchanged from 2015, excluding changes in STIP bonus and vested performance rights.

Key Management Person	Currency	Salary	STIP bonus	Superannuation	Vested Performance Rights(ii)	Take home pay(i) (before tax)
2016						
Executive Directors						
T Carstens	AUD	406,800	326,618	30,000	-	763,418
C Bwye	AUD	401,800	317,882	35,000	-	754,682
Other Key Management Personnel						
K Balloch	AUD	320,000	146,410	30,000	-	496,410
C Forbes	GBP	235,320	82,554	-	-	317,874
A Greyling (iii)	AUD	256,667	106,651	32,082	-	395,400
S Hay	AUD	360,000	151,442	30,000	-	541,442
J Schwarz	USD	327,600	122,297	-	-	449,897
D Vickers	USD	430,816	132,163	-	-	562,979
2015						
Executive Directors						
T Carstens	AUD	406,800	337,796	30,000	170,380	944,976
C Bwye	AUD	401,800	346,532	35,000	170,380	953,712
Other Key Management Personnel						
K Balloch	AUD	320,000	168,877	30,000	24,332	543,209
C Forbes	GBP	235,320	94,130	-	15,657	345,107
S Hay	AUD	360,000	182,328	30,000	-	572,328
J Schwarz	USD	327,600	150,698	-	55,541	533,839
D Vickers	USD	430,816	156,564	-	48,088	635,468

(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) Vested performance rights are valued at the share price upon vesting (2016: nil vested; 2015: $0.29) and converted to employment currency using prevailing FX rate on the day of vesting (2016: nil vested, 2015: USD 0.8693; GBP 0.5366).

(iii) Appointed 1 August 2015.

REMUNERATION REPORT - AUDITED

Statutory remuneration disclosures for the year ended 30 June 2016

The statutory remuneration disclosures for the year ended 30 June 2016 are detailed below and are prepared in accordance with Australian Accounting Standards and differ from the take home pay summary on page 26. These differences arise due to the accounting treatment of share-based payments (such as the STIP and LTIP). The remuneration packages for all Senior Executive's remain unchanged from 2015, in their base currency. Any changes in remuneration in the following table, excluding STIP bonus, are the result of foreign exchange movements only, as detailed below. The remuneration for each Senior Executive of the Group for the years ending 30 June 2016 and 2015 was as follows:

Key Management Person	Short term employment benefits		Post-employment benefits	Other long term	Share based payments	Total	Proportion performance related
	Salary	STIP bonus[(i)]	Superannuation	Long service leave[(ii)]	Performance Rights[(iii)]		
	$	$	$	$	$	$	%
2016							
Executive Directors							
T Carstens	406,800	326,618	30,000	(19,735)	271,181	1,014,864	58.9
C Bwye	401,800	317,882	35,000	6,698	271,181	1,032,561	57.0
Other Key Management Personnel							
K Balloch	320,000	146,410	30,000	4,178	105,987	606,575	41.6
C Forbes [(v)]	479,853	149,093	-	-	136,353	765,299	37.3
A Greyling [(iv)]	256,667	106,651	32,082	216	30,298	425,914	32.2
S Hay	360,000	151,442	30,000	2,138	119,800	663,380	40.9
J Schwarz [(vi)]	449,815	164,869	-	-	119,265	733,949	38.7
D Vickers [(vi)]	591,536	178,169	-	-	123,835	893,540	33.8
Total	**3,266,471**	**1,541,134**	**157,082**	**(6,505)**	**1,177,900**	**6,136,082**	**-**
2015							
Executive Directors							
T Carstens	406,800	337,796	30,000	57,165	221,953	1,053,714	53.1
C Bwye	401,800	346,532	35,000	21,092	221,953	1,026,377	55.4
Other Key Management Personnel							
K Balloch	320,000	168,877	30,000	6,413	84,614	609,904	41.6
C Forbes [(v)]	443,665	193,285	-	-	102,076	739,026	40.0
S Hay	360,000	182,328	30,000	3,881	94,034	670,243	41.2
J Schwarz [(vi)]	391,445	196,857	-	-	88,946	677,248	42.2
D Vickers [(vi)]	514,776	204,520	-	-	92,123	811,419	36.6
Total	**2,838,486**	**1,630,195**	**125,000**	**88,551**	**905,699**	**5,587,931**	**-**

(i) Current year STI bonuses are accrued in the financial year to which the performance relates.

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

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

(iv) Appointed 1 August 2015

(v) Total remuneration package denominated in Pounds sterling (GBP) and converted to Australian dollars (A$) for reporting purposes using the average exchange rate for the 2016 financial year of 0.4904 (2015: 0.5304).

(vi) Total remuneration package denominated in US dollars (US$) and converted to Australian dollars (A$) for reporting purposes using the average exchange rate for the 2016 financial year of 0.7283 (2015: 0.8369).

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:

	2016	2015
	$	$
Take home pay for the Managing Director	**763,418**	**944,976**
Treatment of Long Service Leave:		
Add: accounting provision for long service leave entitlements	(19,735)	57,165
Treatment of performance rights:		
Add: accounting fair value (non-cash) of performance rights recognised in the period	271,181	221,953
Less: valuation of performance rights vested at date of vesting	-	(170,380)
Statutory pay for the Managing Director	**1,014,864**	**1,053,714**

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 Committee and the Board is responsible for ratifying any recommendations, if appropriate. As approved at the Annual General Meeting on 28 November 2011, the aggregate limit of fees payable per annum is $750,000 in total. Non-executive director remuneration has remained unchanged since 2011.

The Group's policy is that non-executive director's remuneration is structured to exclude equity-based remuneration and reviewed annually. However, historically the Group was small and the full Board, including the non-executive directors, were included in the operations of the Group more closely than may be the case with larger companies and the non-executive directors were entitled to participate in equity based remuneration schemes.

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:

	2016	2015
	$	$
Base fees		
Chairman	110,000	110,000
Other non-executive directors	70,000	70,000
Remuneration & Nominations Committee		
Chair	10,500	10,500
Committee member	5,250	5,250
Audit Committee		
Chair	14,000	14,000
Committee member	7,000	7,000
Risk Committee		
Chair	5,925	-
Committee member	2,925	-

REMUNERATION REPORT - AUDITED

Non-Executive remuneration for the year ended 30 June 2016 and comparative 2015 remuneration:

	Base fees	Audit committee	Remuneration & Nominations committee	Risk committee	Total
	$	**$**	**$**	**$**	**$**
2016					
K Spence	110,000	7,000	10,500	5,925	133,425
S Willis	70,000	14,000	5,250	2,925	92,175
M Anderson	70,000	7,000	-	-	77,000
M Macpherson	70,000	7,000	5,250	-	82,250
M Stirzaker	70,000	-	5,250	2,925	78,175
Total	**390,000**	**35,000**	**26,250**	**11,775**	**463,025**
2015					
A King (i)	97,644	6,214	9,320	-	113,178
K Spence (ii)	21,781	384	575	-	22,740
S Willis	70,000	14,000	5,250	-	89,250
M Anderson	70,000	7,000	-	-	77,000
M Macpherson	70,000	7,000	5,250	-	82,250
T Schultz (iii)	27,425	-	-	-	27,425
M Stirzaker (iv)	42,959	-	3,222	-	46,181
Total	**399,809**	**34,598**	**23,617**	**-**	**458,024**

(i) Mr King retired on 19 May 2015

(ii) Mr Spence was appointed on 20 February 2015 and appointed Chairman on 19 May 2015

(iii) Mr Schultz retired on 19 November 2014

(iv) Mr Stirzaker was appointed on 19 November 2014

Equity instruments

Options

Historically options have been issued to directors as part of their remuneration to provide a market linked incentive package. Options are exercisable on a one-for-one basis.

