BUILDING A UNIQUE MINERAL SANDS COMPANY

ANNUAL REPORT 2019

BASE RESOURCES

Contents

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

The Company's Kwale Operation in Kenya is a consistent and efficient high margin operation. With mine life extension and near mine exploration options being pursued, there is opportunity for further value creation.

The Toliara Project in Madagascar continued to progress with the pre-feasibility study confirming its status as one of the best mineral sands development opportunities in the world. With the definitive feasibility study on track for completion in late 2019, and a planned final investment decision in 2020, the project remains on track to commence production in 2022.

Benefiting from a continued improving price environment and consistent production at Kwale Operations, the Company has achieved strong results during the reporting period. This has enabled Base Resources to become net debt free, establishing a robust financial platform from which to grow the business and create a truly unique mineral sands company.

FY19 Highlights and achievements

US$113.5M

EBITDA

NET DEBT

Free

US$3.8M

INVESTED IN COMMUNITY AND ENVIRONMENT PROGRAMS

2.6:1

KWALE OPERATIONS REVENUE TO COST OF SALES RATIO

0

TOTAL RECORDABLE INJURY FREQUENCY RATE OF ZERO - NO LOST TIME DUE TO INJURY SINCE 2014

TOLIARA PROJECT PRE-FEASIBILITY STUDY COMPLETED

US$671M

NPV_{10}

US$133M

AVERAGE ANNUAL FREE CASH FLOW

Chairman's letter

Dear Shareholders

This was another significant year for Base Resources, with our highly productive Kwale Operation in Kenya continuing to deliver and the world class Toliara Project in Madagascar on schedule to commence operations in 2022. With this high-quality asset portfolio and a track record of excellence in safety and operations, community engagement and environmental stewardship, we are building a truly unique mineral sands company.

Medium and long-term dynamics for our products continue to be encouraging with strong global demand and restricted supply. These market conditions supported steady price improvement for rutile and ilmenite throughout the year while zircon prices stabilised following prior increases. In the longer term, structural supply shortfalls require new projects to be developed in the coming years and present exciting strategic opportunities for Base Resources as an established and experienced mineral sands producer.

Kwale Operations continued to perform well with the Company focusing on maximising mineral recoveries under a high tonnage, low grade regime as the fringes of the Central Dune were mined and the orebody fully depleted. Mining operations were successfully transitioned to the South Dune towards the end of the reporting period - another meticulously planned and executed capital project, and a testament to the capability of the Group's operational and project teams.

Most importantly, the above outcomes were achieved with an uncompromising focus on the safety, health and wellbeing of our employees, contractors and communities. One of the Company's most significant highlights was a Total Recordable Injury Frequency Rate of zero at the end of the financial year, with no medical treatments. The Kwale Operation has not had a lost time injury since February 2014 and our employees and contractors have now worked 17.0 million man-hours lost time injury free. This is a remarkable achievement for any mining operation in any jurisdiction.

Kwale Operations also continued to set a high benchmark in regard to sustainability with over 77,000 trees planted since operations commenced and over 3,000 farmers participating in our agricultural livelihood programs. Significantly, of the 1,141 people employed by Base Resources at Kwale Operations, 98% are now Kenyan nationals with 70% drawn from Kwale County.

Our strong operational performance, combined with a healthy pricing environment, allowed the Company to achieve record revenue of US$209.5 million. This result, along with our low operating costs and focus on efficiency led to EBITDA of US$113.5 million and a net profit after tax of US$39.2 million. Strong cashflow enabled the Company to end the year US$19.2 million net cash positive after repaying US$72.5 million of debt.

The Company remains focused on Kwale mine life extension to maximise value creation for employees, the community, the nation of Kenya and shareholders. A number of mine life extension and near mine exploration options are being pursued and completion of the extended South Dune mining tenure continues to progress. A Mineral Resources estimate for the Kwale North Dune deposit was released in the period with a study phase now underway to assess the economics of potential mine life extension.

In conjunction with delivering excellence at Kwale, the Company made significant progress in development of the Toliara Project in Madagascar, our next major growth opportunity. Following acquisition of the project in January 2018, an accelerated study phase saw the release of the pre-feasibility study (PFS) in March 2019. With a NPV_{10} of US$671 million, annual free cash flow generation of US$133 million and a sector leading average revenue to cost ratio of 3.06, the PFS confirmed our view that the Toliara Project is a world class mineral sands development opportunity.

The Toliara Project is also gaining significant momentum on the ground with 5,500 local men and women registering to qualify for participation in a wide range of training programs including heavy mobile equipment operation, brickmaking, bricklaying and plastering. In addition, 25 local Malagasy apprentices are preparing to temporarily relocate to Kenya to train at our Kwale Operations.

Work on the definitive feasibility study (DFS) commenced during the year and is on target for completion by the end of 2019, ahead of a planned decision to proceed to construction in 2020. Financing arrangements for the Toliara Project development are progressing in parallel with the DFS. If a decision to proceed is approved on this schedule, the project timetable is expected to have the Toliara Project in production by 2022.

In the Toliara Project, we are confident that we have one of the best undeveloped mineral sands assets in the world but, Base Resources remains alert to additional opportunities to further build our portfolio of assets, capitalise on our strengths and build an attractive investment profile.

I believe Base Resources is now very well positioned to create further shareholder value.

Kwale Operations is a consistent and strong cash generator with extensional potential, the Toliara Project is an exciting development opportunity, market conditions are supportive, and we have an outstanding team with a recognised reputation for successful mineral development.

I'd like to thank the Board, our employees, suppliers, local communities and host governments for their steadfast support and commitment. Finally, thank you to you, our shareholders, for your confidence, and patience. We appreciate your ongoing support as we continue to build a truly unique mineral sands company.

K.W. Spence

Keith Spence,
Chair

Dated: 24 August 2019

Year at a glance

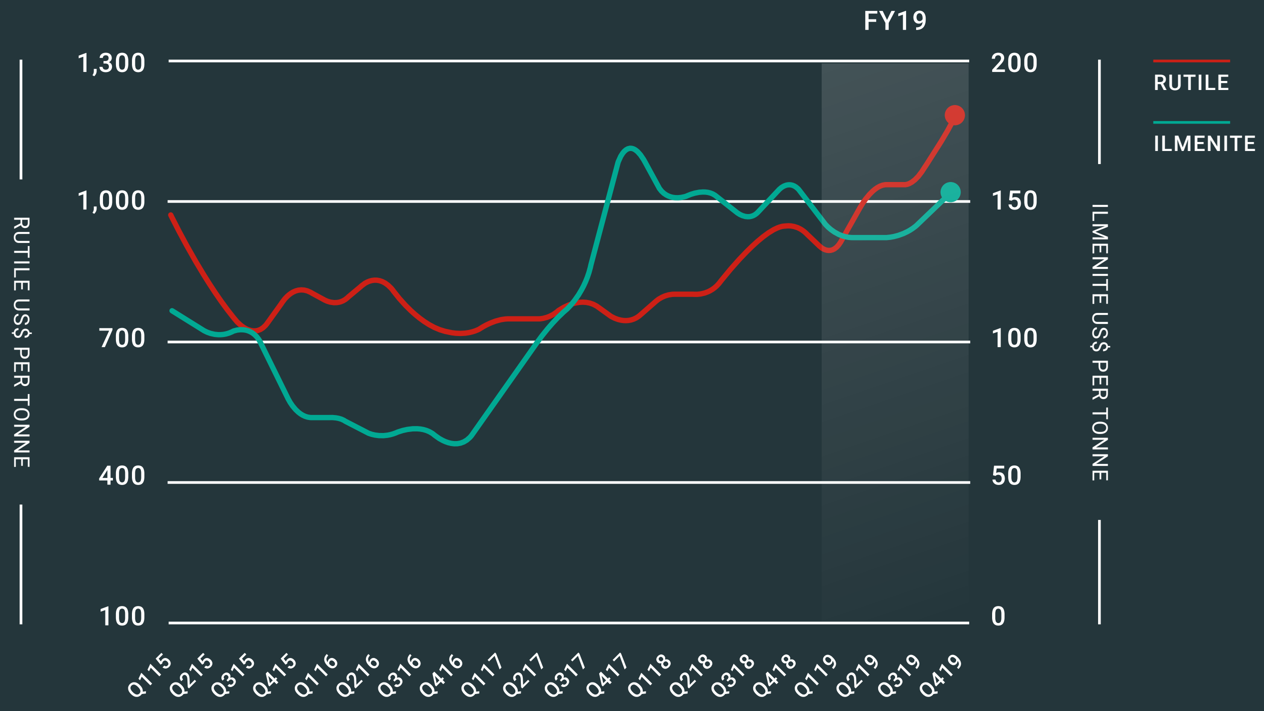
Production

402,698	92,393	31,941
TONNES OF ILMENITE	TONNES OF RUTILE	TONNES OF ZIRCON

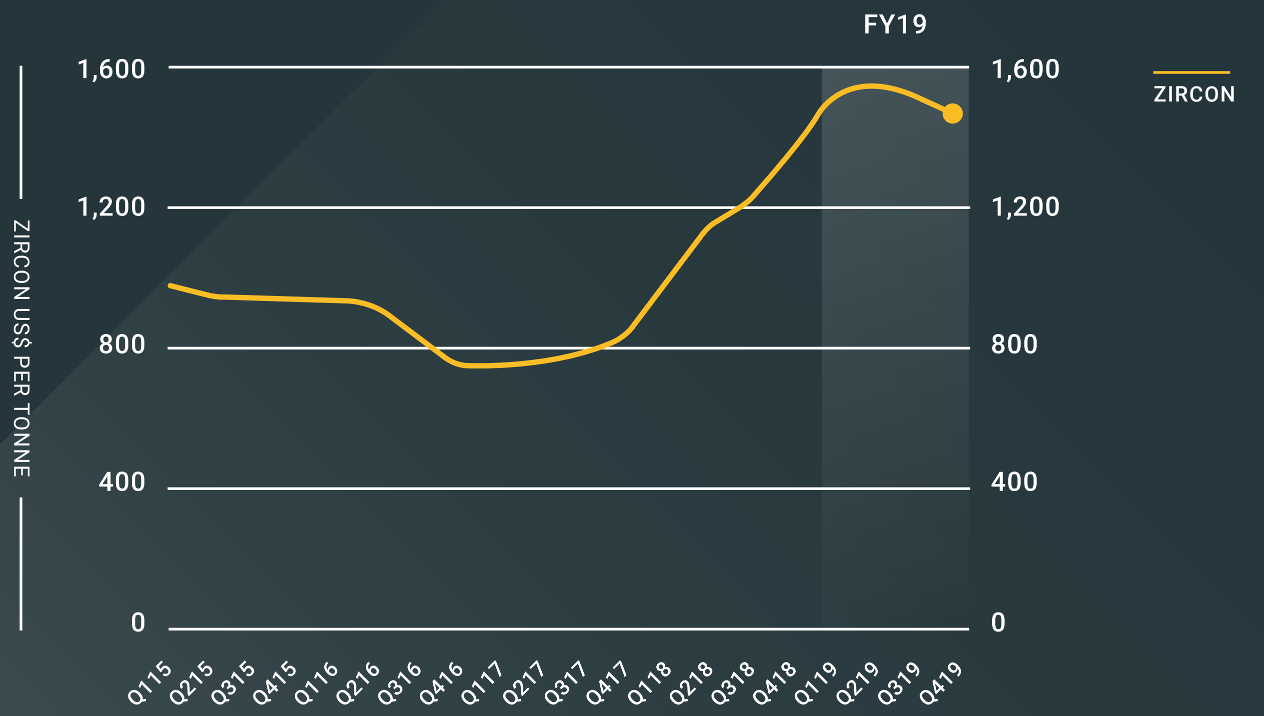
Full year results financial summary

US$M	FY19	FY18
REVENUE	209.5	198.8
EBITDA	113.5	109.3
DEPRECIATION AND AMORTISATION	(52.1)	(47.4)
EBIT	61.4	61.9
FINANCING COSTS	(11.6)	(18.5)
INCOME TAX EXPENSE	(10.7)	(9.4)
NPAT	39.2	34.0
EARNINGS PER SHARE (US CENTS)	3.39	3.66
REVENUE/COST OF SALES RATIO	2.6	2.8

Historical Ilmenite/Rutile prices



Historical Zircon prices



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OPERATING AND FINANCIAL REVIEW

Operations

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

The Kwale Operation is designed to process ore to recover three main products: rutile, ilmenite and zircon. Mining operations are predominantly hydraulic mining, which has proved to be cost effective and well suited to the Kwale deposit. Ore is received at the wet concentrator plant from the mining units via a slurry pipeline. The wet concentrator plant removes slimes, concentrates the valuable heavy minerals with a number of gravity separation steps and rejects most of the non-valuable, lighter gangue minerals to produce a heavy mineral concentrate. The heavy mineral concentrate is then processed in the mineral separation plant which cleans and separates the rutile, ilmenite and zircon minerals into finished products for sale.

Mining

Mining volume increased 57% to 17.8 million tonnes in the reporting period (the year ended 30 June 2019) compared to the comparative period (the year ended 30 June 2018) following implementation of the Kwale Phase 2 (KP2) mine optimisation project in 2018. KP2 aimed to maximise heavy mineral concentrate (HMC) feed to the mineral separation plant (MSP) by increasing mining rates to counter ore grade declines. The average mined ore grade was 3.90%, lower than the comparative period (7.12%) due to mining on the remnant outer fringes of the Central Dune as the ore body was fully depleted in the reporting period. In June 2019, mining operations were successfully transitioned to the South Dune orebody.

Mining and Wet Concentrator Plant (WCP) Performance	2019	2018
Ore mined (tonnes)	17,822,324	11,332,668
Heavy mineral (HM) %	3.90	7.12
WCP heavy mineral concentrate production (tonnes)	644,180	748,081

644,180 tonnes of HMC was produced in the reporting period, lower than the comparative period (748,081 tonnes) due to the lower heavy mineral grade of ore mined. The HMC stockpile decreased to 20,010 tonnes at 30 June 2019 (comparative period: 77,912 tonnes), following the drawdown of stocks during the transition of mining operations to the South Dune orebody.

Processing

Mineral Separation Plant (MSP) Performance	2019	2018
MSP feed (tonnes of heavy mineral concentrate)	702,082	753,801
MSP feed rate (tph)	84	91
MSP recovery %		
Ilmenite	102	100
Rutile	101	100
Zircon	76	77
Production (tonnes)		
Ilmenite	402,698	464,988
Rutile	92,393	91,672
Zircon	31,941	37,157
Zircon low grade	519	1,425

The mineral separation plant continued to maintain high throughput rates for much of the reporting period, though the MSP feed rate was decreased from February 2019 onwards to ensure sufficient HMC stocks were available to allow a continuous feed to the MSP during the June transition of mining to the South Dune orebody. Total heavy mineral concentrate feed in the reporting period was correspondingly lower at 702,082 tonnes (comparative period: 753,801 tonnes).

Due to the reduced MSP feed in the reporting period, production of ilmenite and zircon was lower than the comparative period:

- Ilmenite production was 402,698 tonnes in the reporting period (comparative period: 464,988 tonnes) with production also affected by lower contained ilmenite in the feed.
- Rutile production was 92,393 tonnes in the reporting period (comparative period: 91,672 tonnes) with higher contained rutile in the feed offsetting a reduced feed rate.
- Zircon production was 31,941 tonnes for the reporting period (comparative period: 37,157 tonnes) with production also affected by lower contained zircon in the feed. Production of a low-grade zircon product re-commenced in February 2019 from a previously rejected MSP tailings stream with a contained 519 tonnes produced during the year.

Sales

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

The Company continues its strong market presence in China, the world's largest market for both ilmenite and zircon, with over 390,000 tonnes of ilmenite and over 25,000 tonnes of standard zircon products sold into the Chinese market during the reporting period.

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

Product Sales	2019	2018
Sales (tonnes)		
Ilmenite	395,378	473,549
Rutile	94,070	89,132
Zircon	32,992	36,318
Zircon low grade	334	3,287

Business development

Business development remained a core focus with the Toliara Project significantly progressed and opportunities to extend Kwale Operations mine life pursued.

Toliara Project

The Company completed the acquisition of the Toliara Project in January 2018 and is currently progressing the project through a full study phase. The Toliara Project is founded on the Ranobe deposit, located approximately 50 kilometres north of the regional town of Toliara in south west Madagascar.

An updated Ranobe Mineral Resources estimate was released in the reporting period increasing the contained heavy mineral by 25% to 1.3 billion tonnes at 5.1% heavy mineral.

The release of the pre-feasibility study (PFS) for the Toliara Project confirmed the Company's view that the project is one of the best mineral sands development opportunities in the world. The PFS estimated post-tax/pre-debt (real) NPV_{10} of US$671 million and a sector leading average revenue to cost of sales ratio of 3.06 over the 33-year initial mine life[1]. Other key estimated annual outputs of the PFS are:

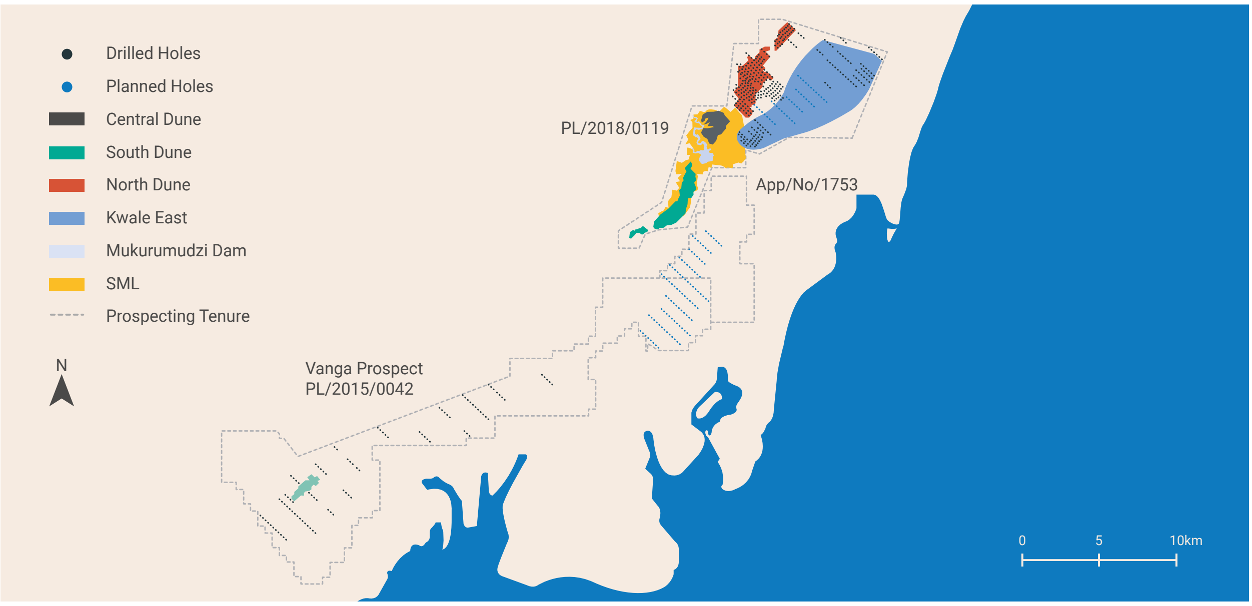
- Production of 806kt ilmenite (sulphate, slag and chloride), 54kt zircon and 8kt rutile.
- Revenue of US$254 million.
- Operating costs of US$77 million or US$82 million incl. 2% royalties.
- EBITDA of US$165 million and NPAT of US$110 million.
- Free cash flow of US$133 million.

A definitive feasibility study (DFS) for the Toliara Project commenced in the reporting period and is on target for completion in late 2019, ahead of a planned decision to proceed to construction in 2020. On this schedule, it could be expected that the Toliara Project would be brought into production in 2022.

Kwale Operations extensional exploration

The Company released the Kwale North Dune Mineral Resources estimate of 171 million tonnes at an average heavy mineral grade of 1.5% in the year. With the expectation that the resource will support modest extensions to Kwale Operations, further drilling has been completed and a study phase has commenced to assess the economics of potential mine life extensions.

Base Resources was granted a prospecting licence for the 136km² Vanga area in December 2018 and exploratory drilling commenced in April 2019. An extension of this prospecting licence was also applied for in the period. Completion of the remaining drilling program in the Kwale East area and the Vanga area remains suspended pending resolution of community access issues. Drill assay results to date have shown potential for some limited extensional economic resource close to the Central Dune (Bumamani), but this remains subject to more detailed evaluation.



1. For further information about the Toliara Project PFS outcomes including key assumptions and risks, refer to Base Resources' market announcement on 21 March 2019 "Toliara Project PFS confirms status as a world-class mineral sands development" available at baseresources.com.au/investor-centre/asx-releases.