In July 2015, a General Meeting of the Group extended the expiry date of the vested options granted to directors by 6 months to 9 January 2016. In January 2016, all options granted to directors, lapsed unexercised following their expiry.

The table below outlines movements in options during 2016 and the balance held by each director at 30 June 2016:

Name	Grant Date	Number Granted	Fair value per option at grant date	Exercise Price Per Option	Expiry Date	Balance 1 July 2015	Number vested during year	Number exercised during year	Number lapsed during year	Balance 30 June 2016
A King	30 June 2010	400,000	$0.07	$0.09	9 Jan 2016	400,000	-	-	400,000	-
	30 June 2010	400,000	$0.06	$0.25	9 Jan 2016	400,000	-	-	400,000	-
		800,000				**800,000**	**-**	**-**	**800,000**	**-**
T Carstens	30 June 2010	2,500,000	$0.07	$0.09	9 Jan 2016	2,500,000	-	-	2,500,000	-
	30 June 2010	2,500,000	$0.06	$0.25	9 Jan 2016	2,500,000	-	-	2,500,000	-
		5,000,000				**5,000,000**	**-**	**-**	**5,000,000**	**-**
C Bwye	30 June 2010	5,000,000	$0.07	$0.09	9 Jan 2016	3,600,000	-	-	3,600,000	-
	30 June 2010	5,000,000	$0.06	$0.25	9 Jan 2016	5,000,000	-	-	5,000,000	-
		10,000,000				**8,600,000**	**-**	**-**	**8,600,000**	**-**
S Willis	30 June 2010	300,000	$0.07	$0.09	9 Jan 2016	300,000	-	-	300,000	-
	30 June 2010	300,000	$0.06	$0.25	9 Jan 2016	300,000	-	-	300,000	-
		600,000				**600,000**	**-**	**-**	**600,000**	**-**
Total		**16,400,000**				**15,000,000**	**-**	**-**	**15,000,000**	**-**

Performance Rights

The LTIP was introduced during the 2012 financial year with effect from 1 October 2011. Under the plan, the Board may offer performance rights to eligible employees. During the 2016 financial year, performance rights were granted to Senior Executives as part of their 2016 remuneration packages.

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

REMUNERATION REPORT - AUDITED

The table below outlines movements in performance rights during 2016 and the balance held by each Senior Executive at 30 June 2016:

Name	Grant date(i)	Number of performance rights	Fair value of each performance right	Vesting date(ii)	Number vested during year	Number lapsed during year	Balance at end of year
T Carstens	1 October 2012	1,018,273	$0.1490	30 September 2015	-	1,018,273	-
	1 October 2013	1,413,914	$0.2300	30 September 2016	-	-	1,413,914
	1 October 2014	1,799,394	$0.1400	30 September 2017	-	-	1,799,394
	1 October 2015	6,964,806	$0.0380	30 September 2018	-	-	6,964,806
		11,196,387			**-**	**1,018,273**	**10,178,114**
C Bwye	1 October 2012	1,018,273	$0.1490	30 September 2015	-	1,018,273	-
	1 October 2013	1,413,914	$0.2300	30 September 2016	-	-	1,413,914
	1 October 2014	1,799,394	$0.1400	30 September 2017	-	-	1,799,394
	1 October 2015	6,964,806	$0.0380	30 September 2018	-	-	6,964,806
		11,196,387			**-**	**1,018,273**	**10,178,114**
K Balloch	1 October 2012	363,669	$0.1490	30 September 2015	-	363,669	-
	1 October 2013	538,958	$0.2300	30 September 2016	-	-	538,958
	1 October 2014	720,912	$0.1400	30 September 2017	-	-	720,912
	1 October 2015	2,790,387	$0.0380	30 September 2018	-	-	2,790,387
		4,413,926			**-**	**363,669**	**4,050,257**
C Forbes	1 October 2012	400,488	$0.1490	30 September 2015	-	400,488	-
	1 October 2013	660,763	$0.2300	30 September 2016	-	-	660,763
	1 October 2014	900,761	$0.1400	30 September 2017	-	-	900,761
	1 October 2015	4,072,275	$0.0380	30 September 2018	-	-	4,072,275
		6,034,287			**-**	**400,488**	**5,633,799**
A Greyling	1 August 2015	108,731	$0.1400	30 September 2017	-	-	108,731
	1 October 2015	2,511,348	$0.0380	30 September 2018	-	-	2,511,348
		2,620,079			**-**	**-**	**2,620,079**
S Hay	14 January 2013	323,456	$0.1490	30 September 2015	-	323,456	-
	1 October 2013	631,212	$0.2300	30 September 2016	-	-	631,212
	1 October 2014	803,301	$0.1400	30 September 2017	-	-	803,301
	1 October 2015	3,109,289	$0.0380	30 September 2018	-	-	3,109,289
		4,867,258			**-**	**323,456**	**4,543,802**
J Schwarz	1 October 2012	368,051	$0.1490	30 September 2015	-	368,051	-
	1 October 2013	569,026	$0.2300	30 September 2016	-	-	569,026
	1 October 2014	772,582	$0.1400	30 September 2017	-	-	772,582
	1 October 2015	3,685,863	$0.0380	30 September 2018	-	-	3,685,863
		5,395,522			**-**	**368,051**	**5,027,471**
D Vickers	1 October 2012	376,648	$0.1490	30 September 2015	-	376,648	-
	1 October 2013	591,172	$0.2300	30 September 2016	-	-	591,172
	1 October 2014	802,650	$0.1400	30 September 2017	-	-	802,650
	1 October 2015	3,829,314	$0.0380	30 September 2018	-	-	3,829,314
		5,599,784			**-**	**376,648**	**5,223,136**
		51,323,630			**-**	**3,868,858**	**47,454,772**

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

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

Key Management Personnel performance rights movements

	Balance 1 July	Granted	Vested	Lapsed	Balance 30 June
2016					
T Carstens	4,231,581	6,964,806	-	1,018,273	10,178,114
C Bwye	4,231,581	6,964,806	-	1,018,273	10,178,114
K Balloch	1,623,539	2,790,387	-	363,669	4,050,257
C Forbes	1,962,012	4,072,275	-	400,488	5,633,799
A Greyling (i)	-	2,620,079	-	-	2,620,079
S Hay	1,757,969	3,109,289	-	323,456	4,543,802
J Schwarz	1,709,659	3,685,863	-	368,051	5,027,471
D Vickers	1,770,470	3,829,314	-	376,648	5,223,136
	17,286,811	**34,036,819**	**-**	**3,868,858**	**47,454,772**

(i) Mr Greyling was appointed on 1 August 2015

Key Management Personnel shareholdings

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

	Balance 1 July	Options exercised	Vesting of Performance Rights	Purchased	Sold	Balance 30 June
2016						
K Spence	-	-	-	-	-	-
T Carstens	1,228,522	-	-	-	-	1,228,522
C Bwye	1,838,739	-	-	-	-	1,838,739
S Willis	200,000	-	-	-	-	200,000
M Anderson	-	-	-	-	-	-
M Macpherson	-	-	-	-	-	-
M Stirzaker	-	-	-	-	-	-
K Balloch	83,903	-	-	25,045	-	108,948
C Forbes	100,613	-		30,033	-	130,646
A Greyling (i)	-	-	-	1,411,154	-	1,411,154
S Hay	-	-	-	-	-	-
J Schwarz	220,319	-	-	65,766	-	286,085
D Vickers	190,752	-	-	-	-	190,752
	3,862,848	**-**	**-**	**1,531,998**	**-**	**5,394,846**

(ii) Mr Greyling was appointed on 1 August 2015

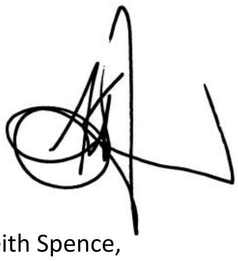
REMUNERATION REPORT - AUDITED

Executive Key Management Personnel employment arrangements

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

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

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



Keith Spence,
Chairman
Dated: 30 August 2016

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 for the financial year ended 30 June 2016 there have been:

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

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

KPMG.

KPMG

Rob Gambitta

Partner

Perth

30 August 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 $000s	2015 $000s
Sales revenue		169,039	145,501
Cost of sales	2	(133,620)	(114,725)
Profit from operations		35,419	30,776
Corporate and external affairs		(11,276)	(10,832)
Community development costs		(3,921)	(3,945)
Selling and distribution costs		(4,114)	(2,391)
Other expenses		(2,731)	(262)
Profit before financing income and income tax		13,377	13,346
Financing costs	3	(34,256)	(29,305)
Loss before income tax		(20,879)	(15,959)
Income tax expense	6	(40)	(80)
Net loss for the year		**(20,919)**	**(16,039)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences - foreign operations		5,336	29,336
Total other comprehensive income / (loss) for the year		5,336	29,336
Total comprehensive (loss) / income for the year		**(15,583)**	**13,297**
Net (Loss) / earnings per share		**Cents**	**Cents**
Basic (loss) / earnings per share (cents per share)	5	(3.41)	(2.85)
Diluted (loss) / earnings per share (cents per share)	5	(3.41)	(2.85)

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	30 June 2016 $000s	30 June 2015 $000s
Current assets			
Cash and cash equivalents	7	36,295	40,906
Restricted cash	8	29,761	-
Trade and other receivables	9	43,544	54,481
Inventories	10	27,962	31,584
Other current assets		5,826	5,853
Total current assets		**143,388**	**132,824**
Non-current assets			
Capitalised exploration and evaluation		1,487	1,432
Property, plant and equipment	11	390,304	420,983
Restricted cash	8	-	6,532
Total non-current assets		**391,791**	**428,947**
Total assets		**535,179**	**561,771**
Current liabilities			
Trade and other payables	12	24,953	21,866
Borrowings	13	61,816	70,057
Provisions	14	1,173	1,239
Deferred revenue	15	1,123	3,248
Other liabilities		887	636
Total current liabilities		**89,952**	**97,046**
Non-current liabilities			
Borrowings	13	196,291	211,812
Provisions	14	28,973	27,313
Deferred revenue	15	3,089	4,082
Total non-current liabilities		**228,353**	**243,207**
Total liabilities		**318,305**	**340,253**
Net assets		**216,874**	**221,518**
Equity			
Issued capital	16	223,548	214,131
Reserves		54,780	49,706
Accumulated losses		(61,454)	(42,319)
Total equity		**216,874**	**221,518**

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

	Issued capital	Accumulated losses	Share based payment reserve	Foreign currency translation reserve	Total
	$000s	$000s	$000s	$000s	$000s
Balance at 1 July 2014	213,669	(26,742)	2,752	13,333	203,012
Loss for the year	-	(16,039)	-	-	(16,039)
Other comprehensive income	-	-	-	29,336	29,336
Total comprehensive income for the year	-	(16,039)	-	29,336	13,297
Transactions with owners, recognised directly in equity					
Share based payments	462	462	4,285	-	5,209
Balance at 30 June 2015	**214,131**	**(42,319)**	**7,037**	**42,669**	**221,518**
Balance at 1 July 2015	214,131	(42,319)	7,037	42,669	221,518
Loss for the year	-	(20,919)	-	-	(20,919)
Other comprehensive income	-	-	-	5,336	5,336
Total comprehensive income for the year	-	(20,919)	-	5,336	(15,583)
Transactions with owners, recognised directly in equity					
Shares issued during the year, net of costs	9,417	-	-	-	9,417
Share based payments	-	1,784	(262)	-	1,522
Balance at 30 June 2016	**223,548**	**(61,454)**	**6,775**	**48,005**	**216,874**

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 $000s	2015 $000s
Cash flows from operating activities			
Receipts from customers		170,765	132,443
Payments in the course of operations		(92,061)	(94,131)
Other		(96)	(98)
Net cash from operating activities	**17**	**78,608**	**38,214**
Cash flows from investing activities			
Purchase of property, plant and equipment		(4,884)	(9,129)
Other		(187)	64
Net cash used in investing activities		**(5,071)**	**(9,065)**
Cash flows from financing activities			
Proceeds from issue of shares		10,100	-
Payment of share issue costs		(683)	-
Proceeds from debt financing		-	26,126
Repayment of borrowings		(31,680)	(14,369)
Net payments to restricted cash (debt service reserve account)		(23,230)	-
Payments for debt service costs and re-scheduling fees		(34,632)	(25,210)
Net cash used in financing activities		**(80,125)**	**(13,453)**
Net (decrease) / increase in cash held		**(6,588)**	**15,696**
Cash at beginning of year		40,906	20,945
Effect of exchange fluctuations on cash held		1,977	4,265
Cash at end of year	**7**	**36,295**	**40,906**

The accompanying notes form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

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 2016 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.

Basis of preparation

<u>Statement of compliance</u>

The consolidated financial statements 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. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board.

The consolidated financial statements were approved by the Board of Directors on 30th August 2016.

<u>Basis of measurement</u>

The financial report has 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.

<u>Financial position</u>

The consolidated financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group held cash on hand and restricted cash (debt service reserve account) as at 30 June 2016 of $66.1 million, net assets of $216.9 million and had a net working capital surplus of $53.4 million, inclusive of $62.8 million of scheduled debt repayments for the Kwale Project Debt Facility and Taurus Debt Facility due in the 2017 financial year. Net cash inflows from operating and investing activities for the year ended 30 June 2016 was $73.5 million.