Sustainability

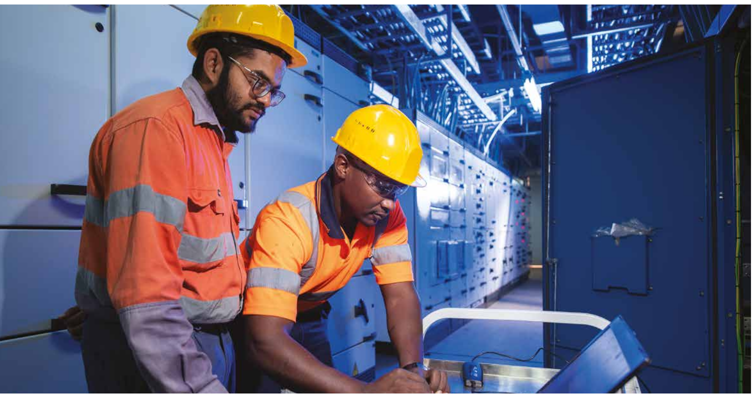
From project development through to operating mines, Base Resources has adopted world-class, inclusive business practices seeking to minimise any negative impacts and maximise positive outcomes of its operations for its employees, its host communities and, more broadly, its host nations.

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

Employees

Safety

Base Resources is committed to safety and has entrenched a best-practice safety culture across all of its operations. This was evidenced by a Company-wide Lost Time Injury Frequency Rate of zero in the reporting period, and with no medical treatment injuries, a Total Recordable Injury Frequency rate of zero. Base Resources employees and contractors have now worked more than 17.0 million man-hours Lost Time Injury free, with the last Lost Time Injury recorded in February 2014.



CASE STUDY

Kwale Operations workforce

Base Resources employee fencing system has proved highly effective at Kwale Operations and, of the 1,141 people employed, 98% are Kenyan with 70% drawn from Kwale County.

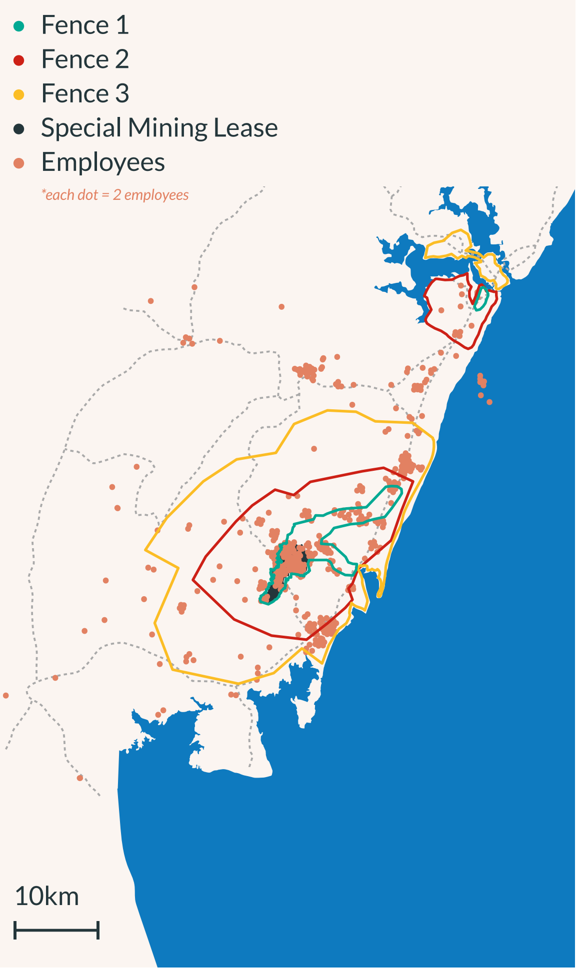
It is expected that the expatriates workforce will be further reduced over the coming years, with a succession program in place to ensure the transfer of specialist skills to Kenyan nationals. A similar approach is being developed in Madagascar for the Toliara Project.

Local employment

Base Resources prioritises the recruitment of local people via a system that is specifically designed to maximise employment opportunities and project benefits for local communities.

Through a 'fencing system', established in consultation with governments and local communities, Base Resources gives preference to those residing in the immediate environs of a mine with progressively lower priority given to those living further away from the mine.

EMPLOYMENT DISTRIBUTION

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Employee engagement

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

In addition to productivity and safety performance, staff turnover and industrial action are key indicators of employee satisfaction and motivation as well as sources of competitive cost advantage. The voluntary staff turnover rate for the year was very low at 1%, down from the prior year's 1.9%. The Kwale Operations have not recorded any industrial action since commencement of operations.

Skills transfer

Base Resources has structured training and skills transfer programs covering on-the-job training for permanent employees, as well as tailored programs for graduates, interns, apprentices and high school students. Implemented in both Kenya and Madagascar, the programs focus not only on employees, but also on building skills capacity in the broader community.

Base Resources invested US$0.6 million in training and development across its operations during the reporting period. This reflects the Company's continued commitment to skills transfer to its Kenyan and Malagasy workforce and the local community.

CASE STUDY

Building a Malagasy workforce

In the reporting period, more than 5,500 men and women from communities surrounding the Toliara Project expressed interest in Base Resources training programs across a range of skills and expertise.

Training has commenced in expertise such as brickmaking, bricklaying and heavy mobile operation and 25 Malagasy apprenticeship candidates commenced English language training programs in Toliara, ahead of travelling to Kenya for technical training in late 2019.

Community

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

Base Resources engages with its local communities in a structured and inclusive manner. Across its operations, the Company has established several committees to act as an interface between the Company, local communities and governments. This is an important tool for managing expectations, addressing grievances or concerns and establishes a mechanism for achieving more participatory and inclusive outcomes. These committees also play a major role in identifying community development priorities.

Through close collaboration with these committees over 150 community programs across Kenya and Madagascar have been developed based around four key pillars:

- Livelihood Programs.
- Community Health.
- Education.
- Community Infrastructure.

More Information on Base Resources' community programs is available at baseresources.com.au.

CASE STUDY
Livelihood programs

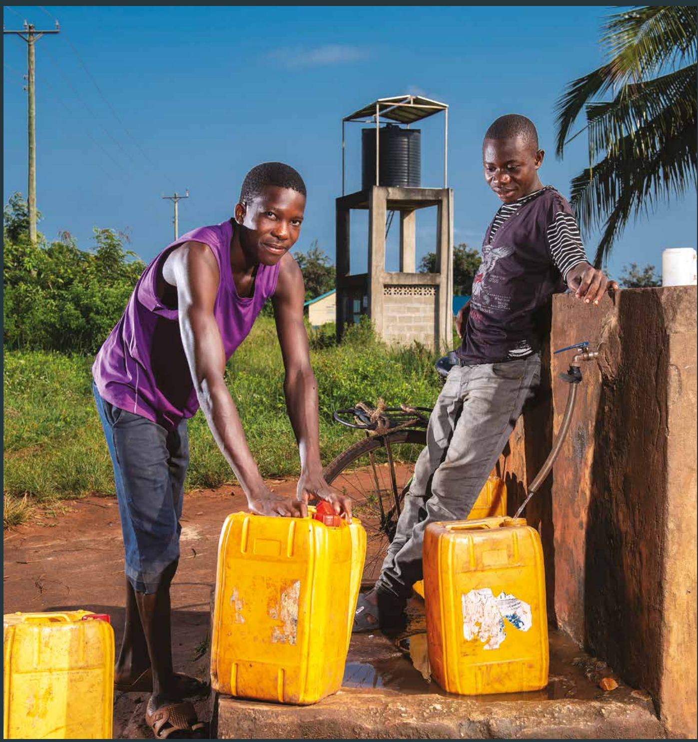
Base Resources livelihood programs support around 3,000 small hold farmers and community groups to establish new agricultural opportunities that will provide economic growth well beyond the life of mining activities.

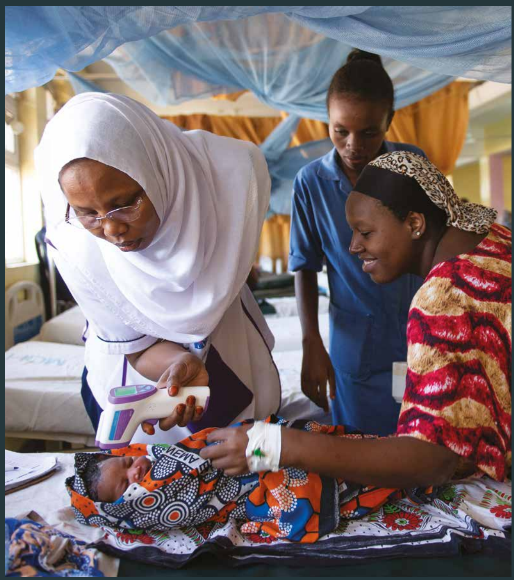
The Kwale Cotton Project supports farmers in Kwale County to plant cotton as an economically sustainable cash crop through a cooperative which is focussed on securing more income for farmers through value addition in the sector. Run in partnership with CottonOn, Business for Development, DEG, FMO and Australia's Department of Foreign Affairs and Trade, the program has proved particularly successful to date growing from an initial 15 farmers in 2014 to over 2,500 participating farmers in 2019.

CASE STUDY
Education

To support continued personal and social improvement through education, Base Resources provides a wide range of merit-based scholarships to secondary and tertiary students. These scholarships fund all academic and school fees for the year.

Base Resources has awarded over 380 secondary school and 170 tertiary scholarships to students living in communities around Kwale Operations in the reporting period.





CASE STUDY
Community infrastructure

Base Resources works with governments and communities to identify infrastructure that will improve living standards such as boreholes and the construction of education and health facilities. Since commencement of operations in Kenya, Base Resources has constructed 16 boreholes, supported the construction of more than 40 schools and supported the construction or expansion of seven health facilities.

In Madagascar, Base Resources has completed three community bore holes to provide clean water to villages surrounding the Toliara Project and is currently working with communities and local authorities to identify suitable land for two new schools and two health facilities. Other projects include rehabilitating irrigation channels and flood protection systems through collaborative job creation schemes with local communities.

CASE STUDY
Community health

Base Resources supports initiatives to improve the quality of, and access to, healthcare facilities in collaboration with local and national government initiatives aimed at improving key health indicators.

Through the Community Health Units, more than 240 Community Health Volunteers were provided with training and resources to cover 46 villages around the Kwale Operation, Base Resources' Likoni port facility and the host resettlement site at Bwiti. The volunteers offer primary health care support to their communities by providing sanitation and hygiene information, family planning information, HIV and STI awareness and by promoting good health practices.

Environment

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

Rehabilitation of the Kwale tailings storage facility external walls continued throughout the period with approximately 10.1 hectares now classified and signed off as fully rehabilitated with demonstrative ecological functioning with visible signs of secondary vegetation growth, biodiversity and low levels of erosion.

Additional area has been re-vegetated but is not yet considered fully rehabilitated. Seeds and topsoil erosion control materials are sourced from local women's groups, thereby providing additional incomes for villages surrounding the mine site.

Across the Company's operations, work continued on several programs to rehabilitate impacted areas, improve local biodiversity, and promote conservation and sustainability. For more information on other environmental programs such as biodiversity corridors, wetland restoration and recycling programs visit baseresources.com.au.

CASE STUDY

Rare and endangered flora propagation research program

Base Resources targets species of conservation interest, particularly local and threatened indigenous plant species, for propagation in its nurseries.

The Kwale Operations nursery has 278 indigenous species represented, and over 107,000 plants have been grown to date. The nursery represents one of the largest of its kind in Africa, with a number of propagated rare species considered to be of high conservation value. 90 of these appear in the IUCN Red List of Threatened Species, as either critically endangered, endangered or vulnerable. The nursery, together with the arboretum established alongside it, function as a training and educational facility for local community projects and visitors.

Markets

With ongoing demand and supply constraints, Base Resources secured strong price gains for rutile and zircon in the reporting period. Ilmenite experienced a modest start to the year before supply tightness triggered solid price improvement.

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

Ilmenite and rutile

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

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

After a solid start to the reporting period the global pigment industry experienced a slowdown in demand in late 2018 as major pigment producers reported that pigment consumers had embarked on a period of de-stocking pigment inventory. While consumption of pigment from these end users remained at good levels, the reduction in inventories had a net negative impact on pigment demand which ultimately led to some pigment producers reducing their production rates. By the end of the reporting period major pigment producers indicated that the de-stocking process had slowed significantly or been completed. Pigment conditions for the rest of 2019 are looking positive with an expectation of ongoing growth.

Conditions within the titanium metal sector improved through the course of the year. A significant and growing backlog of orders with the major aircraft manufacturers has led to a much-improved outlook on titanium metal demand from the aerospace industry.

Supply constraints on high grade titanium feedstocks (which includes rutile) persisted through the reporting period. This is the result of some rutile deposits approaching the end of their life and ongoing production issues at some major rutile operations. Despite the adjustments to pigment production by some western producers, demand for high grade feedstocks from all three end-user segments (pigment, TiO_2 metal and welding) has continued to exceed supply which has resulted in ongoing price gains. The average price for Base Resources rutile in the reporting period was ~25% higher than in the comparative period.

Supply constraints on ilmenite emerged through the course of the year. The bans on the mining and export of mineral sands in the two major producing states in India (Tamil Nadu and Andhra Pradesh) continued and these have been more recently followed up with a separate blanket ban being imposed by the Indian national government on all private mining of mineral sands deposits in India. Vietnamese ilmenite supply has also trended strongly downwards since export quotas expired at the end of calendar year 2018.

Following subdued conditions in the first months of the reporting period, increased pigment production in China, combined with the restrictions on ilmenite supply, resulted in ilmenite prices trending upwards towards the end of the year. While the average price of Base Resources ilmenite was marginally lower than the prior year, ilmenite prices ended the reporting period ~10% higher than the comparative period average. Ongoing supply constraints and firm demand are expected to support a positive market environment for rutile and ilmenite in the coming year.

Zircon

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

Demand for zircon is closely linked to growth in global construction and increasing urbanisation in the developing world. Under normal conditions there is a close link between zircon demand growth and global GDP growth.

After a good start to the period, which saw further strong gains in pricing, the zircon market began to moderate during late 2018. Global trade tensions and economic uncertainties, combined with increased environmental inspections in some of the major zircon consuming regions in China, led to more cautious buying behaviour from consumers and an overall dampening on demand. Following a two-year period of strong quarterly gains, market conditions and prices for zircon stabilised from early 2019 onwards.

The management of supply to suit the conditions from at least one of the major zircon suppliers, and a move to six monthly fixed pricing contracts from a number of major suppliers, provide a solid foundation for ongoing stability in the zircon market. Any return to normal levels of demand growth would likely result in further price improvement as ongoing constrained supply may not be able to keep pace with demand.

Zircon demand from Base Resources' customers remains firm and continues to exceed the Company's ability to supply. The recent trend in market preference for standard zircon compared with premium zircon suits Base Resources' production profile which is currently set at ~85% standard grade and ~15% premium. The average price for Base Resources' standard zircon in the reporting period was ~30% higher than the comparative period.

Corporate

Base Resources achieved a record profit after tax of US$39.2 million for the reporting period compared to US$34.0 millions in the comparative period, driven primarily by higher sales revenues and reduced debt servicing expenses.

	2019				2018			
	Kwale Operation US$000s	Toliara Project US$000s	Other US$000s	Total US$000s	Kwale Operation US$000s	Toliara Project US$000s	Other US$000s	Total US$000s
Sales Revenue	**209,456**	**-**	**-**	**209,456**	**198,810**	**-**	**-**	**198,810**
Cost of goods sold excluding depreciation & amortisation:								
Operating costs	(63,234)	-	-	(63,234)	(56,658)	-	-	(56,658)
Inventory movement	(2,075)	-	-	(2,075)	(2,114)	-	-	(2,114)
Royalties expense	(14,597)	-	-	(14,597)	(13,678)	-	-	(13,678)
Total cost of goods sold (i)	**(79,906)**	**-**	**-**	**(79,906)**	**(72,450)**	**-**	**-**	**(72,450)**
Corporate & external affairs	(4,024)	(249)	(5,859)	(10,132)	(4,312)	(87)	(4,855)	(9,254)
Community development	(3,607)	-	-	(3,607)	(3,000)	-	-	(3,000)
Selling & distribution costs	(2,501)	-	-	(2,501)	(4,056)	-	-	(4,056)
Other income / (expenses)	850	-	(649)	201	28	(704)	(89)	(765)
EBITDA (i)	**120,268**	**(249)**	**(6,508)**	**113,511**	**115,020**	**(791)**	**(4,944)**	**109,285**
Depreciation & amortisation	(51,885)	-	(183)	(52,068)	(47,349)	-	(84)	(47,433)
EBIT (i)	**68,383**	**(249)**	**(6,691)**	**61,443**	**67,671**	**(791)**	**(5,028)**	**61,852**
Net financing expenses	(9,729)	-	(1,826)	(11,555)	(15,929)	-	(2,560)	(18,489)
Income tax expense	(10,735)	-	-	(10,735)	(9,389)	-	-	(9,389)
NPAT (i)	**47,919**	**(249)**	**(8,517)**	**39,153**	**42,353**	**(791)**	**(7,588)**	**33,974**

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

Sales revenue increased 5% to US$209.5 million for the reporting period (comparative period: US$198.8 million), achieving an average price of product sold (rutile, ilmenite, zircon and zircon low grade) of US$401 per tonne (comparative period: US$330 per tonne), with higher average realised prices for rutile and zircon, offset by lower prices for ilmenite. Operating cost per tonne produced was 28% higher at US$120 per tonne for the reporting period (comparative period: US$95 per tonne), due to increased volumes mined following the implementation of the Kwale Phase 2 mine optimisation project. In addition, increased flocculant use on the lower grade ore and increased mine clearing and preparation associated with the higher mining rate following the Kwale Phase 2 upgrade have contributed to the increase in operating costs. Total cost of goods sold, excluding depreciation and amortisation, was US$79.9 million for the reporting period, 10% higher than the comparative period (US$72.5 million) at an average cost of US$153 per tonne of product sold (comparative period: US$120 per tonne), due to higher operating costs and higher royalties associated with increased sales revenue.

With a margin of US$248 per tonne sold for the reporting period, 18% higher than the comparative period (US$210 per tonne) and an achieved revenue to cost of sales ratio of 2.6 (comparative period: 2.8), the Company remains well positioned high in the upper quartile of mineral sands producers.

Improved commodity prices and a continued focus on cost management has delivered a Kwale Operations EBITDA for the reporting period of US$120.3 million, a 5% increase over the comparative period (US$115.0 million) and a Group EBITDA of US$113.5 million, a 4% increase over the comparative period (US$109.3 million).

The majority of Kwale Operation assets are depreciated on a straight-line basis over the remaining mine life. Since the implementation of the Kwale Phase 2 mine optimisation project in March 2018, mining rates have significantly increased to offset declining ore grades and thus the remaining mine life is correspondingly shorter. As a result, depreciation and amortisation has increased 10% in the reporting period to US$52.1 million (comparative period: US$47.4 million). Should the extensional exploration currently underway at Kwale Operations be successful, there is the potential to increase ore reserves and extend mine life, thereby reducing future annual depreciation and amortisation charges.

A 13% increase in net profit after tax of US$47.9 million was recorded by Kwale Operations (comparative period: US$42.4 million) and Group net profit after tax increased by 15% to US$39.2 million (comparative period: US$34.0 million). Basic earnings per share for the Group was 3.39 cents per share (comparative period: 3.66 cents).

Cash flow from operations was US$96.6 million for the reporting period (comparative period: US$117.1 million), lower than Group EBITDA due to working capital movements. The operating cashflows were used to fund capital expenditure at Kwale Operations, Toliara Project progression, as well as debt servicing and repayment.

Total capital expenditure for the Group was US$36.1 million in the reporting period (comparative period: US$35.9 million excluding Toliara Project acquisition costs), including US$11.7 million for the transition of mining operations to the South Dune deposit and US$17.3 million on the progression of the Toliara Project.

Net debt reduction

In October 2018, the US$80.0 million outstanding balance of the Kwale Project Debt Facility was repaid from a combination of cash reserves and utilisation of the Revolving Credit Facility (RCF) following a concurrent increase in the RCF to US$75.0 million. The drawn balance of the RCF increased by $US7.5 million to US$20.0 million in the reporting period. Early retirement of the Kwale Project Debt Facility demonstrates the continued strong performance of Kwale Operations and, together with the increased RCF, provides the Group with additional funding flexibility and reduced debt servicing costs.

During the reporting period, the Group became net cash positive for the first time following a US$52.4 million reduction in net debt from US$33.2 million at 30 June 2018, to a net cash position of US$19.2 million at 30 June 2019. The Group's cash positive position is comprised of cash reserves of US$39.2 million, with the RCF drawn to US$20.0 million. Future cash generation will now be available to contribute to the progression of the Toliara Project.

Kenyan VAT receivable

Base Resources has refund claims for VAT paid in Kenya, relating to both the construction of the Kwale Project and the period since operations commenced, totalling approximately US$24.2 million at 30 June 2019. These claims are proceeding through the Kenya Revenue Authority process, with a number of operational period claims, totalling approximately US$3.5 million, settled during the reporting period. Base Resources is continuing to engage with the Kenyan Treasury and the Kenya Revenue Authority, seeking to expedite the remainder of the refunds.

Resources and Reserves

The 2019 Mineral Resources and Ore Reserves for Base Resources are summarised in the table below together with the 2018 Ore Reserves and Mineral Resources for comparison.

	2019								2018							
	as at 30 June 2019								as at 30 June 2018							
Project	Tonnes	HM	HM	SL	OS	HM Assemblage			Tonnes	HM	HM	SL	OS	HM Assemblage		
						ILM	RUT	ZIR						ILM	RUT	ZIR
	(Mt)	(Mt)	(%)	(%)	(%)	(%)	(%)	(%)	(Mt)	(Mt)	(%)	(%)	(%)	(%)	(%)	(%)
Mineral Resources (Measured + Indicated + Inferred, inclusive of Ore Reserves)																
Kwale	285	6.0	2.1	33	2	52	13	6	134	4.2	3.1	25	2	57	13	6
Ranobe	1,293	66	5.1	6	0	72	2	6	857	53	6.2	4	0	72	2	6
Ore Reserves (Proved + Probable)																
Kwale	62	2.3	3.8	27	3	57	13	6	80	3.1	3.9	26	2	56	13	6

Table subject to rounding differences

Mineral Resources and Ore Reserves estimates in this statement are reported in accordance with the JORC Code (2012 edition). Accordingly, this statement should be read in conjunction with the respective explanatory Mineral Resources and Ore Reserves information included in the following announcements[1] for the relevant deposits:

Deposit		Announcement Title	Estimate date	Release date
Kwale North Dune	Mineral Resources	Mineral Resource for Kwale North Dune deposit	1 May 2019	1 May 2019
Ranobe	Mineral Resources	Updated Ranobe Deposit Mineral Resources (corrected)	23 Jan 2019	23 Jan 2019
2018 Comparatives	Mineral Resources & Ore Reserves	2018 Mineral Resources and Ore Reserves Statement (corrected)	30 Jun 2018	3 Dec 2018
Kwale South Dune Kwale Central Dune	Mineral Resources & Ore Reserves	2017 Kwale Mineral Resources and Ore Reserves Statement	30 Jun 2017	9 Oct 2017

Kwale Deposits

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

Mineral Resources

The 2019 Kwale Mineral Resources, as at 30 June 2019, are estimated to be 285 million tonnes (Mt) at an average heavy mineral (HM) grade of 2.1% for 6.0Mt of contained HM, at a 1% HM cut-off grade. The 2019 Kwale Mineral Resources estimate has increased by 112% for material tonnes and by 43% for contained HM tonnes when compared with the 2018 Kwale Mineral Resources estimate due to the addition of the Kwale North Dune Mineral Resources, partially offset by mining depletion of the Kwale Central Dune.

The Kwale Central Dune Mineral Resources were fully depleted by mining during the year. At 30 June 2018, they were estimated to be 20Mt at an average HM grade of 3.9% for 0.8Mt of contained HM.

The South Dune Mineral Resources at 30 June 2019 are unchanged from the 30 June 2018 estimate. Following transition of mining operations from the Kwale Central Dune to the South Dune, mining of the deposit only commenced on 26 June 2019, resulting in negligible material mined (0.1Mt) during the year, with this depletion having no effect on the reported Mineral Resources estimate due to rounding to two significant figures. Also on the basis of rounding methodology, the Kwale South Dune Inferred Resources will no longer be reported.

The North Dune Mineral Resources at 30 June 2019 are unchanged from the 1 May 2019 estimate.

1. Refer to ASX announcements available at baseresources.com.au/investor-centre/asx-releases.

Table 2: 2019 Kwale Mineral Resources estimate compared with the 2018 estimate.

	2019								2018							
	as at 30 June 2019								as at 30 June 2018							
Category	**Tonnes**	**HM**	**HM**	**SL**	**OS**	**HM Assemblage**			**Tonnes**	**HM**	**HM**	**SL**	**OS**	**HM Assemblage**		
						ILM	**RUT**	**ZIR**						**ILM**	**RUT**	**ZIR**
	(Mt)	**(Mt)**	**(%)**	**(%)**	**(%)**	**(%)**	**(%)**	**(%)**	**(Mt)**	**(Mt)**	**(%)**	**(%)**	**(%)**	**(%)**	**(%)**	**(%)**
Kwale Central Dune																
Measured	-	-	-	-	-	-	-	-	13	0.6	4.1	24	1	57	14	6
Indicated	-	-	-	-	-	-	-	-	7	0.2	3.4	25	2	57	14	6
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**20**	**0.8**	**3.9**	**24**	**1**	**57**	**14**	**6**
Kwale South Dune																
Measured	81	2.6	3.2	25	1	59	14	6	81	2.6	3.2	25	1	59	14	6
Indicated	33	0.8	2.5	26	7	52	12	6	33	0.8	2.5	26	7	52	12	6
Inferred	-	-	-	-	-	-	-	-	0.2	0.003	1.5	27	7	48	13	7
Total	**114**	**3.5**	**3.0**	**25**	**3**	**56**	**13**	**6**	**114**	**3.5**	**3.0**	**25**	**3**	**56**	**13**	**6**
Kwale North Dune																
Indicated	136	2.1	1.5	38	2	45	12	5								
Inferred	34	0.5	1.4	36	3	46	13	6				N/A				
Total	**171**	**2.6**	**1.5**	**38**	**2**	**45**	**12**	**5**								
Total Kwale Mineral Resources																
Measured	81	2.6	3.2	25	1	59	14	6	94	3.2	3.4	25	1	59	14	6
Indicated	169	2.9	1.7	36	3	47	12	5	40	1.1	2.7	26	6	53	13	6
Inferred	34	0.5	1.4	36	3	46	13	6	0.2	0.003	1.3	27	7	54	15	7
Total	**285**	**6.0**	**2.1**	**33**	**2**	**52**	**13**	**6**	**134**	**4.2**	**3.1**	**25**	**2**	**57**	**13**	**6**

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

Ore Reserves

Contained within the Kwale Mineral Resources are the Kwale Ore Reserves, estimated as at 30 June 2019 to be 62Mt at an average HM grade of 3.8% for 2.3Mt of contained HM. The 2019 Kwale Ore Reserves estimate represents a decrease of 22% in total ore tonnes and 26% in contained HM tonnes over the previously reported 2018 Kwale Ore Reserves estimate due to mining depletion.

The Kwale Central Dune Ore Reserves were fully depleted by mining during the year. At 30 June 2018 they were estimated to be 18Mt at an average HM grade of 4.0% for 0.7Mt of contained HM.

The South Dune Ore Reserves at 30 June 2019 are unchanged from the 30 June 2018 estimate. Following the transition of mining operations from the Kwale Central Dune to the South Dune, mining of the deposit only commenced on 26 June 2019, resulting in negligible ore mined (0.1Mt) during the year, with this depletion having no effect on the reported Ore Reserves estimate due to rounding to two significant figures. Mining tenure arrangements continue to progress with the Kenyan Ministry of Petroleum and Mining as a precursor to an anticipated updated South Dune Ore Reserve based on the expanded 2017 Kwale South Dune Mineral Resources estimate as announced on 4th October 2017.

No Ore Reserves estimate has been completed for the Kwale North Dune deposit. A study phase is currently underway to assess the potential for this deposit to support mine life extension.

Table 3: The 2019 Kwale Ore Reserves estimate compared with the 2018 estimate.

	2019								2018							
	as at 30 June 2019								as at 30 June 2018							
Project	**Tonnes**	**HM**	**HM**	**SL**	**OS**	**HM Assemblage**			**Tonnes**	**HM**	**HM**	**SL**	**OS**	**HM Assemblage**		
						ILM	**RUT**	**ZIR**						**ILM**	**RUT**	**ZIR**
	(Mt)	**(Mt)**	**(%)**	**(%)**	**(%)**	**(%)**	**(%)**	**(%)**	**(Mt)**	**(Mt)**	**(%)**	**(%)**	**(%)**	**(%)**	**(%)**	**(%)**
Kwale Central Dune																
Proved	-	-	-	-	-	-	-	-	13	0.6	4.3	23	0	57	14	6
Probable	-	-	-	-	-	-	-	-	5	0.2	3.5	25	1	57	14	6
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**18**	**0.7**	**4.0**	**24**	**1**	**57**	**14**	**6**
Kwale South Dune																
Proved	39	1.6	4.0	27	1	59	14	6	39	1.6	4.0	27	1	59	14	6
Probable	23	0.8	3.3	26	5	53	13	6	23	0.8	3.3	26	5	53	13	6
Total	**62**	**2.3**	**3.8**	**27**	**3**	**57**	**13**	**6**	**62**	**2.3**	**3.8**	**27**	**3**	**57**	**13**	**6**
Total Kwale Ore Reserves																
Proved	39	1.6	4.0	27	1	59	14	6	52	2.1	4.1	26	1	58	14	6
Probable	23	0.8	3.3	26	5	53	13	6	28	0.9	3.4	26	4	54	13	6
Total	**62**	**2.3**	**3.8**	**27**	**3**	**57**	**13**	**6**	**80**	**3.1**	**3.9**	**26**	**2**	**56**	**13**	**6**

Table subject to rounding differences.

Ranobe Deposit

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

Mineral Resources

The 2019 Ranobe Mineral Resources are estimated to be 1,293Mt at an average HM grade of 5.1% for 66Mt of contained HM, based on a 1.5% HM cut-off grade.

Table 4: The 2019 Ranobe Mineral Resources estimate at a 1.5% HM cut-off.

	2019								2018							
	as at 30 June 2019								as at 30 June 2018							
Category	**Material**	**In Situ HM**	**HM**	**SL**	**OS**	**HM Assemblage**			**Material**	**In Situ HM**	**HM**	**SL**	**OS**	**HM Assemblage**		
						ILM	**RUT***	**ZIR**						**ILM**	**RUT**	**ZIR**
	(Mt)	**(Mt)**	**(%)**	**(%)**	**(%)**	**(%)**	**(%)**	**(%)**	**(Mt)**	**(Mt)**	**(%)**	**(%)**	**(%)**	**(%)**	**(%)**	**(%)**
2019 Ranobe Mineral Resources																
Measured	419	28	6.6	4	0	75	2	6	Data not previously reported @ 1.5% cut-off grade							
Indicated	375	18	4.9	8	1	72	2	6								
Inferred	499	20	3.9	7	1	70	2	5								
Total	**1,293**	**66**	**5.1**	**6**	**0**	**72**	**2**	**6**								

Table subject to rounding differences, resources estimated at a 1.5% HM cut-off grade.
**RUT reported in the table is rutile + leucoxene mineral species.*

For comparison to previously reported Mineral Resources estimates, the 2019 Ranobe Mineral Resources at a 3% HM cut-off grade are estimated to be 1,021Mt at an average HM grade of 5.8%, containing 59Mt of in-situ heavy mineral.

Table 5: The 2019 Ranobe Mineral Resources estimates at a 3% HM cut-off compared with the 2018 estimate.

	2019								2018							
	as at 30 June 2019								as at 30 June 2018							
Category	**Material**	**In Situ HM**	**HM**	**SL**	**OS**	**HM Assemblage**			**Material**	**In Situ HM**	**HM**	**SL**	**OS**	**HM Assemblage**		
						ILM	**RUT***	**ZIR**						**ILM**	**RUT***	**ZIR**
	(Mt)	**(Mt)**	**(%)**	**(%)**	**(%)**	**(%)**	**(%)**	**(%)**	**(Mt)**	**(Mt)**	**(%)**	**(%)**	**(%)**	**(%)**	**(%)**	**(%)**
2019 Ranobe Mineral Resources																
Measured	398	27	6.8	4	0	75	2	6	282	20	7.2	4	0	72	2	6
Indicated	306	17	5.5	6	0	72	2	6	330	21	6.2	4	0	72	2	6
Inferred	318	15	4.8	6	1	70	2	5	245	12	5.0	5	1	71	1	5
Total	**1,021**	**59**	**5.8**	**5**	**0**	**73**	**2**	**6**	**857**	**53**	**6.2**	**4**	**0**	**72**	**2**	**6**

Table subject to rounding differences, resources estimated at a 3% HM cut-off grade.
**RUT reported in the table is rutile + leucoxene mineral species.*

Ore Reserves

No Ore Reserves estimate has yet been completed for the Ranobe deposit. An Ore Reserves estimate will be completed and incorporated into the Toliara Project definitive feasibility study which is in progress.

Mineral Resources and Ore Reserves Governance

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

Mineral Resources

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

Ore Reserves

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

Competent Person Statements

The 2019 Mineral Resources and Ore Reserves Statement has been approved by the following competent persons, as detailed below:

Mineral Resources – Kwale Central and South Dune Deposits

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

Mineral Resources – Kwale North Dune Deposit

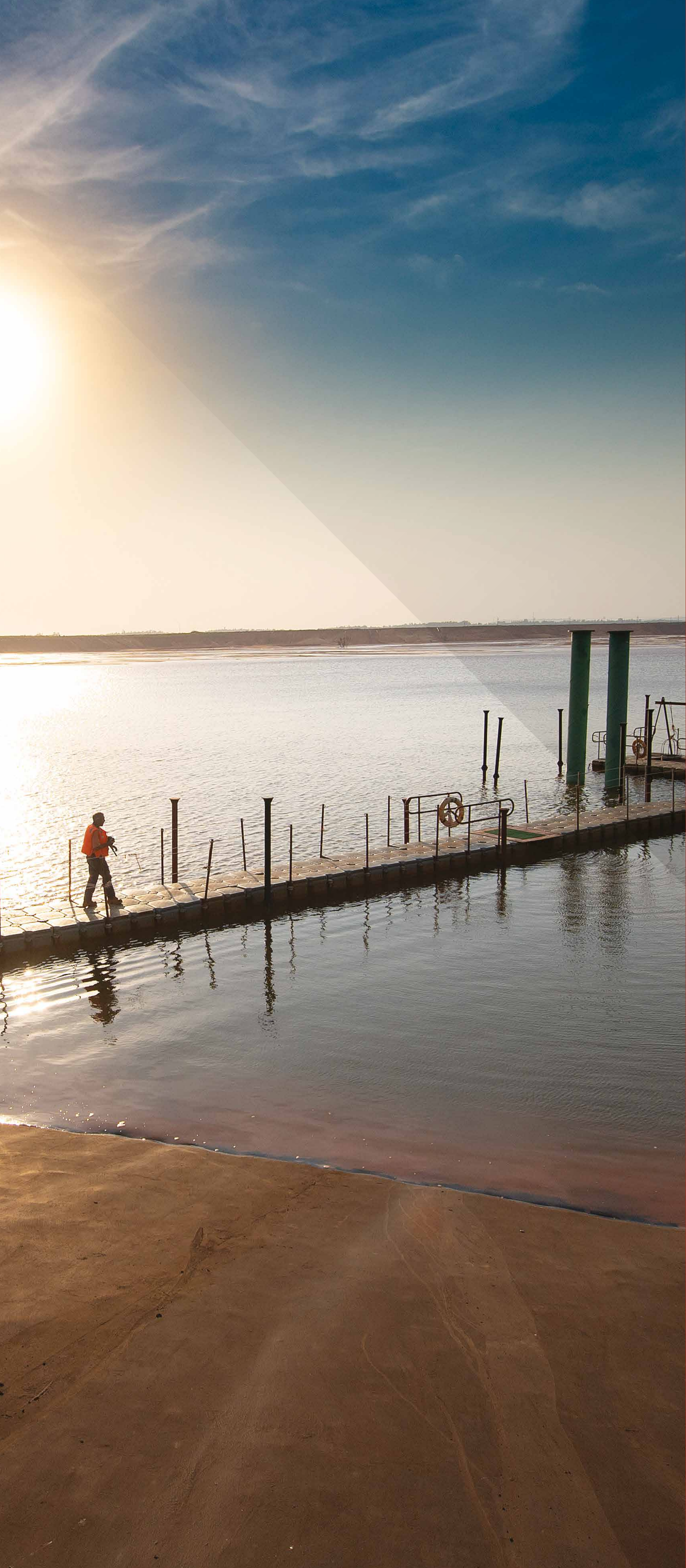
The information in this report that relates to Kwale North Dune Deposit Mineral Resources is based on, and fairly represents, information and supporting documentation prepared by Mr. Greg Jones, who acts as Consultant Geologist for Base Resources and is employed by IHC Robbins. Mr. Jones is a Member of the Australasian Institute of Mining and Metallurgy and has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) and as qualified person for the purposes of the AIM Rules for Companies. Mr. Jones has reviewed this report and consents to the inclusion in this report of the Kwale North Dune Deposit Mineral Resources estimate and supporting information in the form and context in which it appears.

Ore Reserves – Kwale Central and South Dune Deposits

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

Mineral Resources – Ranobe Deposit

The information in this report that relates to the Ranobe Deposit Mineral Resources is based on, and fairly represents, information and supporting documentation prepared by Mr. Greg Jones, who acts as Consultant Geologist for Base Resources and is employed by IHC Robbins. Mr. Jones is a Member of the Australasian Institute of Mining and Metallurgy and has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) and as a qualified person for the purposes of the AIM Rules for Companies. Mr. Jones has reviewed this report and consents to the inclusion in this report of the Ranobe Deposit Mineral Resources estimates and supporting information in the form and context in which it appears.



DIRECTORS' REPORT

Directors' Report

Your directors present their report, together with the financial statements of the Group, being the Company, Base Resources Limited, and its controlled entities for the financial year ended 30 June 2019 (the reporting period) compared with the year ended 30 June 2018 (the comparative period).

Directors

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

Mr Keith Spence	*Mr Malcolm Macpherson*
Mr Tim Carstens	*Mr Mike Stirzaker*
Mr Colin Bwye	*Ms Diane Radley*
Mr Samuel Willis	

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

Company Secretary

Mr Chadwick Poletti held the position of company secretary during the financial year.

Principal activities and significant changes in nature of activities

The principal activity of the Group is the operation of the Kwale Mineral Sands Operation (Kwale Operation) in Kenya and the development of the Toliara Project in Madagascar which the Group is progressing through an accelerated feasibility study program, that aims to advance toward a decision to proceed to construction in 2020.

Operating results

The Group recorded a profit after tax of US$39,153,000 for the reporting period (2018: US$33,974,000).

Dividends paid or recommended

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

Significant changes in state of affairs

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

After balance date events

There have been no significant events since the reporting date.

Future developments, prospects and business strategies

Base Resources strategy is to continue to pursue mine life extension at the Kwale Operation through exploration and develop the Toliara Project ahead of a decision to proceed with construction in 2020.