The parent entity has a working capital deficit of approximately $19.3 million largely due to the Taurus Debt Facility which is due at 31 December 2016, totalling $27.0 million (US$20 million), reduced to $22.7 million (US$17.3 million) subsequent year end, refer to note 13. The positive working capital position at the subsidiary level is not freely transferable to the parent entity due to restrictions under the Kwale Project Debt Facility and as a result, the Group will require additional funding by 31 December 2016.

The Directors consider the going concern basis of preparation to be appropriate based on forecast cash flows. The achievement of the cash flow forecast is dependent upon mineral sands prices, meeting production output and cost forecasts, the receipt of VAT refunds as expected and the successful refinancing or replacement of the Taurus Debt Facility at the parent entity level.

The Group is currently assessing its options to address the outstanding balance of the Taurus Facility at maturity, which include seeking an extension of the facility maturity date, refinancing the facility with another party, raising equity or a combination of these options. However, the Directors have a reasonable expectation that a suitable funding solution can be secured in the required timeframe in light of current market conditions for mineral sands, current operating performance of the project and the past capacity of the Group to obtain funding as required.

Should the Group not secure a suitable funding solution for the Taurus Debt Facility in the required timeframe, there is material uncertainty as to whether the Group will be able to continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report. The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amount and classification of liabilities that might be necessary should the Group not continue as a going concern.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Group's functional currency and all values are rounded to the nearest thousand dollars ($000s) unless otherwise stated. The functional currency for the subsidiaries is United States dollars.

Critical accounting estimates and judgements

The directors make estimates and judgements in the preparation of the financial report that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Impairment of assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. This requires an estimation of the fair value of the cash-generating unit to which the assets are allocated. Estimating the fair value amount requires management to make an estimate of the 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 mineral sands prices, production output and cost forecasts.

Mine closure and rehabilitation obligations

Provision is made for the anticipated costs of future closure and rehabilitation of mining areas. These future cost estimates are discounted to their present value. The calculation of these provision estimates requires assumptions such as application of environmental legislation, plant closure dates, available technologies, engineering cost estimates 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.

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 estimates of short and long-term exchange rates, estimates of short and long-term commodity prices, future capital requirements and future operating performance. Changes in reported reserves and resources estimates can impact the carrying value of property, plant and equipment, intangible assets, 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.

Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by a recognised valuation model, using the assumptions detailed in note 20.

Taxation

Balances related to taxation disclosed in the financial statements and the notes thereto 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. In accordance with

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

the Group's accounting policies for deferred taxes (refer note 1c), 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. The carrying amount of deferred tax assets are set out in note 6.

Construction period VAT receivable

Refer to note 22 for discussion on judgements surrounding recovery of construction period VAT receivable.

Significant accounting policies

(a) 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. A list of controlled entities is contained in note 19 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated 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.

(b) Foreign currency

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 Profit or Loss.

Foreign operations

The assets and liabilities of foreign operations are translated to the functional currency at exchange rates at the reporting date. The income and expenses of foreign operations, are translated to Australian dollars at exchange rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the translation reserve in equity.

(c) Income tax

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

Deferred income tax expense reflects movements in deferred tax asset and deferred tax 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.

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 also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

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.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(d) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment is measured on the historical cost basis. Costs include 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 Comprehensive Income during the financial period in which they are incurred. The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, 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 costs to develop the mine to the production phase. Any ongoing costs associated with mining which are considered to benefit mining operations in future periods are capitalised.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Depreciation

The depreciable amount of all buildings, plant and equipment, but excluding 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.

(e) 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.

(f) Mine development assets

Mine development expenditure relates to costs incurred to access a mineral resource. It represents those costs incurred after the technical feasibility and commercial viability of extracting the mineral resource has been demonstrated and an identified mineral reserve is being prepared for production (but is not yet in production). Exploration and evaluation assets are assessed for impairment prior to their transfer to mine development assets.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Significant factors considered in determining the technical feasibility and commercial viability of the project are the completion of a feasibility study, the existence of sufficient proven and probable reserves to proceed with development and approval by the board of directors to proceed with development of the project.

Mine development expenditure includes:

- Reclassified exploration and evaluation assets;
- Direct costs of construction; and
- An appropriate allocation of overhead and borrowing costs incurred in the construction phase.

Capitalisation of mine development expenditure ceases once the mining property is capable of commercial production, at which point it is transferred to property, plant and equipment, and depreciated (refer note 1(d)).

Any mine development expenditure incurred once a mine property is in production is immediately expensed to the Statement of Comprehensive Income except where it is probable that future economic benefits will flow to the entity, in which case it is capitalised as property, plant and equipment.

(g) Inventories

Inventories of heavy mineral concentrate and finished product are physically measured or estimated and valued at the lower of cost and net realisable value. Cost represents weighted average cost and includes 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 net realisable value. 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.

Net realisable value is the net selling price less all costs still to be incurred in converting the relevant inventory to saleable product.

(h) Mine closure and rehabilitation obligations

Provisions are made for the estimated cost of mine closure and rehabilitation relating to areas disturbed during the mine's operations up to the reporting date but not yet rehabilitated. Provision has been made in full for all the disturbed areas at the reporting date based on current estimates of costs to rehabilitate such areas, discounted to their present value based on expected future cash flows. The estimated costs include the current cost of rehabilitation necessary to meet legislative requirements. Changes in estimates are dealt with on a prospective basis as they arise.

Uncertainty exists as to the amount of rehabilitation obligations which will be incurred due to the impact of changes in environmental legislation, and many other factors, including future developments, changes in technology, price increases and changes in interest rates. The amount of the provision relating to mine closure and rehabilitation obligations is recognised at the commencement of the mining project and/or construction of the assets where a legal or constructive obligation exists at that time.

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. The capitalised cost of this asset is recognised in property, plant and equipment and is amortised over the life of the mine.

At each reporting date the rehabilitation liability is re-measured in line with changes in discount rates, and timing or amounts of the costs to be incurred. Mine closure and rehabilitation provisions are adjusted for changes in estimates. 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. 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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

economic benefits will flow to the entity), other than the unwinding of the discount which is recognised as financing expenses in the Statement of Comprehensive Income. Changes to capitalised cost result in an adjustment to future amortisation charges.

The provisions referred to above do not include any amounts related to remediation costs associated with unforeseen circumstances.

(i) Finance income and expenses

Financing income includes:

- Interest income on cash and cash equivalents.

Interest income is recognised as it accrues using the effective interest rate method.

Financing expenses include:

- Interest on short-term and long-term borrowings;
- Amortisation of ancillary costs incurred in connection with the arrangement of borrowings;
- Finance lease charges; and
- The impact of 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 construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other financing expenses are expensed as incurred.

(j) Leases

Operating Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Leased assets

Assets held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the assets.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

(k) Impairment of assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to Profit or Loss.