Information on Directors

Mr Keith Spence	Non-Executive Chair
Qualifications:	BSc (Geophysics) (Hons), FAIM
Appointed:	20 February 2015 (Appointed as Non-Executive Chair on 19 May 2015)
Experience:	Mr Spence has over 40 years' experience in managing and governing oil and gas operations in Australia, Papua New Guinea, the Netherlands and Africa. A geologist and geophysicist by training, Mr Spence commenced his career as an exploration geologist with Woodside in 1977. He subsequently joined Shell (Development) Australia, where he worked for 18 years. In 1998, he left Shell to join Woodside. He retired from Woodside in 2008 after a 14-year tenure in top executive positions in the company, including Chief Operating Officer and Acting Chief Executive Officer. Upon his retirement he took up several board positions, including Clough Limited, where he served as Chair from 2010 to 2013, Geodynamics Limited where he served as a non-executive Director from 2008 to 2016 (including as Chair from 2010 to 2016) and Oil Search Limited, where he served as a non-executive Director from 2012 to 2017.
Special responsibilities:	Chair of the Board; Chair of the Remuneration & Nomination Committee; member of the Risk Committee; member of the Audit Committee
Other current public company directorships:	Independence Group NL (since 2014); Murray and Roberts Holdings Ltd (since 2015); Santos Limited (Chair, since 2018)
Past public company directorships held over the last three years:	Geodynamics Limited (now ReNu Energy Limited) (resigned 2016); Oil Search Limited (resigned 2017)

Mr Tim Carstens	Managing Director
Qualifications:	BCom
Appointed:	5 May 2008
Experience:	Mr Carstens is an experienced mining executive, with a career spanning more than 20 years in senior resources-sector roles, both in Australia and overseas, with Perilya Limited, North Limited, Robe River Iron Associates, Iron Ore Company of Canada and St Barbara Mines Limited. He has strong experience in all aspects of business strategy development and implementation, acquisitions and divestments, debt and equity financing, organisational development and operational performance. He has been Managing Director of Base Resources since the Company's inception in May 2008. Mr Carstens is also the Chair of the Australia-Africa Minerals and Energy Group (AAMEG), the peak body representing Australian companies engaged in the development of Africa's resource industry.
Special responsibilities:	Managing Director
Other current public company directorships:	Nil
Past public company directorships held over the last three years:	Nil

Mr Colin Bwye	Executive Director – Operations & Development
Qualifications:	BEng (Hons)
Appointed:	12 July 2010
Experience:	Mr Bwye has over 30 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
Other current public company directorships:	Nil
Past public company directorships held over the last three years:	Nil

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, Executive Recruitment and Leadership). Mr Willis provides Base Resources with in excess of 20 years' experience and expertise in capital markets, corporate finance and executive board involvement with emerging small and mid-cap companies. Mr Willis previously held roles as managing director of oil and gas explorer and developer New Standard Energy Limited and as non-executive director of Elixir Petroleum Limited.
Special responsibilities:	Chair of the Audit Committee; member of the Remuneration & Nomination Committee; member of the Risk Committee.
Other current public company directorships:	Nil
Past public company directorships held over the last three years:	New Standard Energy Limited (retired 2016); Elixir Petroleum Limited (resigned 2017)

Mr Michael Stirzaker	Non-Executive Director
Qualifications:	BCom, ACA
Appointed:	19 November 2014 (previously acting as an alternate since November 2011)
Experience:	Mr Stirzaker has over 30 years' commercial experience, mainly in mining finance and mining investment. He began his career in Sydney as a Chartered Accountant with KPMG, having obtained a Bachelor of Commerce from the University of Cape Town. He moved into investment banking with Wardley James Capel (part of the HSBC Group) and then Kleinwort Benson Limited in London. From 1993 to 2007 he was part of the natural resource advisory and investment firm, RFC Group Limited, where he became Joint Managing Director. He has also been a shareholder and Director of Tennant Metals Pty. Limited, a privately owned physical metal trader and investor, and was the Finance Director of Finders Resources Limited, an ASX listed company producing copper in Indonesia. In 2010, Mr Stirzaker joined the private equity mining fund manager, Pacific Road Capital Management as a partner. The Pacific Road Resources Fund II is a major shareholder of Base Resources, with Mr Stirzaker appointed as its nominee on the Base Resources Board. Mr Stirzaker is also a non-executive director on the Boards of Prodigy Gold NL and Firestone Diamonds PLC.
Special responsibilities:	Member of the Remuneration & Nomination Committee
Other current public company directorships:	Prodigy Gold NL (since 2018); Firestone Diamonds PLC (since 2019)
Past public company directorships held over the last three years:	Nil

Mr Malcolm Macpherson	Non-Executive Director
Qualifications:	B.Sc. FAusIMM, FTSE
Appointed:	25 July 2013
Experience:	Mr Macpherson is an accomplished business leader, with decades of experience in the global mining industry at executive management and board level. Mr Macpherson spent 25 years from 1974 at Iluka Resources, 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 Chair 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:	Chair of the Risk Committee; member of the Remuneration & Nomination Committee; member of the Audit Committee
Other current public company directorships:	Nil
Past public company directorships held over the last three years:	Nil

Ms Diane Radley	Non-Executive Director
Qualifications:	BComm BCompt (Hons), CA(SA), MBA, AMP (Harvard)
Appointed:	1 February 2018
Experience:	Ms Radley has over 25 years' experience in senior leadership roles across multiple industries, most recently in financial services and investments. She served as CFO at Allied Electronics Corporation (JSE), Group Finance Director at Old Mutual South Africa, and CEO of Old Mutual Investment Group. Prior to this, she advised on a variety of transactions, listings and due diligences for large corporate acquirers and private equity funds in her role as Partner-in-charge of Transaction Services at PricewaterhouseCoopers in South Africa. Ms Radley is currently a non-executive director of Murray & Roberts Holdings Ltd (JSE), Transaction Capital Ltd (JSE) and a trustee of the DG Murray Trust.
Special responsibilities:	Member of the Risk Committee; member of the Audit Committee
Other current public company directorships:	Murray & Roberts Holdings Ltd (since 2017); Transaction Capital Ltd (since 2018)
Past public company directorships held over the last three years:	Nil

Mr Chadwick Poletti	Company Secretary
Qualifications:	LLB (Hons), BCom
Appointed:	19 May 2015
Experience:	Mr Poletti is a practising lawyer and holds a Bachelor of Commerce majoring in Finance and Accounting. Mr Poletti has broad experience in advising directors of listed public companies in relation to directors' duties, the Corporations Act, the ASX Listing Rules, the AIM Rules for Companies and corporate governance. Prior to joining Base Resources, Mr Poletti was a senior associate at international law firm, Ashurst, where he specialised in both domestic and cross-border regulated and unregulated mergers and acquisitions, including takeovers and schemes of arrangement, capital raisings and corporate advisory and governance.

Meetings of directors

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

	Directors' Meetings		Audit Committee		Remuneration & Nominations Committee		Risk Committee	
	Meetings held while a director	Meetings attended	Meetings held while a committee member	Meetings attended	Meetings held while a committee member	Meetings attended	Meetings held while a committee member	Meetings attended
Keith Spence	8	8	4	4	4	4	4	3
Tim Carstens	8	8	-	-	-	-	-	-
Colin Bwye	8	8	-	-	-	-	-	-
Samuel Willis	8	8	4	4	4	4	4	4
Malcolm Macpherson	8	8	4	4	4	4	4	4
Michael Stirzaker	8	8	-	-	4	4	-	-
Diane Radley	8	8	4	4	-	-	4	4

Indemnifying officers

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

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

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

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

Options

On 31 December 2018, 61,425,061 options lapsed unexercised following their expiry.

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 2019:

	2019 US$	2018 US$
KPMG Australia		
Taxation services	49,769	59,491
Other services	7,330	8,727
Overseas KPMG firms		
Taxation services	218,183	68,728

Auditor's independence declaration

The lead auditor's independence declaration for the year ended 30 June 2019 has been received and can be found on page 66 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 Instrument, 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 2019. 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 Senior Executives considered to be KMP's are those who are members of the Group's strategic planning team. The Executive Directors and executive management listed in the table below are collectively defined as the Senior Executives for the purposes of this report.

Name	Position
Senior Executives	
T Carstens	Managing Director
C Bwye	Executive Director - Operations & Development
K Balloch	Chief Financial Officer
A Greyling	General Manager - Project Development
S Hay	General Manager - Marketing
C Poletti	General Counsel and Company Secretary
Non-Executive Directors	
K Spence	Chair
S Willis	Director
M Macpherson	Director
M Stirzaker	Director
D Radley	Director

Role of the Remuneration & Nomination Committee

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

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

Services from remuneration consultants

The Remuneration & Nomination Committee engaged BDO Remuneration and Reward to provide market data relating to the remuneration packages of the Group's Senior Executives to assist the Committee in assessing the positioning and competitiveness of current remuneration packages.

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

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

Total fees paid to BDO for services during the year ended 30 June 2019 were A$23,100.

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.
- Comply with applicable legal requirements and appropriate standards of governance.

Key principles of Senior Executive remuneration

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

Questions and answers about Senior Executive remuneration:

Remuneration mix

What is the balance between fixed and at-risk remuneration?

The mix of fixed and at-risk remuneration varies depending on the organisational level of executives, and also depends on the performance of the Group and individual executives. More senior positions have a greater proportion of their remuneration at-risk.

For all executives, it is possible that no at-risk remuneration will be earned and that fixed remuneration will represent 100 per cent of total remuneration.

If target at-risk remuneration is earned, the proportion of total remuneration represented by fixed and at-risk remuneration would be:

- Executive Directors (includes Managing Director): 36% fixed and 64% at-risk.
- Other Senior Executives: 53% fixed and 47% at-risk.

Fixed remuneration

What is included in fixed remuneration?

TFR includes a base salary, inclusive of superannuation. Allowances and other benefits may be provided and are as agreed, including leased motor vehicles and additional superannuation, provided that no extra cost is incurred by the Group.

When and how is fixed remuneration reviewed?

TFR is reviewed annually. Any adjustments to the TFR for the Executive Directors must be approved by the Board after recommendation by the Remuneration & Nomination Committee. The Executive Directors determine the TFR of other Senior Executives within specified guidelines approved by the Board, subject to final approval by the Remuneration and Nomination Committee. The Group seeks to position fixed remuneration at the 50th market percentile of salaries for comparable companies within the mining industry with which the Group competes for talent and equity investment, utilising datasets and specific advice provided by independent remuneration consultants.

Short Term Incentive Plan (STIP)

What is the STIP?

The STIP is the cash component of at-risk remuneration, payable based on a mix of Group and individual annual performance standards.

Why does the Board consider the STIP is appropriate?

At-risk remuneration strengthens the link between pay and performance. The purpose of these programs is to reward executives for annual performance relative to expectations of their role accountabilities, required behaviours and KPI's as well as delivery of annual business plans and priorities. A reward structure that provides at-risk remuneration is also necessary as a competitive remuneration package in the Australian and global marketplace for executives.

Does the STIP take into account different levels of performance compared to objectives?

The size of any STIP payment is linked to the extent of achievement. Levels of performance required for target levels of STIP are set such that they are challenging but achievable.

Required performance levels for each performance criteria are set at three levels being:

- Threshold - a performance level that is below optimal but nevertheless acceptable. It is the minimum for which a small STIP award would be payable. The STIP is designed such that there is an 80% probability the executive will achieve or exceed this level of achievement.
- Target - a performance level that represents a challenging but achievable level of performance. The STIP is designed such that there is a 50% to 60% probability the executive will achieve or exceed this level of achievement.
- Stretch - a performance level that is clearly at the upper limit of what may be achievable. The STIP is designed such that there is a 10% to 20% probability the executive will achieve or exceed this level of achievement.

The probabilities of achievement are set at these levels such that, over time, awards approximately equal to the target level would become payable, assuming performance to role. The achievement of this target level of award would support the 75th market percentile TRP policy objective for executives.

What are the performance criteria?

Performance criteria are assigned for both individual and Group performance. Performance criteria may change from year to year.

For Executive Directors and other Senior Executives, 50% of the STIP is attached to individual performance criteria and 50% to corporate performance criteria.

Reflecting the importance attached to role clarity within Base Resources, individual performance criteria are drawn directly from the role accountabilities in the participant's role description. Each performance criteria is allocated a weighting that reflects the relative importance of that performance criteria for the year.

Corporate performance criteria are set at the commencement of each financial year and are usually derived from the annual operating plan and may vary from time to time to include other aspects of performance for which there is shared accountability and which the Group wishes to emphasise.

The target corporate performance criteria for the 2019 financial year were:

- Budgeted group EBITDA, assuming fixed AUD:USD exchange rate and the inclusion of only 25% of variances in actual sales prices against budgeted prices, reflecting a limited measure of management control over product pricing outcomes.
- Achievement of a fully funded decision to proceed to construction on the Toliara Project by 31 March 2020, unless extended by the Board in its absolute discretion.

Where budgeted group EBITDA is used as the basis for the target corporate performance, the Remuneration & Nomination Committee will set the performance criteria for the year (i.e. the "Threshold", "Target" and "Stretch" performance ranges) on the basis of an assessment of the degree of challenge represented by the particular year's budget. Consequently, these ranges may change from year to year. This approach is designed to ensure the appropriate degree of challenge in both budgets committed to and STIP.

Is there an overriding financial performance or other conditions?

For each year, a gate or gates may be determined by the Board. The gate may be a minimum level of earnings for the Group or a safety performance threshold that must be achieved for any awards to become payable under the STIP.

Irrespective of whether a gate is achieved, the Board retains the absolute discretion to increase or decrease awards. 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 2019 financial year:

- No workplace fatalities.
- No major reputational or environmental events.

What is the value of the STIP award opportunity?

Executive Directors have a target STIP opportunity of 60% of TFR, with a minimum opportunity (if only threshold level is met) of 20% of TFR and a maximum opportunity (if the stretch targets are achieved) of 100% of TFR. With effect from 1 July 2019, the target STIP opportunity for Executive Directors has been reduced to 50% of TFR and the maximum opportunity has been reduced to 80% 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% of TFR 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 75^{th} market percentile TRP market positioning.

How is the STIP assessed?

Individual performance criteria - are assessed using a performance rating scale. In making the assessment in respect of a particular area of accountability, consideration is given to the extent to which the behaviours and performance indicators identified in the role description have been modelled and observed. This assessment is undertaken by the participant’s manager and then signed-off by the manager-once-removed. In the case of the Executive Directors, the assessment is undertaken by the Remuneration & Nomination Committee and approved by the Board. Specific outcomes during the 2019 financial year relevant to STIP awards have included:

- The successful ramp up and optimisation post completion of the Kwale Phase 2 mine optimisation project.
- The continued consistent performance of Kwale operations.
- Successful transition of mining operations to Kwale South Dune.
- Tight control of operating costs.
- Maintenance of high safety standards.
- Securing of additional exploration tenure at Kwale and execution of planned exploration drilling.
- Establishment of the Base Toliara organisation, building community and government support and establishing capacity building programs.
- Delivery of a high quality Toliara Project Pre-Feasibility Study.

Corporate performance criteria – the Board determines the extent to which each corporate performance criteria has been achieved.

Long Term Incentive Plan (LTIP)

What is the LTIP?

The LTIP is the equity component of at-risk remuneration and is linked to the Group's Total Shareholder Return (TSR) performance over a 3 year period.

The LTIP aims to reward participants for Base Resources' TSR performance, both relative to its peer group and in absolute terms.

How often are LTIP awards made?

The LTIP operates on the basis of a series of cycles. Each cycle commences on 1 October and is followed by a 3 year performance period, with a test date on the 3rd anniversary of commencement of the cycle.

Why does the Board consider a LTIP is appropriate?

The Group believes that a well designed LTIP can:

- Attract executives with the required capability.
- Retain key talent.
- Maintain a stable leadership team.
- Explicitly align and link the interests of the Base Resources leadership team and shareholders.

What types of equity may be granted under the LTIP?

Performance rights are granted under the Base Resources LTIP. Performance rights are a right granted to acquire one share in Base Resources, subject to satisfying the specified performance criteria (outlined below).

A participant is not entitled to participate in or receive any dividends or other shareholder benefits until the performance right has vested and a share has been allocated and transferred to the participant.

What is the value of the LTIP award opportunity?

Executive Directors are awarded performance rights worth 120% of TFR. Other Senior Executives are awarded performance rights worth 60% of TFR. The LTIP performance criteria are designed to target 50% vesting of awarded performance rights over time.

These award opportunities and target vesting outcome are set based on external advice to achieve the remuneration policy intent of 75% market percentile TRP market positioning.

What are the LTIP performance criteria?

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

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

The Board considers that TSR is an appropriate performance hurdle because it ensures that a proportion of each participant's remuneration is explicitly linked to shareholder value and ensures that participants only receive a benefit where there is a corresponding direct benefit to shareholders. The blend of absolute and relative performance rights is considered to mitigate the weaknesses of those measures in isolation.

Relative TSR performance rights

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

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

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

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

Absolute TSR performance rights

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

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

The number of performance rights granted for the cycle commencing 1 October 2018 is by reference to the 20-day volume weighted average price (VWAP) of A$0.2480 per share (A$0.2891 for cycle commencing 1 October 2017 and A$0.1529 for cycle commencing 1 October 2016). In order to achieve 100% vesting for the cycle commencing 1 October 2018, a 30-day VWAP of A$0.4290 or greater would be required (A$0.5001 for cycle commencing 1 October 2017 and A$0.2645 for cycle commencing 1 October 2016) at the conclusion of the 3-year performance period.

What is the comparator group?

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

Companies	LTIP Cycle Commencing 1 October 2018	2017	2016
Aeon Metals Limited	✓		
Alacer Group Corp.	✓	✓	
Alderan Resources Limited		✓	
Alkane Resources Limited		✓	✓
Altura Mining Limited	✓	✓	✓
Argosy Minerals Limited	✓	✓	
Artemis Resources Limited		✓	
Atlas Iron Limited	✓	✓	
Atrum Coal NL			✓
Aurelia Metals Limited	✓		
Avanco Resources Limited		✓	✓
AVZ Minerals Limited	✓	✓	
Bathurst Resources Limited	✓	✓	
Beadell Resources Limited		✓	✓
Berkeley Energia Limited		✓	✓
Blackham Resources Limited			✓
Blue Energy Limited		✓	
Brockman Mining Limited			✓
Cardinal Resources Limited		✓	✓
Champion Iron Limited	✓	✓	
CI Resources Limited		✓	✓
Copper Mountain Mining Corp	✓		
CuDeco Limited			✓
Dacian Gold Limited	✓	✓	✓
Danakali Limited	✓	✓	
Dome Gold Mines Limited			
Doray Minerals Limited			✓
Eastern Goldfields Limited			✓
Energy Resources of Australia Limited	✓	✓	✓
Finders Resources Limited	✓	✓	✓
Flinders Mines Limited	✓	✓	
Galaxy Resources Limited	✓		✓
Gascoyne Resources Limited		✓	✓
Global Geoscience Limited	✓	✓	
Gold Road Resources Limited	✓	✓	✓
Grange Resources Limited	✓	✓	✓
Havilah Resources Limited			✓
Heron Resources Limited		✓	
Highfield Resources Limited	✓	✓	✓
Jupiter Mines Limited	✓		
Kangaroo Resources Limited	✓		
Kidman Resources Limited	✓	✓	✓

Companies	LTIP Cycle Commencing 1 October 2018	2017	2016
Lucapa Diamond Company Limited			✓
Lynas Corporation Limited	✓		✓
Magnis Resources Limited	✓	✓	✓
Medusa Mining Limited			✓
Metals X Limited	✓	✓	✓
Metro Mining Limited	✓	✓	
Millennium Minerals Limited	✓		✓
Mineral Deposits Limited		✓	
Mount Gibson Iron Limited	✓	✓	✓
Neometals Limited		✓	✓
New Century Resources Limited	✓	✓	
Nickel Mines Limited	✓		
OM Holdings Limited		✓	
Orocobre Limited	✓		✓
Paladin Energy Limited	✓		✓
Panoramic Resources Limited	✓		
Pantoro Limited		✓	✓
Perseus Mining Limited	✓	✓	✓
Pilbara Minerals Limited			✓
Ramelius Resources Limited	✓	✓	✓
Rand Mining Limited		✓	✓
Range International Limited			✓
Realm Resources Limited		✓	
Resolute Mining Limited	✓	✓	
Sandfire Resources NL		✓	✓
Sheffield Resources Limited	✓		
Silver Lake Resources Ltd	✓	✓	✓
Stanmore Coal Limited	✓		✓
Syrah Resources Limited	✓		
Tawana Resources NL	✓		
Teranga Gold Corporation			✓
Terracom Limited	✓		
Terramin Australia Limited	✓	✓	✓
Tribune Resources Limited	✓	✓	✓
Troy Resources Limited			✓
Tungsten Mining NL	✓		
West African Resources Limited	✓	✓	✓
West Gold Resources Limited	✓	✓	
Western Areas Limited	✓	✓	✓
Yancoal Australia Limited			✓
Zimplats Holdings Limited	✓	✓	✓

Was a grant made in 2019?

Performance rights were granted to eligible participants in the LTIP for the cycle commencing 1 October 2018. The number of performance rights granted for each executive was calculated by reference to the VWAP on the twenty trading days up to the start of the cycle, being A$0.2480 per share, and the LTIP award opportunity.

What happens to performance rights granted under the LTIP when a participant ceases employment?

Where a participant ceases to be employed by a Group member (and is not immediately employed by another Group member) for any reason other than a qualifying reason, all unvested performance rights of that participant are automatically forfeited.

Where a participant ceases to be employed by a Group member because of a qualifying reason, then the Board must determine, in its absolute discretion, the number of unvested performance rights of a participant (if any) that will remain on foot and become capable of vesting in accordance with LTIP rules.

The Board will generally exercise its discretion in the following manner:

- Performance rights granted in the cycle beginning on the 1 October immediately prior to the participant ceasing to be employed by a Group member are automatically forfeited.
- All other performance rights will continue to be held by the participant and will be tested for vesting on the test date for the relevant performance right.

Qualifying reasons include but are not limited to death, total and permanent disablement, retirement or redundancy.

What happens in the event of a change of control?

Subject to the Board determining otherwise, if a change of control event occurs then a test date arises on the date that the change of control event occurs with the Board to test the extent to which the performance criteria have been satisfied:

- On the basis of the offer price of the relevant transaction.
- In the case of absolute TSR performance rights, reducing the percentage TSR performance hurdle pro rata to the unexpired portion of the performance period as at the date the change in control event occurs.

Do shares granted upon vesting of performance rights dilute existing shareholders' equity?

Shares allocated to the participants in the LTIP upon vesting of performance rights may be satisfied by the Group issuing shares to the plan trustee or purchases by the plan trustee on market. In the event the Group issues shares to the plan trustee to satisfy the vesting of performance rights then shareholders' pre-existing equity will be diluted.

Does the Group have a policy in relation to hedging at-risk remuneration?

A participant in the LTIP must not enter into an arrangement if the arrangement would have the effect of limiting the exposure of the participant to risk relating to performance rights that have not vested.

Did any performance rights vest in 2019?