(l) 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 and is no longer under the physical control of the Group. 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 some of the Group's sales allow for a price adjustment based on average market prices in the quarter that the product is shipped. Sales revenue for these products is recognised at the estimated fair value of the total consideration received or receivable, which takes into account the latest available market data at the balance date and excludes taxes or duty.

(m) 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 (refer to note 1h for provision for rehabilitation).

(n) 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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.

Other financial liabilities comprise trade and other payables.

(o) Share 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.

(p) Earnings per share

The Group presents basic and diluted earnings per share for its ordinary shares. Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders of the Group by the weighted average number of shares outstanding during the year. Diluted earnings per share is determined by adjusting the earnings attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares which comprise of vested and exercisable share options.

(q) Employee benefits

Short-term benefits payable

Short-term employee benefit 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 short-term incentive plan if the Group has a present legal or constructive obligation to pay this amount as a result of past services by the employee, and the obligation can be estimated reliably.

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 Comprehensive Income when incurred.

Equity-settled Compensation

The Group operates equity-settled, share-based payment, employee share schemes. 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.

(r) Goods and services tax (GST), Value added tax (VAT) and other indirect taxes

Revenues, expenses and assets are recognised net of the amount of indirect taxes, except where the amount of indirect tax incurred is not recoverable from the tax authorities in the relevant jurisdiction. In these circumstances the indirect tax is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of indirect taxes.

Cash flows are presented in the statement of cash flows on a gross basis.

(s) Segment reporting

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Segment information that is evaluated by the Group's senior executives is prepared in conformity with the accounting policies adopted for preparing the consolidated financial statements of the Group.

Segment results that are reported to the Group's senior executives include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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

(t) 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 2016, 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. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 15.

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

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. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 9.

NOTE 2: COST OF SALES

	2016	**2015**
	$000s	**$000s**
Operating costs	69,647	64,684
Changes in inventories of concentrate and finished goods	5,066	(1,903)
Royalties expense	11,845	10,470
Depreciation and amortisation	47,062	41,474
	133,620	**114,725**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3: FINANCING COSTS

	2016 $000s	2015 $000s
Loss on foreign exchange transactions	333	2,366
Interest income	(136)	(270)
Interest expense, inclusive of withholding tax	23,436	18,926
Unwinding of discount on provision for rehabilitation	753	2,117
Amortisation of capitalised borrowing costs	6,931	3,306
Financing expenses	2,939	2,860
	34,256	**29,305**

NOTE 4: AUDITORS' REMUNERATION

	2016 $	2015 $
Audit services		
KPMG Australia		
Audit of financial report	160,000	165,000
Overseas KPMG firms		
Audit services	133,578	102,506
	293,578	**267,506**
Other services		
KPMG Australia		
Tax compliance and advisory services	32,820	43,650
Other services	10,000	10,000
Overseas KPMG firms		
Tax compliance and advisory services	234,423	238,380
	277,243	**292,030**

NOTE 5: EARNINGS / (LOSS) PER SHARE

	2016 $000s	2015 $000s
Loss used to calculate basic / diluted loss per share	**(20,926)**	**(16,039)**
Weighted average number of ordinary shares on issue used in the calculation of basic earnings / (loss) per share	613,140,483	563,224,609
Weighted average number of ordinary shares on issue used in the calculation of diluted earnings / (loss) per share	613,140,483	563,224,609

In 2016, 61,425,061 (2015: 78,025,062) additional weighted average shares were not included in the calculation of diluted earnings per share as they are anti-dilutive.

NOTE 6: INCOME TAX

	2016	2015
	$000s	**$000s**
a. Major components of income tax / (benefit) for the year		
Current income tax		
Income tax (benefit) / expense	40	80
Income tax expense reported in comprehensive income	**40**	**80**
Items related to equity		
Deferred income tax related to items charged or credited directly to equity		
Share issue costs	173	109
Deferred tax asset not recognised	(173)	(109)
	-	**-**

b. Reconciliation of income tax expense to prima facie tax payable

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

	2016	2015
Accounting loss before tax	(20,879)	(15,959)
Prima facie tax on operating loss at 30% (2015: 30%)	(6,264)	(4,788)
Add / (less) tax effect of:		
Non deductible items	2,599	2,439
Unders and overs from prior year	-	-
Share based payments	260	212
Tax losses not recognised	1,236	1,150
Other deferred tax assets not brought to account as realisation not considered probable	1,206	1,646
Tax losses utilised	(4,308)	(5,267)
Other changes in recognised deductible temporary differences	4,319	4,540
Recognition of tax effect of previously unrecognised losses	-	-
Effect of tax rates in foreign jurisdictions	992	148
Income tax attributable to operating loss	**40**	**80**

	2016	2015
c. Deferred tax assets recognised		
Tax losses Kenya	40,802	43,646
Other	1,265	1,611
	42,067	45,257
Deferred tax liabilities recognised		
Property, plant and equipment	(42,067)	(45,257)
Net deferred tax asset recognised	**-**	**-**

	2016 $000s	2015 $000s
d. Deferred tax assets unrecognised		
Deductible temporary differences	747	483
Tax losses Australia	6,683	4,782
Tax losses other	75	67
	7,505	**5,332**

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward have not been brought to account at 30 June 2016 and 2015 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

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

NOTE 7: CASH AND CASH EQUIVALENTS

	2016 $000s	2015 $000s
Cash at bank and in hand	36,295	40,906

NOTE 8: RESTRICTED CASH

	2016 $000s	2015 $000s
Current		
Restricted cash (a)	29,761	-
Non-current		
Restricted cash (b)	-	6,532

a. Current restricted cash

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

b. Non-current restricted cash

Following the rescheduling of the Kwale Project Debt Facility (refer to note 13) the funds placed on deposit, representing a customer performance guarantee, have been released.

NOTE 9: TRADE AND OTHER RECEIVABLES

	2016 $000s	2015 $000s
Current		
Trade receivables	18,246	21,573
VAT receivables	25,198	32,892
Other receivables	100	16
	43,544	**54,481**

NOTE 10: INVENTORIES

	2016 $000s	2015 $000s
Current		
Heavy mineral concentrate and other intermediate stockpiles – at cost	9,054	8,359
Finished goods stockpiles – at cost	6,982	11,860
Stores and consumables – at cost	11,926	11,365
	27,962	**31,584**

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	2016 $000s	2015 $000s
Plant and equipment		
At cost	289,626	277,745
Accumulated depreciation	(67,896)	(38,687)
	221,730	**239,058**
Mine property and development		
At cost	199,259	195,139
Accumulated depreciation	(39,582)	(21,307)
	159,677	**173,832**
Buildings		
At cost	8,596	7,800
Accumulated depreciation	(1,848)	(1,194)
	6,748	**6,606**
Capital work in progress		
At cost	2,149	1,487
Total Property, Plant and Equipment	**390,304**	**420,983**