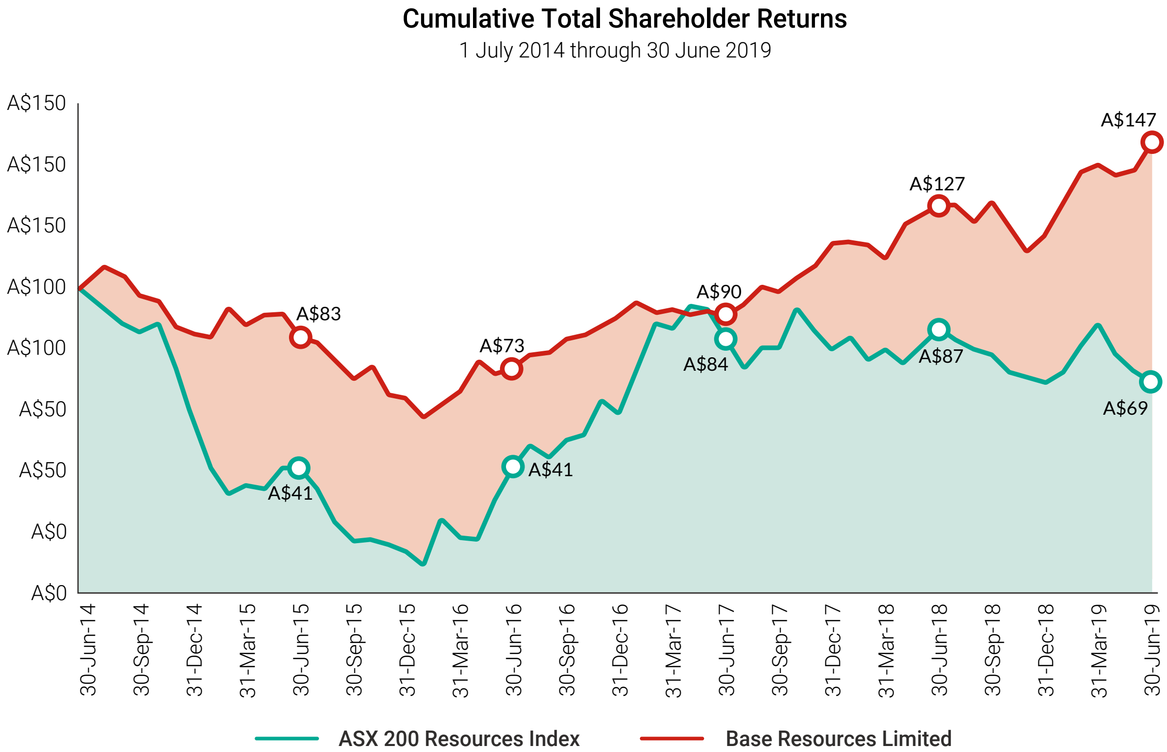
All 45,748,431 of the 45,748,431 performance rights granted under the LTIP for the cycle commencing 1 October 2015 vested. These rights completed the 3 year performance period on 30 September 2018, with vesting as follows:

- **Relative TSR performance rights**
  Base Resources TSR over the performance period placed it in the 96th percentile, resulting in 100% of the relative performance rights vesting.
- **Absolute TSR performance rights**
  Base Resources TSR over the performance period, by reference to a final VWAP of A$0.256, equated to a TSR of 340%, resulting in 100% of the absolute performance rights vesting.

Shares issued to the participants in the LTIP upon the vesting of the above performance rights were satisfied through a combination the Company issuing shares and ordinary shares previously acquired on market by the Base Resources Long Term Incentive Plan Trust.

Group performance and its link to shareholder return

The following graph compares the change in the cumulative TSR of Base Resources' shares during the period 1 July 2014 to 30 June 2019, against the cumulative total return of the ASX 200 Resources Index over the same period. The graph illustrates the cumulative return from Base Resources over the past five years, assuming A$100 was invested. No dividends have been declared during this period.



Executive remuneration outcomes for 2019

Total Fixed Remuneration (TFR)

The Company seeks to ensure that executive remuneration is market competitive, easy to understand and can be clearly communicated to executives and shareholders. A comprehensive market benchmarking of senior executive remuneration was completed during the year. By reference to this benchmarking, and being mindful of the need to retain our key employees in a competitive market as the Company grows, the Board approved the following increases in TFR for:

- Tim Carstens from A$509,000 to A$580,000 reflecting market movements and seeking to achieve the Company's remuneration policy positioning intent of the 50th percentile for TFR.
- Colin Bwye from A$509,000 to A$580,000 reflecting market movements and seeking to achieve the Company's remuneration policy positioning intent of the 50th percentile for TFR.
- Kevin Balloch from A$395,000 to A$407,000 inflationary adjustment.
- Andre Greyling from A$350,000 to A$385,000 recognising the increased scope of the role compared with benchmark.
- Stephen Hay from A$415,350 to A$427,811 inflationary adjustment.
- Chadwick Poletti from A$325,000 to A$355,000 recognising the increased scope of the role compared with benchmark.

Short Term Incentives (STI)

At the end of the 2019 financial year, a review of the performance of each Senior Executive was undertaken against each of their 2019 individual performance measures as explained above. The 2019 financial year corporate performance was measured against two equally weighted criteria: financial performance and achievement of the Toliara Project FID by 31 March 2020 (unless extended by the Board in its absolute discretion). The financial performance achieved was between threshold and target performance levels, and incentives are payable in relation to this component commensurate with the performance level achieved. The achievement of the FID will be assessed when it occurs. STIP entitlements earned for 2019 performance are paid in the 2020 financial year.

The following table outlines the STI that was earned in comparison with the target STI for the 2019 financial year:

	Target STI			STI Awarded		
		Corporate performance			Corporate performance	
Name	Individual performance %	Financial performance %	Toliara Project FID %	Individual performance %	Financial performance %	Toliara (i) Project FID
T Carstens	30	15	15	36	11	yet to be assessed
C Bwye	30	15	15	36	11	yet to be assessed
K Balloch	15	7.5	7.5	20	6	yet to be assessed
A Greyling	15	7.5	7.5	21	6	yet to be assessed
S Hay	15	7.5	7.5	20	6	yet to be assessed
C Poletti	15	7.5	7.5	25	6	yet to be assessed

(i) 50% of corporate performance relates to achieving the Toliara Project FID, which spans more than one financial year. The extent to which this is achieved can only be assessed once the target FID date has passed.

LTIP Performance Rights

The LTIP operates on the basis of a series of 3-year performance cycles commencing on 1 October each year. Accordingly, LTIP performance rights issued in the year ending 30 June 2019 are subject to a 3-year performance period ending on 30 September 2021. Performance rights issued under the plan in the 2016 financial year, totalling 45,748,431, completed their 3-year performance period on 30 September 2018, with 45,748,431 performance rights vesting.

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

			Relative Performance Rights		Absolute Performance Rights	
Grant date	Vesting date	No. performance rights granted	No. vested	%	No. vested	%
1 October 2013	30 September 2016	7,518,865	-	0	-	0
1 October 2014	30 September 2017	10,030,672	4,961,983	99	-	0
1 October 2015	30 September 2018	45,748,431	22,874,215	100	22,874,216	100

Take home pay for 2019

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 50) 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 2019 financial year. The remuneration packages for all Senior Executives are shown in the following table in their employment currency.

Key Management Person	Currency	Salary	STIP award	Superannuation	Vesting of performance rights (ii)	Take home pay (i) (before tax)
2019						
Executive Directors						
T Carstens	AUD	555,000	274,703	25,000	1,845,674	2,700,377
C Bwye	AUD	555,000	274,703	25,000	1,845,674	2,700,377
Other Key Management Personnel						
K Balloch	AUD	382,000	104,339	25,000	739,453	1,250,792
A Greyling	AUD	360,000	104,474	25,000	665,507	1,154,981
S Hay	AUD	402,811	112,883	25,000	823,962	1,364,656
C Poletti	AUD	330,000	109,646	25,000	380,290	844,936
2018						
Executive Directors						
T Carstens	AUD	484,000	422,579	25,000	243,289	1,174,868
C Bwye	AUD	484,000	399,674	25,000	243,289	1,151,963
Other Key Management Personnel						
K Balloch	AUD	370,000	163,953	25,000	97,472	656,425
A Greyling	AUD	325,000	142,650	25,000	14,460	507,110
S Hay	AUD	390,350	172,401	25,000	108,611	696,362
C Poletti	AUD	300,000	139,773	25,000	31,124	495,897

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

(ii) The value of performance rights vesting on 30 September 2018 has been calculated by reference to the price on the vesting date of A$0.2650. The value of performance rights vesting on 30 September 2017 has been calculated by reference to the price on the vesting date of A$0.2733.

Statutory remuneration disclosures for the year ended 30 June 2019

The statutory remuneration disclosures for the year ended 30 June 2019 are detailed below and are prepared in accordance with Australian Accounting Standards, are stated in US dollars and differ from the take home pay summary on page 49. These differences arise due to the accounting treatment of long service leave and share-based payments.

Key Management Person	Short term employment benefits		Post-employment benefits	Other long term	Share based payments	Total	Performance related
	Salary	STIP bonus (i)	Superannuation	Long service leave (ii)	Performance Rights (iii)		
2019	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**%**
Executive Directors							
T Carstens (iv)	396,881	196,440	17,878	16,371	271,680	899,250	52.1
C Bwye (iv)	396,881	196,440	17,878	14,418	271,680	897,297	52.2
Other Key Management Personnel							
K Balloch (iv)	273,168	74,613	17,878	9,890	103,458	479,007	37.2
A Greyling (iv)	257,436	74,709	17,878	2,717	93,829	446,569	37.7
S Hay (iv)	288,050	80,722	17,878	10,022	110,854	507,526	37.7
C Poletti (iv)	235,983	78,408	17,878	5,094	76,315	413,678	37.4
Total	**1,848,399**	**701,332**	**107,268**	**58,512**	**927,816**	**3,643,327**	
2018							
Executive Directors							
T Carstens (iv)	375,245	327,626	19,383	15,962	245,196	983,412	58.2
C Bwye (iv)	375,245	309,867	19,383	19,020	245,196	968,711	57.3
Other Key Management Personnel							
K Balloch (iv)	286,861	127,113	19,383	11,518	97,123	541,998	41.4
A Greyling (iv)	251,973	110,597	19,383	1,710	82,428	466,091	41.4
S Hay (iv)	302,638	133,662	19,383	10,987	106,079	572,749	41.9
C Poletti (iv)	232,590	108,366	19,383	2,471	59,489	422,299	39.7
Total	**1,824,552**	**1,117,231**	**116,298**	**61,668**	**835,511**	**3,955,260**	

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

(ii) Long service leave entitlement represents the movement in the provision.

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

(iv) Total remuneration package denominated in Australian dollars (A$) and converted to US dollars (US$) for reporting purposes using the average exchange rate for the 2019 financial year of 0.7151 (2018: 0.7753).

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:

	2019 $	2018 $
Take home pay for the Managing Director (A$)	2,700,377	1,174,868
Take home pay converted to US$ using average exchange rates	**1,931,040**	**910,876**
Treatment of Long Service Leave:		
Add: Movement in the accounting provision for long service leave entitlements	16,371	15,962
Treatment of performance rights:		
Add: accounting fair value (non-cash) of performance rights recognised in the period	271,680	245,196
Less: value of performance rights vested at date of vesting (US$)	(1,319,841)	(188,622)
Statutory pay for the Managing Director (US$)	**899,250**	**983,412**

Non-executive director remuneration

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

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

All directors have their indemnity insurance paid by the Group.

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

	2019 A$	2018 A$
Base fees		
Chair	148,500	148,500
Other non-executive directors	80,850	77,000
Remuneration & Nomination Committee		
Chair	-	-
Committee member	5,250	5,250
Audit Committee		
Chair	14,000	14,000
Committee member	7,000	7,000
Risk Committee		
Chair	7,900	7,900
Committee member	3,900	3,900

Non-executive remuneration for the year ended 30 June 2019 and comparative 2018 remuneration:

	Base fees US$	Audit committee US$	Remuneration & Nomination committee US$	Risk committee US$	Total [(i)] US$
2019					
K Spence	106,192	-	-	-	106,192
S Willis	57,816	10,011	3,754	2,789	74,370
M Macpherson	57,816	5,006	3,754	5,649	72,225
M Stirzaker	57,816	-	3,754	-	61,570
D Radley	57,816	5,006	-	2,789	65,611
Total	**337,456**	**20,023**	**11,262**	**11,227**	**379,968**
2018					
K Spence	115,132	-	-	-	115,132
S Willis	59,698	10,854	4,070	3,024	77,646
M Anderson [(ii)]	9,950	905	-	-	10,855
M Macpherson	59,698	5,427	4,070	6,125	75,320
M Stirzaker	59,698	-	4,070	3,024	66,792
D Radley [(iii)]	24,874	1,809	-	1,008	27,691
Total	**329,050**	**18,995**	**12,210**	**13,181**	**373,436**

(i) *Total remuneration packages denominated in Australian dollars (A$) and converted to US dollars (US$) for reporting purposes using the average exchange rate for the 2019 financial year of 0.7151 (2018: 0.7753).*

(ii) *Retired 31 August 2017.*

(iii) *Appointed 1 February 2018.*

Equity instruments

Performance Rights

The table below outlines movements in performance rights during 2019 and the balance held by each Senior Executive at 30 June 2019.

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 2015	6,964,806	A$0.0380	30 September 2018	6,964,806	-	-
	1 October 2016	1,725,567	A$0.1625	30 September 2019	-	-	1,725,567
	1 October 2017	2,113,056	A$0.2150	30 September 2020	-	-	2,113,056
	1 October 2018	2,806,452	A$0.2480	30 September 2021	-	-	2,806,452
		13,609,881			**6,964,806**	**-**	**6,645,075**
C Bwye	1 October 2015	6,964,806	A$0.0380	30 September 2018	6,964,806	-	-
	1 October 2016	1,725,567	A$0.1625	30 September 2019	-	-	1,725,567
	1 October 2017	2,113,056	A$0.2150	30 September 2020	-	-	2,113,056
	1 October 2018	2,806,452	A$0.2480	30 September 2021	-	-	2,806,452
		13,609,881			**6,964,806**	**-**	**6,645,075**
K Balloch	1 October 2015	2,790,387	A$0.0380	30 September 2018	2,790,387	-	-
	1 October 2016	691,333	A$0.1625	30 September 2019	-	-	691,333
	1 October 2017	819,899	A$0.2150	30 September 2020	-	-	819,899
	1 October 2018	984,677	A$0.2480	30 September 2021	-	-	984,677
		5,286,296			**2,790,387**	**-**	**2,495,909**
A Greyling	1 October 2015	2,511,348	A$0.0380	30 September 2018	2,511,348	-	-
	1 October 2016	622,200	A$0.1625	30 September 2019	-	-	622,200
	1 October 2017	726,493	A$0.2150	30 September 2020	-	-	726,493
	1 October 2018	931,452	A$0.2480	30 September 2021	-	-	931,452
		4,791,493			**2,511,348**	**-**	**2,280,145**
S Hay	1 October 2015	3,109,289	A$0.0380	30 September 2018	3,109,289	-	-
	1 October 2016	770,343	A$0.1625	30 September 2019	-	-	770,343
	1 October 2017	862,139	A$0.2150	30 September 2020	-	-	862,139
	1 October 2018	1,035,027	A$0.2480	30 September 2021	-	-	1,035,027
		5,776,798			**3,109,289**	**-**	**2,667,509**
C Poletti	1 October 2015	1,435,056	A$0.0380	30 September 2018	1,435,056	-	-
	1 October 2016	355,543	A$0.1625	30 September 2019	-	-	355,543
	1 October 2017	674,600	A$0.2150	30 September 2020	-	-	674,600
	1 October 2018	858,871	A$0.2480	30 September 2021	-	-	858,871
		3,324,070			**1,435,056**	-	**1,889,014**
		46,398,419			**23,775,692**	**-**	**22,622,727**

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

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

Key Management Personnel performance rights movements

	Balance 1 July	Granted	Vested	Lapsed	Balance 30 June
2019					
T Carstens	10,803,429	2,806,452	6,964,806	-	6,645,075
C Bwye	10,803,429	2,806,452	6,964,806	-	6,645,075
K Balloch	4,301,619	984,677	2,790,387	-	2,495,909
A Greyling	3,860,041	931,452	2,511,348	-	2,280,145
S Hay	4,741,771	1,035,027	3,109,289	-	2,667,509
C Poletti	2,465,199	858,871	1,435,056	-	1,889,014
	36,975,488	**9,422,931**	**23,775,692**	**-**	**22,622,727**

Key Management Personnel shareholdings

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

	Balance 1 July	Vesting of Performance Rights	Purchased	Sold	Balance 30 June
2019					
K Spence	666,667	-	-	-	666,667
T Carstens	2,655,640	6,964,806	-	(3,800,000)	5,820,446
C Bwye	3,164,199	6,964,806	-	(4,050,000)	6,079,005
S Willis	350,000	-	-	-	350,000
M Macpherson	-	-	-	-	-
M Stirzaker	-	-	-	-	-
D Radley	500,000	-	-	-	500,000
K Balloch	620,759	2,790,387	-	(1,411,146)	2,000,000
A Greyling	1,952,081	2,511,348	-	(1,200,000)	3,263,429
S Hay	529,837	3,109,289	-	(2,500,000)	1,139,126
C Poletti	171,947	1,435,056	-	(800,000)	807,003
	10,611,130	**23,775,692**	**0**	**(13,761,146)**	**20,625,676**

Executive Key Management Personnel employment arrangements

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

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

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

Keith Spence,
Chair

Dated: 24 August 2019

Corporate Governance

The Company is committed to implementing high standards of corporate governance that create and deliver value for shareholders and uphold its culture of meticulous ethical behaviour and integrity.

As an ASX listed entity, the Company must comply with the ASX Listing Rules and report against the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Recommendations). This year, the Council released a new set of principles against which the Company will be required to measure its governance practices for the financial year commencing 1 July 2020 (ASX Recommendations 4th Edition) and listed entities have been encouraged to adopt those principles earlier.

The Board considers that throughout the financial year ended 30 June 2019 the Company complied with the ASX Recommendations and, in anticipation of their implementation, has started the process of adjusting its governance practices to align with the requirements of the ASX Recommendations 4th Edition.

This statement is current as at 30 June 2019 and has been approved by the Board. Where appropriate, the statement highlights relevant events that have occurred since 30 June 2019 with respect to the governance practices of the Company.

Board of directors

Role of the Board

The Board Charter sets out the Board's role, powers and duties and establishes the functions and responsibilities reserved for the Board and those which are delegated to EXCO (comprising the Managing Director and the Executive Director – Operations & Development) and the broader executive management team. The Board expressly reserves responsibility for matters including:

- Overseeing the business and affairs of the Company, including its control and accountability systems.
- Setting the strategic direction of the Company.
- Reviewing and ratifying systems of risk management, internal compliance and control, codes of conduct and legal compliance.
- Ensuring a high standard of corporate governance practice and regulatory compliance.
- Promoting ethical and responsible decision making.

The Board delegates responsibility for the day-to-day operations, management and administration of the Company to EXCO in accordance with the strategy approved by the Board. EXCO's joint responsibilities include:

- Effective leadership of the Company.
- Preparing and implementing development and operational plans, policies and procedures to achieve the strategic, operational and financial objectives of the Company.
- Managing the day to day affairs of the Company.
- Identifying and managing business risks.
- Managing the Company's financial and other reporting mechanisms.

These delegations are further documented in the Delegation of Authority Standard which the Board reviews and approves at least annually.

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

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

Composition of the Board

As at 30 June 2019, the Board consisted of five non-executive Directors and two executive Directors - being the Managing Director and the Executive Director – Operations & Development. The Board assesses each Director's independence in accordance with the Definition of Independence in the Board Charter and confirms that the Board is majority independent.

	Independent Director	Non-Executive Director	Executive Director
Keith Spence (Chair)	✓	✓	
Tim Carstens (Managing Director)			✓
Colin Bwye (Executive Director – Operations and Development)			✓
Malcolm McPherson	✓	✓	
Diane Radley	✓	✓	
Michael Stirzaker		✓	
Samuel Willis	✓	✓	

Acknowledging that Mr Willis has served on the Board since May 2007, the Board remains comfortable that this period of tenure has not compromised the independence of Mr Willis or otherwise materially interfered with Mr Willis' ability to act in the best interests of the Company in accordance with the definition of independence provided in the Board Charter.

Mr Stirzaker is not considered independent due to his involvement with the Company's major shareholder, Pacific Road Capital.

Skills and experience

The Board is confident that, collectively, the Directors have the range of skills, knowledge, experience and competencies necessary to effectively direct the Company.

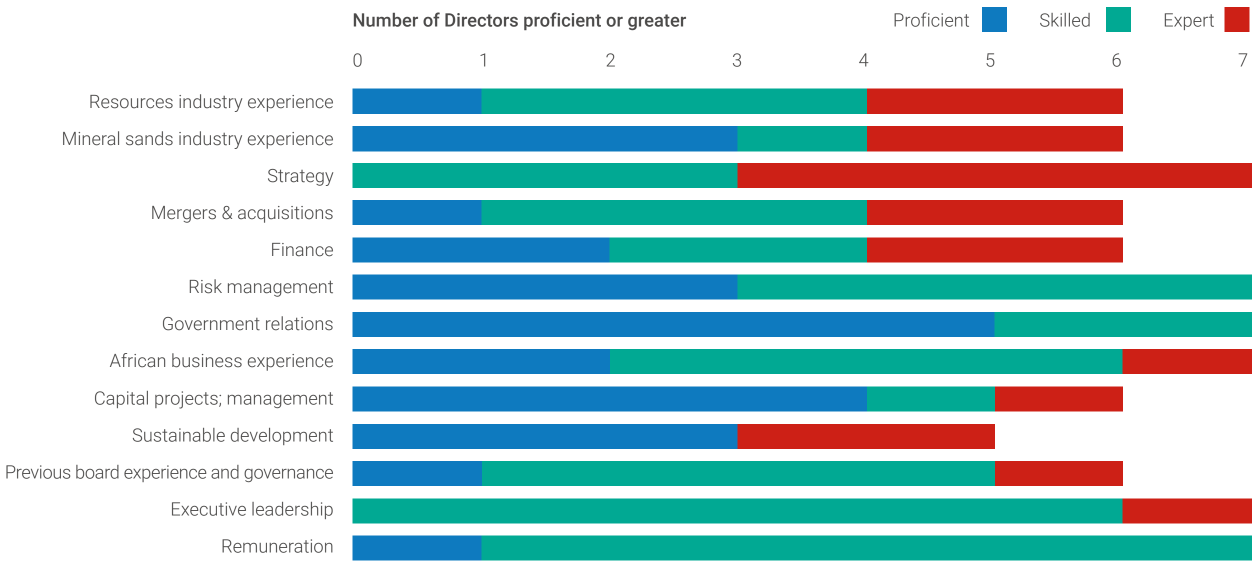
The Board has established a set of core competencies to assist it to assess the skills and experience of each Director and to ensure that the combined capabilities of the Board provide suitable coverage across each competency.