	Plant & equipment	Mine property and development	Buildings	Capital work in progress	Total
	$000s	$000s	$000s	$000s	$000s
Balance at 1 July 2014	215,375	162,427	5,856	2,495	386,153
Additions	3,441	6,644	122	1,486	11,693
Transfers	2,306	707	-	(3,013)	-
Disposals	(14)	-	-	-	(14)
Reduction in mine rehabilitation asset	-	(1,854)	-	-	(1,854)
Depreciation expense	(26,812)	(17,341)	(591)	-	(44,744)
Effects of movement in foreign exchange	44,762	23,249	1,219	519	69,749
Balance at 30 June 2015	**239,058**	**173,832**	**6,606**	**1,487**	**420,983**
Balance at 1 July 2015	239,058	173,832	6,606	1,487	420,983
Additions	1,587	655	526	2,115	4,883
Transfers	1,480	-	21	(1,501)	-
Disposals	(45)	-	-	-	(45)
Reduction in mine rehabilitation asset	-	(1,100)	-	-	(1,100)
Depreciation expense	(27,994)	(17,781)	(616)	-	(46,391)
Effects of movement in foreign exchange	7,644	4,071	211	48	11,974
Balance at 30 June 2016	**221,730**	**159,677**	**6,748**	**2,149**	**390,304**

NOTE 12: TRADE AND OTHER PAYABLES

	2016	2015
	$000s	$000s
Trade payables and accruals	15,531	16,625
Provision for increase in Government of Kenya royalty (a)	9,422	4,964
	24,953	**21,866**

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 receipt of $23.0 million (US$17.1 million) VAT receivables related to the construction of the project. 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 is 2.5%.

NOTE 13: BORROWINGS

	2016 $000s	2015 $000s
Current		
Kwale Operation Debt Facility (a)	35,859	69,659
Taurus Debt Facility (b)	26,962	-
Capitalised borrowing costs (b)	(4,570)	-
Amortisation of capitalised borrowing costs (b)	3,111	-
Finance lease liabilities	454	398
Total current borrowings	**61,816**	**70,057**
Non-current		
Kwale Operation Debt Facility (a)	207,473	196,826
Taurus Debt Facility (b)	-	26,126
Capitalised borrowing costs (a)	(23,298)	(19,838)
Amortisation of capitalised borrowing costs (a)	11,526	7,686
Finance lease liabilities	590	1,012
Total non-current borrowings	**196,291**	**211,812**
Total borrowings	**258,107**	**281,869**

a. Kwale Operation Debt Facility

In November 2011, the Group entered into Kwale Operation Debt Facility ("**Debt Facility**") for the development and construction of the Kwale Operation. In December 2015, the Debt Facility was rescheduled in order to establish a repayment profile more appropriate to the commodity price environment. Under the terms of the reschedule, US$14 million of the Debt Facility was paid down on execution, with a further US$9.5 million paid down in June 2016, reducing the outstanding debt to US$180.5 million. All tranches of the Debt Facility carry interest rates of LIBOR plus 630 basis points, inclusive of political risk insurance.

Security for the Debt Facility is a fixed and floating charge over all the assets of Base Titanium Limited ("**BTL**") and the shares in BTL held by Base Titanium (Mauritius) Limited ("**BTML**") and Base Resources Limited ("**BRL**") and the shares held in BTML by BRL. In addition, BRL provides a parent guarantee which will remain in place until June 2017, subject to finalising a long term operating licence for the Group's port operations. An additional margin of 25 basis points was applicable until the completion of documentation to perfect the lender security package, which was finalised in June 2016. The remaining tenor of all loan tranches is 4 years.

The weighted average effective interest rate on the facilities at 30 June 2016 is 6.78% (30 June 2015: 6.65%).

All transaction costs directly attributable to securing the project debt facility funding 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.

Subsequent to year end, in July 2016, in accordance with the terms of the Debt Facility, US$10.8 million of surplus cash was 'swept' from BTL. Half of the cash sweep (US$5.4 million) went towards mandatory repayment of the Debt Facility, with the other half distributed up to the Australian parent entity, BRL. The outstanding debt after this repayment was US$175.1 million.

b. Taurus Debt Facility

In December 2014, the Company executed a US$20 million unsecured debt facility with one of its major shareholders, Taurus Funds Management (“**Taurus Facility**”), to provide the funds to satisfy additional liquidity requirements from the Kwale Project Debt Facility reschedule in 2014, and US$5 million in corporate funding. The Taurus Facility has been reclassified from non-current to current borrowings due to the final repayment date of 31 December 2016. All transaction costs directly attributable to securing the project debt facility funding 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.

Subsequent to year end, in July 2016, US$2.7 million of the Taurus Facility was repaid from permitted distributions from the Kwale Project, reducing the outstanding debt to US$17.3 million.

NOTE 14: PROVISIONS

	2016 $000s	2015 $000s
Current		
Employee benefits	1,173	1,212
Income tax liability	-	27
	1,173	**1,239**
Non-current		
Mine closure and rehabilitation	28,914	27,270
Employee benefits	59	43
	28,973	**27,313**

Movement in mine closure and rehabilitation:	2016 $000s	2015 $000s
Balance at 1 July	27,270	21,663
Effects of movement in foreign exchange	872	4,510
Increase / (decrease) in rehabilitation estimate	32	(1,132)
Unwinding of discount	740	2,229
Balance at 30 June	**28,914**	**27,270**

The mine closure and rehabilitation obligations have been recorded initially as a liability at fair value, assuming a risk-free discount rate equivalent to the average of 10 year US Government bonds of 2.59% as at 30 June 2016 (2015: 2.81%) and an inflation factor of 2.13% (2015: 2.35%). Although the ultimate amount to be incurred is uncertain, management has, at 30 June 2016, estimated the asset retirement cost of work completed to date using an expected remaining mine life of 9 years and a total undiscounted estimated cash flow of US$22,168,415 (2015: US$21,389,489). Management’s estimate of the underlying asset retirement costs are independently reviewed by an external consultant on a regular basis for completeness.

NOTE 15: DEFERRED REVENUE

	2016 $000s	2015 $000s
Current		
Deferred revenue	-	2,159
Fee paid on execution of product sales agreement	1,123	1,089
	1,123	3,248
Non-current		
Fee paid on execution of product sales agreement	5,617	5,443
Amortisation of deferred revenue	(2,528)	(1,361)
	3,089	**4,082**

NOTE 16: ISSUED CAPITAL

	2016 $000s	2015 $000s
Ordinary share capital:		
Issued and fully paid	**223,548**	**214,131**

Date	**Number**	**$000s**
1 July 2014	561,840,029	213,669
Performance rights vested under the Group's LTIP	2,062,742	462
30 June 2015	**563,902,771**	**214,131**
1 July 2015	563,902,771	214,131
Renounceable entitlement offer	168,329,185	10,100
Share issue costs	-	(683)
30 June 2016	**732,231,956**	**223,548**

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.

In March 2016, the Group completed a partially underwritten accelerated pro rata renounceable entitlement offer to existing shareholders, which raised gross proceeds of $10.1 million and resulted in the issue of 168,329,185 shares.

a. Performance rights

For information relating to performance rights issued to key management personnel during the financial year, refer to note 21 share-based payments.

NOTE 17: RECONCILIATION OF LOSS AFTER INCOME TAX TO CASH FLOW FROM OPERATIONS

	2016	2015
	$000s	$000s
Loss for the year	(20,919)	(16,039)
Depreciation and amortisation	47,062	41,474
Share based payments	1,520	1,209
Financing costs classified as financing activity	34,256	29,305
Amortisation of deferred revenue	(1,145)	(1,002)
Changes in assets and liabilities:		
Decrease / (increase) in receivables and other assets	11,310	(23,769)
Decrease / (increase) in inventories	3,622	(10,428)
Increase in trade and other payables	2,990	17,412
(Decrease) / increase in provisions	(88)	52
Cash flow from operations	**78,608**	**38,214**

NOTE 18: SEGMENT REPORTING

Identification of reportable segments

The Groups 100% owned Kwale Operation is located in Kenya, approximately 50 kilometres south from the port of Mombasa. The Kwale Operation generates revenue from the sale of rutile, ilmenite and zircon.

Other operations include the Group head office (which includes all corporate expenses that cannot be directly attributed to the Kwale Operation) and exploration activities not directly related to Kwale Operations.

	2016			2015		
Reportable segment	**Kwale Operation**	**Other operations**	**Total**	**Kwale Operation**	**Other operations**	**Total**
	$000s	$000s	$000s	$000s	$000s	$000s
Sales revenue	169,039	-	169,039	145,501	-	145,501
Depreciation and amortisation	(47,062)	(127)	(47,189)	(41,474)	(144)	(41,618)
Financing costs	(27,247)	(7,009)	(34,256)	(26,825)	(2,480)	(29,305)
Reportable loss	(6,363)	(14,556)	(20,919)	(6,029)	(10,010)	(16,039)
Capital Expenditure	4,884	13	4,897	9,129	96	9,225
	As at 30 June 2016			**As at 30 June 2015**		
Total assets	524,505	10,674	535,179	538,362	23,409	561,771
Total liabilities	292,204	26,101	318,305	311,995	28,258	340,253

NOTE 19: RELATED PARTIES

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

KMP compensation:	**2016**	**2015**
	$	**$**
Short-term employment benefits	4,807,605	4,468,681
Post-employment benefits	157,082	125,000
Share-based payments	1,177,900	905,699
Other long term	(6,505)	88,551
	6,136,082	**5,587,931**

The 2016 remuneration packages, excluding STIP bonus, for all KMP's remain unchanged from 2015, in their base currency.

In December 2014, the Group executed a US$20 million unsecured debt facility with one of its major shareholders, Taurus Funds Management (refer to note 13). Mr Anderson, non-executive director of the Group, is a director of Taurus Funds Management.

In March 2016, the Company completed a renounceable entitlement offer underwritten by RFC Ambrian Limited. One the Company's major shareholders, Pacific Road Capital Management Pty Limited ("**Pacific Road**"), was a sub-underwriter to RFC Ambrian Limited, and received a fee of $245,000 for such services. Mr Stirzaker, non-executive director of the Group, is a director of Pacific Road.

NOTE 20: 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 Debt Facility, which entitled Taurus to 61,425,061 unlisted share options over unissued fully paid shares, for nil consideration and exercisable at $0.40, with half being issued at execution and half pro-rata on facility drawdown above US$5 million, which occurred in June 2015.

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

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

Summary of shares under option are as follows:

	Number	Weighted average exercise price
Options outstanding as at 1 July 2014	16,600,000	$0.18
Granted	61,425,061	$0.40
Exercised	-	-
Options outstanding and exercisable as at 30 June 2015	**78,025,061**	**$0.35**
Options outstanding as at 1 July 2015	78,025,061	$0.35
Granted	-	-
Exercised	-	-
Lapsed	(16,600,000)	$0.18
Options outstanding and exercisable as at 30 June 2016	**61,425,061**	**$0.40**

b. Performance rights

Granted performance rights are as follows:

Performance cycle date	KMP	Other employees	Total
1 October 2013	5,818,959	1,699,906	7,518,865
1 October 2014	7,707,725	2,325,748	10,033,473
1 October 2015	33,928,088	11,305,017	45,233,105

Terms of granted performance rights

Performance rights were granted to Senior Executives and other eligible employees under the terms of the LTIP. The LTIP operates on the basis of a series of cycles. Each cycle commences on 1 October and will be followed by a 3 year performance period, with a test date on the 3rd anniversary of the commencement of the Cycle. The LTIP contains performance criteria related to total shareholder return (TSR) to determine the proportion of performance rights which vest, as follows:

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

For any relative TSR performance rights to vest, Base Resources TSR over the three year performance period must rank above the 50th percentile of the TSR achieved by a defined comparator group of companies. If Base Resources TSR ranks at the 50th percentile of the comparator group, 50% of the relative TSR performance rights vest. If Base Resources TSR is above the 75th percentile of the comparator group, 100% of the relative TSR performance rights vest. For achievement between the 50th and 75th percentile, vesting is prorated between 50% and 100%.

For any absolute TSR performance rights to vest, the absolute TSR of Base Resources over the three year performance period must be greater than or equal to 40.5%. If the TSR reaches 40.5%, 25% of the performance rights vest. TSR performance between 40.5% and 60% will result in pro rata vesting between 25% and 50%. If the TSR performance is 100% or more over the period, 100% of the absolute TSR performance rights vest. For TSR performance between 60% and 100%, vesting is prorated between 50% and 100%.

All performance rights are granted for nil consideration.

The fair value of the performance rights granted during the 2016 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 2.15%; no dividend yield; volatility factor of the expected market price of the Company's shares of 70%; and a remaining life of performance rights of 2.88 years. The fair value of the performance rights is recognised over the service period, which commenced on the date of grant of 1 October 2015.

NOTE 21: PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ended 30 June 2016, the parent entity of the consolidated group was Base Resources Limited.

Financial performance of the parent entity	**2016**	**2015**
	$000s	**$000s**
Loss for the year	(9,182)	(9,372)
Total comprehensive loss for the year	**(9,182)**	**(9,372)**

Financial position of the parent entity	**2016**	**2015**
	$000s	**$000s**
Current assets	9,530	23,074
Non-current assets	217,225	197,001
Total assets	**226,755**	**220,075**
Current liabilities	28,760	2,075
Non-current liabilities	59	21,820
Total liabilities	28,819	23,895
Net assets	**197,936**	**196,180**
Issued capital	223,548	214,131
Share-based payment reserve	6,775	7,037
Accumulated losses	(32,387)	(24,988)
Total equity	**197,936**	**196,180**

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 Operation Debt Facility. Refer to note 13 for further details.

NOTE 22: FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks such as:

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

This note presents information about the Group's exposure to each of the above risks.