The table below identifies Directors' particular skills and indicates the Directors on which the Board principally relies in relation to each core competency, recognising that each Director contributes a far broader and diverse range of skills and experience to their role.

Area	Competency	Key Directors
Resources industry experience	Experience in the resources industry, including broad knowledge of exploration, operations, project development, markets, shipping and competitors.	C Bwye, T Carstens, M Macpherson, K Spence, M Stirzaker
Mineral sands industry experience	Specific experience in the mineral sands industry, including an in-depth knowledge of exploration, operations, project development, markets, shipping, competitors and relevant technology.	C Bwye, T Carstens, M Macpherson
Strategy	Identifying and critically assessing strategic opportunities and threats to an organisation and developing and implementing successful strategies in context to the organisation's policies and business objectives.	C Bwye, T Carstens, M Macpherson, D Radley, K Spence, M Stirzaker, S Willis
Mergers & acquisitions	Experience managing, directing or advising on mergers, acquisitions, divestments and portfolio optimisations.	M Macpherson, D Radley, K Spence, M Stirzaker, S Willis
Finance	Senior executive or other relevant experience in financial accounting and reporting, internal financial and risk controls, corporate finance and, restructuring corporate transactions and project financing.	T Carstens, D Radley, M Stirzaker, S Willis
Risk management	Experience working with and applying broad risk management frameworks in various country, regulatory or business environments, identifying key risks to an organisation, monitoring risks and compliance and knowledge of legal and regulatory requirements.	T Carstens, M Macpherson, D Radley, K Spence
Government relations	Senior management or equivalent experience working in diverse international political, cultural, regulatory and business environments.	T Carstens, K Spence
African business experience	Experience in the successful development and operation of reputable businesses in Africa.	C Bwye, T Carstens, M Macpherson, D Radley, M Stirzaker
Capital projects and project management	Experience with projects involving contractual negotiations, project management, significant capital outlays and long investment horizons.	C Bwye, K Spence

Area	Competency	Key Directors
Sustainable development	Senior management or equivalent experience in workplace health and safety, environmental and social responsibility, and community.	T Carstens, K Spence
Previous board experience and governance	Serving on boards of varying size and composition, in varying industries and for a range of organisations. Implementing the high standards of governance in a major organisation that is subject to rigorous governance standards and identifying key issues for an organisation and developing appropriate policy parameters within which the organisation should operate.	M Macpherson, D Radley, K Spence, M Stirzaker, S Willis
Executive leadership	Experience in evaluating the performance of senior management, overseeing strategic human capital planning, industrial relations, organisational change management and sustainable success in business at a senior level.	C Bwye, T Carstens, M Macpherson, D Radley, K Spence, M Stirzaker, S Willis
Remuneration	Remuneration and/or nomination committee membership or management experience in relation to succession planning, remuneration, talent management (including incentive programs, superannuation), and the legislative and contractual framework governing remuneration.	T Carstens, M Macpherson, D Radley, K Spence, M Stirzaker, S Willis

The diagram below further illustrates the Board's depth of coverage across its core competencies.



The composition of the Board is diverse, with Directors coming from Australia, New Zealand, South Africa and Kenya, with a key component of the Board bringing strong knowledge of doing business in Africa and its cultures. Director ages range from 47-74 years, with currently one woman on the Board of seven. Average time served on the Board is 6.9 years. Further details of the skills, experiences, expertise and period of service of each Director are set out on pages 33 to 36 of the Annual Report.

Director appointment, induction, training and continuing education

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

New appointees to the Board receive an induction plan tailored for their specific needs. The induction process typically includes a comprehensive overview of the Company's governance policies and procedures, in-depth discussions with each member of EXCO and the executive management team and a site visit to the Company's key operating asset in Kwale, Kenya and development project in Toliara, Madagascar. The induction materials provided to new appointees include information on the Company's governance and culture, including the "Base Way" (the core beliefs and principles that permeate every aspect of the Company's business and describe the Company's desired culture).

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

The Board manages succession planning with the assistance of the Remuneration & Nomination Committee. If a vacancy exists or if it is appropriate for other Board changes to be implemented, the Remuneration & Nomination Committee identifies and recommends candidates to the Board. Before recommending any candidate, the Remuneration & Nomination Committee considers the necessary and desirable competencies of new Board members to ensure the appropriate mix of skills, experience, expertise and diversity across the Board and assesses how each candidate would contribute to the strategic direction of the Company. The Board may engage an independent recruitment firm to undertake the search for suitable candidates and leverages the networks of existing Directors as a means of identifying high calibre candidates. The Company conducts appropriate background and screening checks before nominating any candidate for appointment as a Director or for election by shareholders and provides shareholders all material information in its possession concerning a candidate in the explanatory memorandum accompanying the relevant notice of meeting.

Board performance evaluation

It is Company policy that the Board reviews and critically evaluates the performance of the Board, the Board Committees and individual Directors once a year. The Board sets the method and scope of the performance evaluation annually, which typically includes self-assessments designed to effectively review the performance of the Board and each of its Committees against the requirements of their specific charters and the individual performance of each Director. The Board Charter contains additional information regarding the process for the annual review.

The Board performance evaluation may involve engagement of a third-party Board advisor, which was the approach taken for the reporting period ended 30 June 2019. Given the time since the last externally facilitated review in 2014 and the evolution of the Board since that time, the Company considered it appropriate to engage Barrington Consulting Group to externally facilitate a performance evaluation and review of the Board, the Chair, individual Directors and each Committee and its respective Chair. The evaluation was conducted initially by questionnaire completed by each Director assessing each of the Board, the Chair, individual Directors and each Committee and its respective Chair, combined with one-on-one discussions between the Chair and each Director. The combined outcomes of this process were analysed and discussed in depth at a workshop facilitated by Barrington Consulting. The key outcomes of the Committee reviews were also further considered at subsequent Committee meetings. The evaluation demonstrated positively that the Board, the Directors and each Committee and each respective Chair are considered to be functioning well and performing their respective roles effectively. The review process also identified areas for growth, refinement and continual improvement that the Board will address in the coming year.

Director retirement and re-election

With the exception of the Managing Director, Directors must retire at the third AGM after their last election or re election. At least one Director must stand for election at each AGM. Any Director appointed to fill a casual vacancy since the date of the previous AGM retires at the next AGM and is eligible for election. Board support for a Director's election or re-election is not automatic and is subject to satisfactory Director performance.

The Remuneration & Nomination Committee considers and recommends candidates for re-election to the Board. The Company provides shareholders all material information in its possession concerning any Director standing for re election in the explanatory memorandum accompanying the relevant notice of meeting.

Senior executive performance evaluation

Managers are required to conduct regular (typically quarterly) performance enhancement conversations with members of their team, with annual judgement-based assessments of performance against the accountabilities, behaviours and indicators established in an individual's role description. This process applies equally to Senior Executives, coupled with an annual assessment of achievement of each individual's accountabilities as described in their annual Short Term Incentive Plan statement. In the case of EXCO, the assessment is undertaken by the Remuneration & Nomination Committee and approved by the Board. In the case of General Managers, the assessment is undertaken by EXCO and then considered and approved by the Remuneration & Nomination Committee. The annual reviews have been completed for the year ended 30 June 2019.

Refer further to pages 47 to 48 of the Annual Report.

Committees of the Board

The Company's Constitution provides that the Board may delegate its powers as it considers appropriate. The Board has established an Audit Committee, a Remuneration & Nomination Committee and a Risk Committee.

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

Details of the skills, experiences and expertise of each member of the respective Committees of the Board is set out on pages 33 to 36 of the Annual Report. Details of the Committee meetings held during the year and attendances of members at those meetings is set out on page 37 of the Annual Report.

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

The Audit Committee members for the year were Mr Macpherson, Ms Radley, Mr Spence and Mr Willis (as Chair) (all independent non executive Directors).

Remuneration & Nomination Committee
The role of the Remuneration & Nomination Committee with respect to remuneration matters is to assist the Board to fulfil its oversight responsibilities in relation to the overall remuneration strategy of the Company. The Committee also considers the specific application of that strategy to EXCO and senior management and reviews and approves equity based plans and other incentive schemes. This aspect of the Committee's role assists the Board to ensure that the executive remuneration policy demonstrates a clear relationship between executive performance and remuneration.

The role of the Committee with respect to nomination matters is to support the Board to fulfil its responsibilities by maintaining a Board with an appropriate mix of skills and experience. The Committee develops the processes for evaluation of performance of the Board and its Committees, ensures the Company's Diversity Policy is implemented in respect of the Board and manages the process for identifying and selecting new Directors for appointment and subsequent consideration by shareholders.

The Remuneration & Nomination Committee members for the year were Mr Macpherson, Mr Spence (as Chair), Mr Stirzaker and Mr Willis (all non executive Directors, the majority of whom are independent).

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

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

The Risk Committee members for the year were Mr Macpherson (as Chair), Mr Spence, Ms Radley and Mr Willis (all independent non executive Directors).

Shareholder communication

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

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

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

The Board further recognises the rights of shareholders and encourages the effective exercise of those rights by:

- Ensuring notices of meeting and other meeting materials are drafted in concise, clear language and are distributed in accordance with the provisions of the *Corporations Act 2001*.
- Encouraging shareholders to use their attendance at meetings to ask questions on relevant matters, with time specifically set aside at each meeting for shareholder questions.
- Encouraging shareholders to vote on proposed resolutions by either attending the meeting or by way of lodgement of proxies, if shareholders are unable to attend the meeting. Since 2018, the Company has implemented poll voting on all resolutions to be considered at shareholder meetings and in doing so has met Recommendation 6.4 from ASX Recommendations 4th Edition.
- Establishing a general practice to include a presentation to shareholders on the Company's recent activities at each annual general meeting.
- Ensuring that the lead engagement partner is present at the annual general meeting to answer any questions regarding the conduct of the audit and the preparation and content of the auditor's report.

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

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

Shareholders can also access further information about operations at the Kwale Project from the website of the Company's wholly owned operating subsidiary, Base Titanium (basetitanium.com) and about the Toliara Project from the project's website (basetoliara.mg).

The Company provides opportunities for and encourages shareholders to communicate electronically to and from the Company and its securities registry. Alternatively, telephone, fax and email contact details are available on the website and shareholders are welcome to contact the Company using their preferred method.

Continuous disclosure and market communications

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

The Company's Continuous Disclosure and Market Communications Policy provides that the Managing Director and the Company Secretary are primarily responsible for ensuring that the Company complies with its disclosure obligations and for overseeing and co-ordinating the disclosure of information to relevant stock exchanges, shareholders and applicable regulatory authorities. To assist in this process, it is the responsibility of every Director and employee to report to the Company Secretary any potentially price sensitive information which they obtain. To the full extent practical (having regard to the requirement for immediate disclosure in certain circumstances) the Board is given the opportunity to review and comment on material announcements before their release and otherwise the Board receives all material market announcements promptly after they have been made.

Promoting responsible and ethical behaviours

The "Base Way", Code of Conduct and Integrity System

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

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

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

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

The Integrity Standard further delineates the responsibilities and limits of discretion of Company personnel when observing and upholding the absolute prohibition on bribery, corruption and related improper conduct. It contains information and guidance on how to recognise and deal with instances of potential bribery and corruption. The Company provides Integrity Standard training to all employees assessed to be in high risk roles, for example those employees engaging with government or communities. A breach of the Integrity Standard by a member of the Company's personnel will be regarded as serious misconduct and will lead to disciplinary action which may include termination of employment. The Company also has a Whistleblower System providing a confidential mechanism for employees to hold their leaders and co-workers accountable if not behaving with absolute integrity.

The Company is a signatory to the Extractive Industries Transparency Initiative (EITI), which was launched in 2002 at the World Summit for Sustainable Development. The EITI has established a reporting system to encourage transparency and accountability by Governments with respect to their receipt and use of revenues from extractive industries. EITI supports good governance through the verification and full publication of payments by companies and use of government revenues derived from oil, gas and mining. For its operations in Kenya, the Company publishes these payments in the governance section of the Base Titanium website (basetitanium.com). Once payments to Government commence in Madagascar following development of the Toliara Project, the Company will publish relevant payment details on the Base Toliara website (basetoliara.mg).

Securities ownership and dealing

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

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

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

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

Risk management and internal controls

Approach to risk management internal controls

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

Risk management roles and responsibilities

The Company does not have a formal internal audit function, however it has a well-established Risk Management Framework and the Board's Risk Committee has operated since 2015.

The Risk Committee annually reviews the need for a formal internal audit function from a risk management perspective, which is also considered by the Audit Committee from an assurance perspective. When considered by the Board in November 2018, it was determined that a formal internal audit process was not required or justifiable at this time. During the year, however, the Audit Committee reviewed the external and independent assurance measures currently in place as relevant to the group's key systems, with these assurance measures subsequently mapped against the Material Business Risk Register as a means of highlighting those risks for which there was no independence assurance. Following this review and analysis, the Board remained comfortable with the current and future planned assurance programs with respect to the Company's material business risks. Minor changes to the respective charters of the Audit Committee and the Risk Committee were also approved during the year to clarify the delineation of responsibilities with respect to internal audit.

The Risk Committee's role is to assist the Board in monitoring risk, with a full review and update of the Company's Material Business Risk Register and Risk Management Framework typically occurring for each Committee meeting, and at least annually. The Risk Committee's responsibilities include:

- Ensuring that management designs and implements a risk management and internal control system to manage the Company's material business risks.
- Reviewing, at least annually, the Company's risk management and internal control system and reporting to the Board on its efficiency and effectiveness.
- Reviewing the risk reports produced by management and the efficiency and effectiveness of that risk management and internal control system.
- Developing and maintaining a risk register which identifies the material business risks to the Company and its operations (including economic, environmental and social sustainability risks) and assessing the likelihood of their occurrence.
- Periodically reviewing the scope and adequacy of the Company's insurance, having regard to the Company's business and its associated insurable risks.
- Overseeing the Company's operational and environmental risk management and occupational health and safety processes.
- Overseeing procedures for whistleblower protection.
- Ensuring that management designs and implements an anti-bribery and corruption system to minimise the Company's risks with respect to bribery and corruption.
- Reviewing at least annually the Company's anti-bribery and corruption system and reporting to the Board on its efficiency and effectiveness.

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

The Company is exposed to several risks across its business, which it seeks to manage in a manner consistent with its Risk Management Framework. The Company identifies each risk as falling within the following categories:

- Strategic – such as the Company's ability to execute its growth strategy or access to exploration opportunities.
- Financial – such as funding continuity.
- Regulatory – such as political, mining and fiscal policy.
- Operational – such as community, safety, security, human resources and production.
- Project – such as risks to planned project development.

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

The Company's social management systems have been prepared to the highest international standards to guide the Company in achieving this objective.

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

The Company believes that good environmental performance contributes to business success. The Company empowers its employees to work in an environmentally responsible manner and encourages everyone to take responsibility in this regard. The Company works in partnership with its host communities, conservation groups and environmental experts to realise its objectives and regularly reviews environmental performance to achieve continuous improvement. A comprehensive understanding of the environmental impacts during design, construction, operations and ultimately closure of the Kwale Project and the Toliara Project directs the Company's environmental programs. Management of the Company's environmental function is based on an environmental management system as guided by the Environmental Policy. Refer to pages 14 to 21 of the Annual Report for more detail on the Company's current sustainability practices.

CEO and CFO assurance

The Board receives monthly reports on the group's financial and operational results. Before the Board adopted the 31 December 2018 half-year and 30 June 2019 full-year financial statements, the Managing Director and the Chief Financial Officer declared in writing to both the Audit Committee and the Board that (in their opinion):

- The financial records of the Company had been properly maintained.
- The financial statements comply with the appropriate accounting standards.
- The financial statements give a true and fair view of the financial position and performance of the Company.
- Their opinion had been formed on the basis of a sound system of risk management and internal control which was operating effectively.

Diversity

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

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

A key focus of the Company since before commencement of Kwale Project operations in late 2013 has been establishment of an operational workforce that delivers on commitments to maximise employment opportunities for local communities, whilst achieving the highest standards of operational and safety performance. As at 30 June 2019, the Company is pleased to report that it employed 98.0% Kenyan national employees at Kwale, an increase from the 97% employed as at 30 June 2018. This increase evidences the continued effectiveness of the Company's systems which are designed to drive a structured transfer of skills over time. While the Company is in the early stages of the proposed development of the Toliara Project, there will be a similar and structured focus on maximising employment opportunities for local communities against the backdrop of achieving the necessarily high standards of operational and safety performance. This requirement is documented in the project's Labour Recruitment and Influx Management Plan.

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

The Board determined to maintain the existing measurable diversity objectives it set last year for the financial year ended 30 June 2019. These are:

- Increase the overall percentage of women employed by the group.
- Maintain female representation in the intake for graduate and apprentice programmes at or above one third, subject to the constraint of the operation of the Company's established system for prioritising employment opportunities to local communities.
- Subject to vacancies, increase the percentage of women in executive roles (Manager level and above).
- Subject to vacancies, to consider diversity when reviewing Board succession plans with the aim to further balance gender representation and achieve greater diversity.

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

For the financial year ended 30 June 2019, the group met its objectives of achieving an increase in the overall percentage of women employed, maintained female representation in the intake for graduate and apprentice programs at or above one third, increased the percentage of women in executive roles and maintained Board gender diversity with Ms Radley being elected by shareholders at the 2018 annual general meeting.

The Company considers that, given the relatively low turnover of senior employees, the group's graduate and apprenticeship programs continue to represent the greatest opportunity to increase female representation within the Company over time – particularly at executive level. Apprentice employment for the Toliara Project is in a pre-selection phase and the Company is expecting between 35% - 45% of those new appointments to be women. In addition, the Company has undertaken an education piece for local communities in Madagascar with a view to dispelling a commonly held perception that mining is an unsuitable career for women and has held "women only" registration days when targeting registrations for local training and job opportunities. The graduate program for the Toliara Project has not yet entered the pre-selection phase, but the Company has identified this as a key opportunity for seeking to achieve its set objectives.

Shown below is the Company's performance in achieving its set objectives during the year ended 30 June 2019, as compared to the two prior periods.

Objective	FY2017 (%)	FY2018 (%)	FY2019 (%)	Change FY18 to FY19 (%)
Increase the overall percentage of women	117/717 16.3	139/829 16.8	163/892 18.3	1.5
Female representation in graduate and apprentice programs at or above one third	10/21 47.6	11/33 33.3	11/33 33.3	No change
Women in executive roles (Stratum III and above)	3/22 13.6	4/28 14.3	6/31 19.4%	5.1
Board gender diversity	0	14.3	14.3	No change

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

Availability of key corporate governance documents

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

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

Lead Auditor's Independence Declaration

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

To the Directors of Base Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Base Resources Limited for the financial year ended 30 June 2019 there have been:

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

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

KPMG.

KPMG

R Gambitta
Partner

Perth

24 August 2019

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FINANCIAL STATEMENTS AND NOTES

Consolidated statement of profit or loss and other comprehensive income

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 US$000s	2018 US$000s
Sales revenue	3	209,456	198,810
Cost of sales	4	(131,791)	(119,799)
Profit from operations		77,665	79,011
Corporate and external affairs		(10,315)	(9,338)
Community development costs		(3,607)	(3,000)
Selling and distribution costs		(2,501)	(4,056)
Other income/(expenses)		201	(765)
Profit before financing costs and income tax		61,443	61,852
Financing costs	5	(11,555)	(18,489)
Profit before income tax		49,888	43,363
Income tax expense	7	(10,735)	(9,389)
Net profit for the year		**39,153**	**33,974**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences - foreign operations		(1,915)	(1,197)
Total other comprehensive loss for the year		(1,915)	(1,197)
Total comprehensive income for the year		**37,238**	**32,777**
Net Earnings per share		**Cents**	**Cents**
Basic earnings per share (US cents per share)	6	3.39	3.66
Diluted earnings per share (US cents per share)	6	3.34	3.44

The accompanying notes form part of these consolidated financial statements.

Consolidated statement of financial position

AS AT 30 JUNE 2019

	Note	30 June 2019 US$000s	30 June 2018 (i) US$000s
Current assets			
Cash and cash equivalents		39,242	29,686
Restricted cash		-	29,591
Trade and other receivables	9	62,397	38,726
Inventories	10	19,574	19,789
Other current assets		6,313	5,993
Total current assets		**127,526**	**123,785**
Non-current assets			
Capitalised exploration and evaluation	11	115,891	97,115
Property, plant and equipment	12	205,586	240,509
Total non-current assets		**321,477**	**337,624**
Total assets		**449,003**	**461,409**
Current liabilities			
Trade and other payables	13	33,138	27,865
Borrowings	14	19	53,266
Provisions	15	3,398	1,506
Income tax payable		14,463	75
Deferred consideration	16	17,000	7,000
Other liabilities		625	891
Total current liabilities		**68,643**	**90,603**
Non-current liabilities			
Borrowings	14	18,913	35,532
Provisions	15	24,355	22,458
Deferred tax liability	7	16,500	20,969
Deferred revenue		-	625
Deferred consideration	16	-	10,000
Total non-current liabilities		**59,768**	**89,584**
Total liabilities		**128,411**	**180,187**
Net assets		**320,592**	**281,222**
Equity			
Issued capital	17	306,512	305,277
Reserves		(19,230)	(16,384)
Retained earnings/accumulated losses		33,310	(7,671)
Total equity		**320,592**	**281,222**

(i) Restated, refer to Note 24.

The accompanying notes form part of these consolidated financial statements.

Consolidated statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2019

	Issued capital US$000s	Retained earnings/ (Accumulated losses) US$000s	Share based payment reserve US$000s	Foreign currency translation reserve US$000s	Treasury shares reserve US$000s	Total US$000s
Balance at 1 July 2017 as previously reported	231,079	(36,341)	5,250	(19,517)	-	180,471
Impact of prior year error (i)	-	(5,863)	-	-	-	(5,863)
Restated balance at 1 July 2017	231,079	(42,204)	5,250	(19,517)	-	174,608
Profit for the year	-	33,974	-	-	-	33,974
Other comprehensive income	-	-	-	(1,197)	-	(1,197)
Total comprehensive income for the year	-	33,974	-	(1,197)	-	32,777
Transactions with owners, recognised directly in equity						
Shares issued during the year, net of costs	73,669	-	-	-	-	73,669
Own shares acquired	-	-	-	-	(1,476)	(1,476)
Share based payments	529	559	556	-	-	1,644
Balance at 30 June 2018	**305,277**	**(7,671)**	**5,806**	**(20,714)**	**(1,476)**	**281,222**
Restated balance at 1 July 2018 (i)	305,277	(7,671)	5,806	(20,714)	(1,476)	281,222
Profit for the year	-	39,153	-	-	-	39,153
Other comprehensive income	-	-	-	(1,915)	-	(1,915)
Total comprehensive income for the year	-	39,153	-	(1,915)	-	37,238
Transactions with owners, recognised directly in equity						
Share based payments	1,235	1,828	(2,407)	-	1,476	2,132
Balance at 30 June 2019	**306,512**	**33,310**	**3,399**	**(22,629)**	**-**	**320,592**

(i) Restated, refer to Note 24.

The accompanying notes form part of these consolidated financial statements.

Consolidated statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 US$000s	2018 US$000s
Cash flows from operating activities			
Receipts from customers		188,493	205,807
Payments in the course of operations		(91,146)	(88,623)
Other		(704)	(42)
Net cash from operating activities	8	**96,643**	**117,142**
Cash flows from investing activities			
Purchase of property, plant and equipment		(17,493)	(32,862)
Payments for exploration and evaluation		(18,557)	(78,077)
Other		661	621
Net cash used in investing activities		**(35,389)**	**(110,318)**
Cash flows from financing activities			
Proceeds from issue of shares		-	76,133
Payment of share issue costs		-	(2,464)
Purchase of treasury shares		-	(1,476)
Proceeds from borrowings		48,180	12,500
Repayment of borrowings		(120,653)	(72,553)
Receipts from/(transfers to) restricted cash		29,591	(3,425)
Payments for debt service costs and re-scheduling fees		(8,060)	(13,611)
Net cash used in financing activities		**(50,942)**	**(4,896)**
Net increase in cash held		10,312	1,928
Cash at beginning of year		29,686	28,278
Effect of exchange fluctuations on cash held		(756)	(520)
Cash at end of year		**39,242**	**29,686**

The accompanying notes form part of these consolidated financial statements.

Notes to the consolidated financial statements

Note 1: Basis of preparation

Base Resources Limited is a company domiciled in Australia. The registered address is located at Level 1, 50 Kings Park Road, West Perth, WA, 6005. The consolidated financial statements of the Company, as at and for the year ended 30 June 2019, 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 its Kwale Mineral Sands Mine in Kenya and development of its Toliara Project in Madagascar.

The consolidated financial statements of the Group for the year ended 30 June 2019:

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

The consolidated financial statements were approved by the Board of Directors on 24th August 2019.

Foreign currency transactions

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

Critical accounting estimates and judgements

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

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

Ore reserves and resources estimates

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

Note: this is an example presentation.

Notes to the consolidated financial statements

PERFORMANCE FOR THE YEAR

This section analyses the financial performance of the Group for the year ended 30 June 2019. It includes segment performance, earnings per share and taxation.

Note 2: Segment reporting

Segment	Principal activities
Kwale Operation	The Group's 100% owned Kwale Operation is located in Kenya and generates revenue from the sale of rutile, ilmenite and zircon.
Toliara Project	The Toliara Project in Madagascar was acquired in January 2018. The Project is progressing through an accelerated feasibility study program that aims to advance toward a decision to proceed to construction in 2020.
Other	Includes Group head office, all corporate expenditure not directly attributable to the Kwale Operation or Toliara Project and exploration activities not directly related to Kwale Operations or the Toliara Project.

	2019				2018			
Reportable segment	**Kwale Operation US$000s**	**Toliara Project US$000s**	**Other US$000s**	**Total US$000s**	**Kwale Operation US$000s**	**Toliara Project US$000s**	**Other US$000s**	**Total US$000s**
Sales revenue	209,456	-	-	209,456	198,810	-	-	198,810
Cost of sales	(131,791)	-	-	(131,791)	(119,799)	-	-	(119,799)
Profit from operations	**77,665**	**-**	**-**	**77,665**	**79,011**	**-**	**-**	**79,011**
Corporate and external affairs	(4,024)	(249)	(6,042)	(10,315)	(4,312)	(87)	(4,939)	(9,338)
Community development costs	(3,607)	-	-	(3,607)	(3,000)	-	-	(3,000)
Selling and distribution costs	(2,501)	-	-	(2,501)	(4,056)	-	-	(4,056)
Other income/(expenses)	850	-	(649)	201	28	(704)	(89)	(765)
Profit before financing and tax	**68,383**	**(249)**	**(6,691)**	**61,443**	**67,671**	**(791)**	**(5,028)**	**61,852**
Financing costs	(9,728)	-	(1,827)	(11,555)	(15,929)	-	(2,560)	(18,489)
Profit before tax	**58,655**	**(249)**	**(8,518)**	**49,888**	**51,742**	**(791)**	**(7,588)**	**43,363**
Income tax expense	(10,735)	-	-	(10,735)	(9,389)	-	-	(9,389)
Reportable profit	**47,920**	**(249)**	**(8,518)**	**39,153**	**42,353**	**(791)**	**(7,588)**	**33,974**

	2019				2018			
Reportable segment	**Kwale Operation US$000s**	**Toliara Project US$000s**	**Other US$000s**	**Total US$000s**	**Kwale Operation US$000s**	**Toliara Project US$000s**	**Other US$000s**	**Total US$000s**
Capital expenditure	18,506	17,257	287	36,050	31,189	79,060	690	110,939
Total assets	326,484	116,529	5,990	449,003	361,955	94,433	5,021	461,409
Total liabilities (i)	109,113	17,666	1,632	128,411	150,086	17,157	12,944	180,187

(i) Restated, refer to Note 24.

Determination and presentation of operating segments

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

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

Note 3: Revenue

	2019 US$000s	2018 US$000s
Revenue from contracts with customers	203,226	192,067
Revenue from contracts subject to provisional pricing (a)	6,230	6,743
Total sales revenue	**209,456**	**198,810**

a. Revenue from contracts subject to provisional pricing

Contract terms for the Group's rutile sales allow for a retrospective final price adjustment after the date of sale, based on average market prices in the quarter that the product is sold. Average market prices are derived from an independently published quarterly dataset of all rutile trades, available approximately four months after the end of each quarter. During the reporting period, revenue arising from the final price adjustment was US$4.9 million (2018: US$4.3 million) with a further US$1.3 million (2018: US$2.4 million) in revenue recognised from rutile sales repriced to reflect the latest available market data at 30 June 2019, but remain subject to final market pricing.

Sales revenue made under these terms that have not yet been subject to a final price adjustment are recognised at the estimated fair value of the total consideration receivable, which takes into account the latest available market data at the balance date. As a result, rutile sales revenue of US$12.6 million remains subject to final market pricing at 30 June 2019 (2018: US$20.5 million). Adjustments between the provisional and final price are accounted for under AASB 9 and are separately disclosed.

Change in accounting standards recognised during the period

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 AASB 118 Revenue, AASB 111 Construction contracts, and IFRIC 13 Customer Loyalty Programmes. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018. Base Resources has assessed that the implementation of this standard does not have a material impact on its existing revenue contracts.

Recognition and measurement of revenue

The Group sells mineral sands under a range of International Commercial Terms (Incoterms). Previously, under AASB 118 product sales were recognised as revenue when the Group had transferred both the significant risks and rewards of ownership and control of the products sold and the amount of revenue can be measured reliably. The passing of risk to the customer is usually realised at the point that the physical control is transferred from the Group to the customer. The Incoterms set out the point at which the transfer of risk to the customer takes place and are the ultimate determinant. Under AASB 15, revenue is recognised when control of the product is transferred to the customer, replacing the requirements to consider the transfer of the significant risks and rewards of ownership. The application of AASB 15 has no impact on the recognition of revenue for the Group with the Incoterms for each product sale the ultimate determinant of the point at which control is transferred, in the same manner as under AASB 118.

Note 4: Cost of sales

	2019 US$000s	2018 US$000s
Operating costs	63,234	56,658
Changes in inventories of concentrate and finished goods	2,075	2,114
Royalties expense	14,597	13,678
Depreciation and amortisation	51,885	47,349
	131,791	**119,799**

Note 5: Financing costs

	2019 US$000s	2018 US$000s
Interest expense, inclusive of withholding tax	4,042	10,884
Amortisation of capitalised borrowing costs	4,045	3,488
Unwinding of discount on provision for rehabilitation	621	481
Other financing costs	2,847	3,636
	11,555	**18,489**

Following the early retirement of the Kwale Project Debt Facility (note 14), US$2.8 million of capitalised borrowing costs were expensed during the period.

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

Financing expenses include:

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

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

Note 6: Earnings per share

	2019 US$000s	2018 US$000s
Earnings used to calculate basic/diluted earnings per share	**39,153**	**33,974**

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

in thousands of shares	2019	2018
Issued ordinary shares at 1 July	1,127,575	742,232
Effect of performance rights vested under the Group's LTIP	28,885	3,643
Effect of share placement	-	69,390
Effect of renounceable entitlement offer	-	113,657
Weighted average number of ordinary shares at 30 June	**1,156,460**	**928,922**

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

in thousands of shares	2019	2018
Weighted average number of ordinary shares (basic)	1,156,460	928,922
Effect of performance rights on issue	15,294	58,057
Weighted average number of ordinary shares (diluted) at 30 June	**1,171,754**	**986,979**

Note 7: Income tax

	2019 US$000s	2018 US$000s
a. Amounts recognised in profit or loss		
Current income tax		
Income tax expense	15,204	129
Deferred tax expense		
Origination and reversal of temporary differences	(4,469)	9,260
Income tax expense reported in comprehensive income	**10,735**	**9,389**

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:

	2019 US$000s	2018 US$000s
Accounting profit before tax	49,888	43,363
Prima facie tax on operating profit at 30% (2018: 30%)	14,966	13,009
Add/(less) tax effect of:		
Non-deductible items	2,374	2,256
Share based payments	272	253
Tax losses not recognised	1,737	1,649
Other deferred tax assets not brought to account as realisation not considered probable	1,193	1,767
Effect of tax rates in foreign jurisdictions [i]	(9,807)	(9,545)
Income tax attributable to operating profit	**10,735**	**9,389**

(i) The Kenyan tax rate applicable to Base Titanium Limited is 15% (2018: 15%)

c. Deferred tax asset recognised

	2019 US$000s	2018 US$000s
Tax losses Kenya	-	5,638
Impact of prior year error [i]	-	(5,863)
Other	1,156	1,543
	1,156	1,318
Deferred tax liabilities recognised		
Property, plant and equipment	(17,656)	(22,287)
Net deferred tax liability recognised	**(16,500)**	**(20,969)**

(i) Refer to Note 24

d. Deferred tax assets unrecognised

	2019 US$000s	2018 US$000s
Deductible temporary differences	292	313
Tax losses Australia	8,468	6,819
Tax losses other	231	231
	8,991	**7,363**

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward, excluding those recognised for Kwale Operations, have not been brought to account at 30 June 2019 and 2018 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

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

Recoverability of deferred tax assets

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

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

Recognition and measurement of income taxes

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

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

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

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

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

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

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

Note 8: Operating cashflows

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

	2019 US$000s	2018 US$000s
Profit for the year	39,153	33,974
Depreciation and amortisation	51,885	47,349
Share based payments	1,688	1,835
Exploration written off	466	-
Financing costs classified as financing activity	11,555	18,489
Amortisation of deferred revenue	(833)	(833)
Income tax expense	10,031	9,389
(Increase)/decrease in receivables and other assets	(24,213)	3,924
Decrease/(increase) in inventories	215	(1,271)
Increase in trade and other payables	6,844	4,427
Decrease in provisions	(148)	(141)
Cash flow from operations	**96,643**	**117,142**

Notes to the consolidated financial statements

OPERATING ASSETS AND LIABILITIES

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

Note 9: Trade and other receivables

	30 June 2019 US$000s	30 June 2018 US$000s
Current		
Trade receivables	37,305	16,912
VAT receivables	25,003	21,321
Other receivables	89	493
	62,397	**38,726**

Recoverability of construction period VAT receivable

The Group is owed US$24.2 million in VAT receivable by the Government of Kenya, of which US$16.9 million was incurred during the construction of Kwale Operations and is overdue but not impaired. An estimation has been made as to the timing of the receipt of this amount and forms the basis for its classification as a current asset.

Note 10: Inventories

	30 June 2019 US$000s	30 June 2018 US$000s
Current		
Heavy mineral concentrate and other intermediate stockpiles – at cost	2,465	4,717
Finished goods stockpiles – at cost	4,897	4,720
Stores and consumables – at cost	12,212	10,352
	19,574	**19,789**

Net realisable value of inventories

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

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

Recognition and measurement of inventories

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

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

Note 11: Capitalised exploration and evaluation

	30 June 2019 US$000s	30 June 2018 US$000s
Toliara Project – Madagascar	111,990	94,250
Kenya	3,901	2,399
Tanzania (a)	-	466
Closing carrying amount	**115,891**	**97,115**

	2019 US$000s	2018 US$000s
Movement in carrying amount		
Opening balance	97,115	2,038
Toliara Project acquisition: up-front consideration	-	75,000
Toliara Project deferred consideration recognised	-	17,000
Exploration written off during the year	(466)	-
Transfer from property, plant and equipment	95	-
Exploration and evaluation expenditure during the period	19,147	3,077
	115,891	**97,115**

a. Tanzania

Following completion of an economic and technical evaluation of the Tanzanian exploration projects, the Company decided to relinquish these licenses. As a result, all carried forward capitalised expenditure for these licenses has been impaired in full during the reporting period.

Recognition and measurement of exploration and evaluation expenditure

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

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

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

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

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

Impairment testing of exploration and evaluation assets

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

Note 12: Property, plant and equipment

2019	Plant & equipment US$000s	Mine property and development US$000s	Buildings US$000s	Capital work in progress US$000s	Total US$000s
At cost	251,140	163,161	6,292	1,303	421,896
Accumulated depreciation	(133,181)	(80,100)	(3,029)	-	(216,310)
Closing carrying amount	**117,959**	**83,061**	**3,263**	**1,303**	**205,586**
Reconciliation of carrying amounts:					
Balance at 1 July 2018	144,735	90,981	3,874	919	240,509
Additions	2,297	14,322	17	1,198	17,834
Transfers	4,215	(3,402)	-	(813)	-
Disposals	(6)	-	-	-	(6)
Transfer to capitalised exploration expenditure	(95)	-	-	-	(95)
Increase in mine rehabilitation asset	-	495	-	-	495
Depreciation expense	(33,170)	(18,178)	(628)	-	(51,976)
Effects of movement in foreign exchange	(17)	(1,157)	-	(1)	(1,175)
Balance at 30 June 2019	**117,959**	**83,061**	**3,263**	**1,303**	**205,586**

2018	US$000s	US$000s	US$000s	US$000s	US$000s
At cost	245,027	153,771	6,275	919	405,992
Accumulated depreciation	(100,292)	(62,790)	(2,401)	-	(165,483)
Closing carrying amount	**144,735**	**90,981**	**3,874**	**919**	**240,509**
Reconciliation of carrying amounts:					
Balance at 1 July 2017	144,675	106,901	4,541	1,096	257,213
Additions	26,741	5,000	106	889	32,736
Transfers	1,004	-	49	(1,053)	-
Disposals	(9)	-	(214)	-	(223)
Reduction in mine rehabilitation asset	-	(972)	-	-	(972)
Depreciation expense	(27,676)	(18,914)	(608)	-	(47,198)
Effects of movement in foreign exchange	-	(1,034)	-	(13)	(1,047)
Balance at 30 June 2018	**144,735**	**90,981**	**3,874**	**919**	**240,509**

Impairment of assets

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

Ore reserves and resources estimates

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

Recognition and measurement of property, plant and equipment

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

PP&E is measured on a historical cost basis. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in the Statement of Profit or Loss and Comprehensive Income during the financial period in which they are incurred.

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

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

Depreciation

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

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

The assets' residual values and useful lives are reviewed, and adjusted prospectively if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Note 13: Trade and other payables

	30 June 2019 US$000s	30 June 2018 US$000s
Trade payables and accruals	11,713	11,889
Provision for increase in Government of Kenya royalty (a)	21,425	15,976
	33,138	**27,865**

a. Government of Kenya (GoK) Royalty

The Group is in ongoing discussions with the GoK with respect to the royalty rate payable for the Kwale Operation in the context of resolution of a number of outstanding issues, including refund of US$16.9 million VAT receivables related to the construction of Kwale Operations (refer to Note 9). Royalty costs are provided for, and expensed, on the basis of a 5% royalty rate being payable to the GoK, whereas the royalty rate applicable under the terms of the special mining lease, and currently being paid, is 2.5%.

Note 14: Borrowings

	30 June 2019 US$000s	30 June 2018 US$000s
Current		
Kwale Project Debt Facility (a)	-	53,200
Finance lease liabilities	19	66
Total current borrowings	**19**	**53,266**
Non-current		
Kwale Project Debt Facility (a)	-	26,773
Revolving Credit Facility (b)	20,000	12,500
Capitalised borrowing costs (b)	(1,393)	(18,395)
Amortisation of capitalised borrowing costs (b)	306	14,654
Total non-current borrowings	**18,913**	**35,532**
Total borrowings	**18,932**	**88,798**

a. Kwale Facility

In October 2018, the US$80.0 million outstanding balance of the Kwale Project Debt Facility was repaid from a combination of cash reserves and utilisation of the Revolving Credit Facility (RCF) following a concurrent increase in the RCF to US$75.0 million.

Following the early retirement of the Kwale Project Debt Facility, US$2.8 million of capitalised borrowing costs were expensed during the period.

b. Revolving Credit Facility

In order to repay the outstanding balance of the Kwale Project Debt Facility, the RCF was increased by US$45.0 million to US$75.0 million in October 2018. The parent entity, Base Resources Limited, was removed as a borrower, leaving Base Titanium Limited as the sole borrower. The RCF benefits from the security package established for the Kwale Project Debt Facility, except that the Base Resources parent guarantee has been removed, which allows maximum flexibility for the proposed development funding of the Toliara Project. The RCF carries interest rates of LIBOR plus 463 basis points, inclusive of political risk insurance. The remaining tenor of the loan is 2.5 years.

All transaction costs directly attributable to securing the RCF 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.