The Group's financial instruments consist of deposits with banks, accounts receivable and payables. The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

		2016	2015
	Note	$000s	$000s
Financial assets			
Cash and cash equivalents	7	36,295	40,906
Restricted cash	8	29,761	-
Trade and other receivables	9	43,544	54,481
		109,600	**95,387**
Financial liabilities			
Trade and other payables	12	24,953	21,866
Kwale Operation debt facility	13	243,332	266,485
Taurus debt facility	13	26,962	26,126
Finance lease liabilities	13	1,044	1,410
		296,291	**315,887**

Financial risk management policies

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 Board on a regular basis. Financial assets and liabilities of the Group are carried at amortised cost, which approximates fair value.

Commodity price risk

The Group is exposed to commodity price volatility on rutile sales made under contract terms which allow for a retrospective 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 4 to 5 months after the end of each quarter. In accordance with the Group's accounting policy, 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 received or receivable, which takes into account the latest available market data at the balance date.

Rutile sales revenue of $39.3 million is still subject to final market pricing at 30 June 2016 (2015: $35.4 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, in accordance with the accounting policy. If commodity prices increased / decreased by 10%, with all other variables held constant, the Group's after tax loss would have decreased / increased by $3.6 million (2015: $3.3 million).

Interest rate risk

All tranches of the Debt 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 facilities at 30 June 2016 is 6.78% (30 June 2015: 6.65%).

The Taurus Facility has a fixed interest rate of 10% and a loan maturity date of 31 December 2016.

The majority of the Group's cash deposits and restricted cash are held in project accounts with Nedbank Limited at variable interest rates.

	Carrying amount		Realisable / payable within six months	
	2016 $000s	**2015 $000s**	**2016 $000s**	**2015 $000s**
Fixed rate instruments				
Financial assets	-	-	-	-
Financial liabilities	(28,006)	(27,536)	-	-
	(28,006)	**(27,536)**	**-**	**-**
Variable rate instruments				
Financial assets	66,056	40,906	39,895	40,906
Financial liabilities	(243,332)	(266,485)	(20,491)	(32,788)
	(177,276)	**(225,579)**	**19,404**	**8,118**

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.

	2016 $000s	**2016 $000s**	**2015 $000s**	**2015 $000s**
Variable rate instruments ($000s)	**100bp increase**	**100bp decrease**	**100bp increase**	**100bp decrease**
Profit or loss	(1,773)	1,773	(2,256)	2,256
Equity	1,773	(1,773)	2,256	(2,256)

Currency risk

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

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

30 June 2016

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

30 June 2015

In $000s:	AUD	USD	KES	Other	Total A$
Cash and cash equivalents	3	21,805	449	4	22,261
Trade and other receivables	-	-	32,872	-	32,872
Other current assets	-	-	407	-	407
Trade and other payables	(1,719)	(33)	(3,768)	(201)	(5,721)
Borrowings	-	(26,126)	-	-	(26,126)
Net exposure	**(1,716)**	**(4,354)**	**29,960**	**(197)**	**23,693**

The following significant exchange rates applied during the year:

	Average rate		30 June spot rate	
	2016	**2015**	**2016**	**2015**
AUD:USD	0.7283	0.8369	0.7418	0.7655
AUD:KES	74.3449	75.0812	75.1880	74.4678

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 $0.3 million lower / higher (2015: $2.4 million higher / lower).

Credit risk

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

The Group is exposed to counterparty credit risk through sales of mineral sands products under normal terms of trade. Total sales revenue for the year ended 30 June 2016 was $169.0 million (2015: $145.5 million). Major customers who individually accounted for more than 10% of sales revenue contributed approximately 37% (2015: 51%) of sales revenue. These customers represent 0% (2015: 48%) of the trade receivables balance at 30 June 2016.

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

The Group is owed $25.2 million in VAT receivable by the Government of Kenya (Note 9). $23.0 million relates to the period of construction of the Kwale Mineral Sands Project by the Government of Kenya 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:

	2016	2015
	$000s	$000s
Financial assets – cash flow realisable		
Cash and cash equivalents	36,295	40,906
Restricted cash	29,761	6,532
Trade and other receivables	43,544	54,481
Total anticipated inflows	**109,600**	**95,387**

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:

	2016	2015
	$000s	$000s
Australia	8,776	22,420
Kenya	100,822	72,965
Mauritius	2	2
Total	**109,600**	**95,387**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Liquidity risk

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

Financial liability maturity analysis

		Contractual cash flows					
	Carrying amount	**Total**	**2 months or less**	**2 – 12 months**	**1 – 2 years**	**2 – 5 years**	**More than 5 years**
30 June 2016	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**
Trade and other payables	24,953	24,953	15,531	9,422	-	-	-
Kwale Operation Debt Facility	243,332	283,316	-	50,827	77,010	155,479	-
Taurus Debt Facility	26,962	28,340	-	28,340	-	-	-
Finance lease liabilities	1,044	1,166	90	448	538	90	-
	296,291	**337,775**	**15,621**	**89,037**	**77,548**	**155,569**	**-**
30 June 2015							
Trade and other payables	21,866	21,866	16,902	4,964	-	-	-
Kwale Operation Debt Facility	266,485	306,889	-	86,857	80,531	139,501	-
Taurus Debt Facility	26,126	30,117	-	2,656	27,461	-	-
Finance lease liabilities	1,410	1,650	87	434	521	608	-
	315,887	**360,522**	**16,989**	**101,972**	**108,513**	**140,109**	**-**

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.

	2016 $000s	2015 $000s
Cash and cash equivalents	36,295	40,906
Restricted cash	29,761	-
Trade and other receivables	43,544	54,481
Inventories	27,962	31,584
Other current assets	5,826	5,853
Trade and other payables	(24,953)	(21,866)
Borrowings	(61,816)	(70,057)
Provisions	(1,173)	(1,239)
Deferred revenue	(1,123)	(3,248)
Other liabilities	(887)	(636)
Working capital position	**53,436**	**35,778**

NOTE 23: EVENTS AFTER THE REPORTING DATE

Other than the July 2016 accelerated debt repayments made to the Debt Facility and Taurus Facility from surplus cash (refer Note 13), there have been no significant after balance date events at the date of this report.

NOTE 24: COMPANY DETAILS

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

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

DIRECTORS' DECLARATION

1 In the opinion of the directors of Base Resources:

(a) the consolidated financial statements and notes that are set out on pages 35 to 26 and the Remuneration Report in pages 16 to 33 in the Directors' report, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2016 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 2016.

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

Signed in accordance with a resolution of the directors:

Keith Spence
Chairman
DATED at PERTH this 30th day of August 2016

Independent auditor's report to the members of Base Resources Limited

Report on the financial report

We have audited the accompanying financial report of Base Resources Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2016, and 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 ended on that date, notes 1 to 24 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is 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 2016 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Material uncertainty regarding continuation as a going concern

Without modification to our opinion expressed above, we draw attention to the following matter. As a result of the matters set out in the Financial Position note in Note 1, there is a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. 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 responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Base Resources Limited for the year ended 30 June 2016, complies with Section 300A of the *Corporations Act 2001*.

KPMG.

KPMG

Rob Gambitta
Partner

Perth

30 August 2016