Recognition and measurement of capitalised borrowing costs

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

Note 15: Provisions

	30 June 2019 US$000s	30 June 2018 US$000s
Current		
Mine closure and rehabilitation	2,040	360
Employee benefits	1,358	1,146
	3,398	**1,506**

Non-current		
Mine closure and rehabilitation	24,328	22,413
Employee benefits	27	45
	24,355	**22,458**

Movement in mine closure and rehabilitation:	2019 US$000s	2018 US$000s
Balance at 1 July	22,773	22,536
Increase in rehabilitation estimate	3,103	7
Rehabilitation activities	(129)	(251)
Unwinding of discount	621	481
Balance at 30 June	**26,368**	**22,773**

Mine closure and rehabilitation obligations

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

The mine closure and rehabilitation provision is recorded as a liability at present value, assuming a risk-free discount rate equivalent to the 5 year US Government bonds rate of 1.76% as at 30 June 2019 (2018: 2.73%) and an inflation factor of 1.41% (2018: 1.32%). Although the ultimate amount to be incurred is uncertain, management has, at 30 June 2019, estimated the asset retirement cost of work completed to date using an expected remaining mine life of 5 years and a total undiscounted estimated cash flow of US$26,598,533 (2018: US$24,159,245). Management's estimate of the underlying asset retirement costs are independently reviewed by an external consultant on a regular basis for completeness.

Recognition and measurement of provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

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

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

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

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

Note 16: Deferred consideration

	30 June 2019 US$000s	30 June 2018 US$000s
Current		
Deferred consideration – Toliara Project acquisition	17,000	7,000
	17,000	**7,000**
Non-current		
Deferred consideration – Toliara Project acquisition	-	10,000
	-	**10,000**

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

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

Notes to the consolidated financial statements

CAPITAL STRUCTURE, FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Note 17: Issued capital

	30 June 2019 US$000s	30 June 2018 US$000s
Ordinary share capital:		
Issued and fully paid	**306,512**	**305,277**

Date	Number	US$000s
1 July 2017	742,231,956	231,079
Partial vesting of 2014 performance rights under LTIP scheme	4,961,983	529
Institutional and retail entitlement offer and placement	380,381,075	76,313
Share issue costs	-	(2,644)
30 June 2018	**1,127,575,014**	**305,277**
1 July 2018	1,127,575,014	305,277
Performance rights vested under the Company's LTIP (i)	39,048,026	1,235
30 June 2019	**1,166,623,040**	**306,512**

(i) Refer to Note 18c for treasury shares issued in satisfaction of performance rights vested

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

Recognition and measurement of issued capital

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

Note 18: Share-based payments

a. Share options

On 31 December 2018, 61,425,061 options lapsed unexercised following their expiry.

b. Performance rights

Total expenses arising from share based payment transactions during the year as part of employee benefit expenses was US$1.7 million (comparative period: US$1.6 million).

Granted performance rights are as follows:

Performance cycle date	KMP	Other employees	Total	Fair value at grant date
1 October 2016	5,890,553	5,623,788	11,514,341	A$0.1625
1 October 2017	7,309,243	7,818,765	15,128,008	A$0.2150
1 October 2018	9,422,931	12,520,782	21,943,713	A$0.1610

All performance rights are granted for nil consideration.

The fair value of the performance rights granted during the 2019 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 2.1%; no dividend yield; volatility factor of the expected market price of the Company's shares of 60%; and a remaining life of performance rights of 2.85 years at valuation date. The fair value of the performance rights is recognised over the service period, which commenced on the date of grant of 1 October 2018.

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

	2019	2018
Opening balance	71,952,345	67,088,421
Granted – cycle commenced during reporting period	21,943,713	14,689,573
Granted – cycles commenced in previous reporting periods	438,435	205,023
Vested	(45,748,431)	(4,961,983)
Lapsed	-	(5,068,689)
Closing balance	**48,586,062**	**71,952,345**

Recognition and measurement of share based payments

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

c. Treasury Shares

To satisfy the vesting of the performance rights granted under the cycle commencing 1 October 2015 and completing their three-year performance period on 30 September 2018, LTIP participants received 45,748,431 Base Resources ordinary shares, through a combination of 39,048,026 newly issued fully paid ordinary shares and 6,700,405 ordinary shares previously acquired on market (Treasury Shares) by the Base Resources Long Term Incentive Trust.

Note 19: Financial risk management

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

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

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

Change in accounting standards recognised during the period

AASB 9 Financial Instruments, published in July 2014, replaces the existing guidance in AASB 139 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 AASB 139. AASB 9 is effective for the 30 June 2019 financial year for the Group. Base Resources has assessed that the implementation of this standard does not have a material impact on the financial statements.

(i) Classification and measurement of financial instruments

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. AASB 9 eliminates the previous AASB 139 categories of held to maturity, loans and receivables and available for sale. Under AASB 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cashflows.
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities.

The adoption of AASB 9 has not had a significant effect on the Company's accounting policies related to financial liabilities. The table set out on below explains the original measurement categories under AASB 139 and the new measurement categories under AASB 9 for each class of the Company's financial assets and liabilities as at 1 July 2018.

In US$000s:	Original classification under AASB 139	New classification under AASB 9	Original carrying amount under AASB 139	New carrying amount under AASB 9
Financial assets				
Cash and cash equivalents	Loans and receivables	Amortised cost	29,686	29,686
Restricted cash	Loans and receivables	Amortised cost	29,591	29,591
Trade and other receivables	Loans and receivables	Amortised cost	38,726	38,726

The adoption of AASB 9 did not have a significant impact on the Company's financial statements.

(ii) Impairment

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised costs, contract assets and debt investments at FVOCI but not to investments in equity instruments. Under AASB 9, credit losses are recognised earlier than under AASB 139.

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

	Note	2019 US$000s	2018 US$000s
Financial assets			
Cash and cash equivalents		39,242	29,686
Restricted cash		-	29,591
Trade and other receivables	9	62,397	38,726
		101,639	**98,003**
Financial liabilities			
Trade and other payables	13	33,138	27,865
Kwale Project Debt Facility	14	-	79,973
Revolving Credit Facility	14	20,000	12,500
Finance lease liabilities	14	19	66
		53,157	**120,404**

Commodity price risk

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

Rutile sales revenue of US$12.6 million remains subject to final market pricing at 30 June 2019 (2018: US$20.5 million). An interim adjustment to sales revenue has been recorded at the reporting date to align the estimated fair value of these sales with the latest available market data. If commodity prices increased/decreased by 10%, with all other variables held constant, the Group's after tax profit/loss would have increased/decreased by US$1.3 million (2018: US$2.1 million).

Interest rate risk

The RCF carries an interest rate of LIBOR plus 463 basis points, inclusive of political risk insurance. The weighted average effective interest rate on the RCF at 30 June 2019 is 6.80%.

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

	Carrying amount		Realisable/payable within six months	
	2019 US$000s	2018 US$000s	2019 US$000s	2018 US$000s
Fixed rate instruments				
Financial assets	-	-	-	-
Financial liabilities	(18)	(66)	-	-
	(18)	**(66)**	**-**	**-**
Variable rate instruments				
Financial assets	39,242	59,277	39,242	29,686
Financial liabilities	(20,000)	(92,473)	-	(26,600)
	19,242	**(33,196)**	**39,242**	**3,086**

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 before tax by the amounts shown below. This analysis assumes that all other variables remain constant.

Variable rate instruments	2019 US$000s 100bp increase	2019 US$000s 100bp decrease	2018 US$000s 100bp increase	2018 US$000s 100bp decrease
Profit or loss	192	(192)	(332)	332
Equity	(192)	192	332	(332)

Currency risk

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

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

30 June 2019

In US$000s:	AUD	USD	KES	MGA	Other	Total USD
Cash and cash equivalents	45	3,062	2,038	672	5	5,822
Trade and other receivables	-	-	24,234	640	-	24,874
Other current assets	-	-	385	111	-	496
Trade and other payables	(83)	(165)	(1,925)	(411)	(131)	(2,715)
Net exposure	**(38)**	**2,897**	**24,732**	**1,012**	**(126)**	**28,477**

30 June 2018

In US$000s:	AUD	USD	KES	MGA	Other	Total USD
Cash and cash equivalents	2	225	597	217	4	1,045
Trade and other receivables	-	-	21,321	388	-	21,709
Other current assets	-	-	371	78	-	449
Trade and other payables	(191)	(124)	(2,075)	(98)	(88)	(2,576)
Borrowings	-	(12,500)	-	-	-	(12,500)
Net exposure	**(189)**	**(12,399)**	**20,214**	**585**	**(84)**	**8,127**

The following significant exchange rates applied during the year:

	Average rate		30 June spot rate	
	2019	2018	2019	2018
USD : AUD	1.398	1.290	1.4255	1.351
USD : KES	101.15	102.37	102.30	101.05
USD : MGA	3,503.66	3,151.12	3,603.82	3,314.67

Sensitivity analysis

Based on the financial instruments held at reporting date, had the functional currencies weakened/strengthened by 10% and all other variables held constant, the Group's after-tax profit/(loss) for the year to date would have been US$2.8 million lower/higher (2018: US$0.8 million lower/higher).

Credit risk

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

The Group is exposed to counterparty credit risk through sales of mineral sands products under normal terms of trade. Total sales revenue for the year ended 30 June 2019 was US$209.5 million (2018: US$198.8 million). Base Resources had two major customers who individually accounted for more than 10% of sales revenue, with one contributing $49.9 million (2018: $56.4 million) and the other contributing $45.7 million (2018: $65.3 million). These customers represent 0% (2018: 13%) of the trade receivables balance at 30 June 2019.

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

The Group is owed US$24.2 million in VAT receivable by the Government of Kenya (Note 9), of which US$16.9 million relates to the construction of Kwale Operations and is overdue but not impaired. An estimation has been made as to the timing of the receipt of this amount and forms the basis for its classification as a current asset.

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

	2019 US$000s	2018 US$000s
Financial assets – cash flow realisable		
Cash and cash equivalents	39,242	29,686
Restricted cash	-	29,591
Trade and other receivables	62,397	38,726
Total anticipated inflows	**101,639**	**98,003**

At 30 June 2019, the ageing of trade and other receivables, excluding VAT receivable, that were not impaired was as follows:

	2019 US$000s	2018 US$000s
Neither past due nor impaired	37,354	14,754
Past due 1 - 30 days	40	2,201
	37,394	**16,955**

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:

	2019 US$000s	2018 US$000s
United Kingdom	26,103	53,364
Kenya	28,177	22,522
China	26,462	10,418
USA	7,700	2,176
Australia	5,832	3,814
Other	7,365	5,709
Total	**101,639**	**98,003**

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 2019	**US$000s**	**US$000s**	**US$000s**	**US$000s**	**US$000s**	**US$000s**	**US$000s**
Trade and other payables	33,138	33,138	11,713	21,425	-	-	-
RCF	20,000	23,456	234	1,148	1,379	20,695	-
Finance lease liabilities	19	19	19	-	-	-	-
	53,157	**56,613**	**11,966**	**22,573**	**1,379**	**20,695**	**-**
30 June 2018							
Trade and other payables	27,865	27,865	11,889	15,976	-	-	-
Kwale Project Debt Facility	79,973	86,355	-	58,553	27,802	-	-
RCF	12,500	14,591	177	867	13,547	-	-
Finance lease liabilities	66	66	66	-	-	-	-
	120,404	**128,877**	**12,132**	**75,396**	**41,349**	**-**	**-**

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.

	2019 US$000s	2018 US$000s
Cash and cash equivalents	39,242	29,686
Restricted cash	-	29,591
Trade and other receivables	62,397	38,726
Inventories	19,574	19,789
Other current assets	6,313	5,993
Trade and other payables	(33,138)	(27,865)
Borrowings	(19)	(53,266)
Provisions	(3,398)	(1,506)
Income tax payable	(14,463)	(75)
Other liabilities	(625)	(891)
Deferred consideration	(17,000)	(7,000)
Working capital position	**58,883**	**33,182**

Note 20: Parent entity disclosures

As at, and throughout the financial year ended 30 June 2019, the parent entity of the consolidated group was Base Resources Limited.

Financial performance of the parent entity	2019 US$000s	2018 US$000s
Loss for the year	(9,212)	(9,157)
Total comprehensive loss for the year	**(9,212)**	**(9,157)**

Financial position of the parent entity	2019 US$000s	2018 US$000s
Current assets	5,905	3,867
Non-current assets	211,752	211,804
Total assets	**217,657**	**215,671**
Current liabilities	3,341	2,804
Non-current liabilities	30,717	11,624
Total liabilities	**34,058**	**14,428**
Net assets	**183,599**	**201,243**
Issued capital	225,465	236,646
Reserves	3,133	4,036
Accumulated losses	(44,999)	(39,439)
Total equity	**183,599**	**201,243**

Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Base Resources Limited at the end of the reporting period. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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

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

		Ownership %	
Controlled entity	**Country of Incorporation**	**2019**	**2018**
Base Titanium (Mauritius) Limited	Mauritius	100	100
Base Titanium Limited	Kenya	100	100
Base Exploration Tanzania Limited	Tanzania	100	100
BTS Holdings (Mauritius) Limited	Mauritius	100	100
Madagascar Mineral Fields Limited	Mauritius	85	85
Malagasy Sands No. 2 Limited	Mauritius	85	85
Base Toliara SARL	Madagascar	85	85
Madagascar Resources SARL	Madagascar	85	85

Note 21: Related parties

KMP compensation:	2019 US$	2018 US$
Short-term employment benefits	2,907,768	3,298,696
Post-employment benefits	129,199	132,821
Share-based payments	927,816	835,511
Other long term	58,512	61,668
	4,023,295	**4,328,696**

Refer to the Remuneration Report for further details.

Other related party transactions

In January 2017, one of the Company's major shareholders, Pacific Road Capital Management Pty Limited (Pacific Road), acquired a Kwale Operation royalty stream of 0.25% of sales revenue from Pangea Goldfields Inc. In the year to 30 June 2019, US$516,000 (2018: US$477,000) was paid or is payable to Pacific Road under this royalty arrangement. Mr Stirzaker, non-executive director of the Group, is a partner of Pacific Road.

Recognition and measurement of short term employee benefits

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

Recognition and measurement of defined contribution plans

Contributions are made by the Group to individual defined contribution superannuation plans for Australian directors and employees and are expensed when incurred.

Note 22: Auditors' remuneration

	2019 US$	2018 US$
Audit services		
KPMG Australia		
Audit of financial report	108,199	132,407
Overseas KPMG firms		
Audit services	111,217	117,362
	219,416	**249,769**
Other services		
KPMG Australia		
Tax compliance and advisory services	49,769	59,491
Other services	7,330	8,727
Overseas KPMG firms		
Tax compliance and advisory services	218,183	68,728
	275,282	**136,946**

Note 23: New accounting standards not yet adopted

There are a number of new standards effective for annual periods beginning after 1 July 2019, however the Group does not plan to adopt these early. Those which may be relevant to the Group are set out below.

AASB 16 Leases removes the classification of leases as either operating or finance leases – for the lessee – effectively treating all leases as finance leases. Short term leases (less than 12 months) and leases of low value assets are exempt from the lease accounting requirements. Furthermore, there are changes in accounting over the life of the lease as a front-loaded pattern of expense will be recognised for most leases, even when a constant annual rental is paid. Lessor accounting remains similar to current practice. AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted. Base Resources does not expect the implementation of this standard to have a material impact on the financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements:

- *IFRIC 23 Uncertainty over Tax Treatments*. IFRIC 23 is applicable for the financial period starting after 1 July 2019. IFRIC 23 clarifies how the recognition and measurement requirements of *IAS12 Income and taxes* are applied where there is uncertainty over income tax treatments.

Note 24: Correction of error

During the year, the Company identified an understatement of net deferred tax liabilities in prior periods. This was due to the incorrect application of translation of foreign currency transactions to the deferred tax asset recognised for carry forward tax losses in Kenya. Past tax losses in Kenya, denominated in Kenyan Shillings (KES), were not re-translated to Base Titanium Limited's functional currency of United States Dollars (USD) at each reporting date, as required under the Australia Accounting Standards for monetary items. The impact of the correction resulted in an increase in net deferred tax liabilities (reduction in the deferred tax asset for carry forward tax losses in Kenya) of US$5.863 million at 1 July 2017, and consequently 1 July 2018, due to the depreciation of the KES against the USD in prior periods. There was no material impact on the Statement of Profit or Loss and Other Comprehensive Income or the Statement of Cash Flows for the Group for the year ended 30 June 2018.

The following table summarises the adjustments made to the Statement of Financial Position:

At 1 July 2017	Deferred tax liability US$000s	Total noncurrent liabilities US$000s	Total liabilities US$000s	Net assets US$000s	Accumulated losses US$000s	Total equity US$000s
Balances at 1 July 2017, previously reported	5,846	117,635	200,325	180,471	(36,341)	180,471
Reduction in deferred tax asset on tax losses in Kenya	5,863	5,863	5,863	(5,863)	(5,863)	(5,863)
Restated balances at 1 July 2017	11,709	123,498	206,188	174,608	(42,204)	174,608

At 1 July 2018	US$000s	US$000s	US$000s	US$000s	US$000s	US$000s
Balances at 30 June 2018, previously reported	15,106	83,721	174,324	287,085	(1,808)	287,085
Reduction in deferred tax asset on tax losses in Kenya	5,863	5,863	5,863	(5,863)	(5,863)	(5,863)
Restated balances at 30 June 2018	20,969	89,584	180,187	281,222	(7,671)	281,222

Note 25: Events after the reporting date

There have been no significant events since the reporting date.

Note 26: Company details

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

Base Resources Limited (ASX & AIM: BSE)
Level 1
50 Kings Park Road
West Perth 6005
Western Australia

Directors' Declaration

1. In the opinion of the directors of Base Resources:

    (a) the consolidated financial statements and notes that are set out on pages 68 to 95 and the Remuneration Report in pages 39 to 55 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 2019 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 2019.

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,
Chair
DATED at PERTH this 24th day of August 2019

Independent auditor's report

Independent Auditor's Report

To the shareholders of Base Resources Limited

Report on the audit of the Financial Report

Opinion

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

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

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2019
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

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

Basis for opinion

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

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

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

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

Value of property, plant and equipment (US$205,586,000)	
Refer to Note 12 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The value of property, plant and equipment was considered a key audit matter due to: • The size of the Kwale mine property, plant and equipment balance (being 46% of total assets); • The mineral sands sector, within which the Group operates, having experienced volatile commodity prices and uncertainty in the global demand for products, putting pressure on the recoverability of asset values; • The level of judgement required by us in evaluating assumptions used by the Group in its valuation assessment, and • The Group's market capitalisation at 30 June 2019 being less than the net assets, bringing into question the value ascribed to property, plant and equipment. The valuation assessment of the Group's property, plant and equipment, applies significant assumptions in a fair value less costs of disposal model. These assumptions include: • Forecast sales, production output, production costs, capital expenditure and expected commodity prices for mineral sands. The uncertainty and volatility described above increases the possibility of inaccurate forecasts; • Discount rate being complicated in nature and incorporating the assessment of Kenya country risk, and • Life of mineral reserves. The Group engages an external expert to assist in producing the Reserves statement which underlies the forecast production output within the Group's model. In assessing this key audit matter, we involved senior team members and valuation specialists.	Our procedures included: • We considered the appropriateness of the Group's use of the fair value less costs of disposal methodology against the requirements in the accounting standards • We assessed the integrity of the fair value less costs of disposal model used, including the accuracy of the underlying calculation formulas • We evaluated the sensitivity of the valuation of property, plant and equipment by considering reasonably possible changes to the key assumptions, such as forecast commodity prices and the discount rate. We did this to identify those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures • We assessed the historical accuracy of Group forecasts to inform our evaluation of the forecasts incorporated in the model. We noted previous trends where volatile commodity prices and uncertain market conditions existed and how they impacted the business, for use in further testing • We compared the forecast cash flows contained in the model to Board approved forecasts • We assessed key assumptions underlying the discounted cash flows in the fair value less costs of disposal model (including forecast sales, production output, production costs and capital expenditure) using our knowledge of the Group, their past performance, and our industry experience. We compared key events to the Board approved plan and strategy. • We compared expected commodity prices to published views of the market commentator on future trends • We assessed the scope, competence and objectivity of the external expert engaged by the Group. • We compared the life of mineral reserves and production output assumptions in the Group's model to those in the Reserves statement commissioned by the Group for consistency.

The key audit matter	How the matter was addressed in our audit
	• Working with our valuation specialists, we independently developed a discount rate range considered comparable, using publicly available market data for comparable entities, adjusted for Kenya country risk. • We assessed the Group's analysis of the market capitalisation shortfall versus the net assets of the Group. This included comparison of the market capitalisation range implied by broker target valuation ranges to the Group's valuation. The Group's EBITDA multiples were also assessed against comparable companies.

Other Information

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

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

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Base Resources Limited for the year ended 30 June 2019, complies with *Section 300A of the Corporations Act 2001*.

Directors' responsibilities

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

Our responsibilities

We have audited the Remuneration Report included on pages 39 to 55 of the Directors' report for the year ended 30 June 2019.

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

KPMG.

KPMG

R Gambitta
Partner

Perth

24 August 2019

Additional shareholder information

The following additional information required by the ASX Listing Rules is current as at 1 August 2019.

Ordinary Shares

Distribution of shares	Holders	Units	%
1 – 1,000	135	12,277	0.00
1,001 – 5,000	220	674,125	0.06
5,001 – 10,000	190	1,531,413	0.13
10,001 – 100,000	506	19,369,656	1.66
100,001 and over	189	1,145,035,569	98.15
	1,240	**1,166,623,040**	**100.0**

There were 163 holders of unmarketable parcels of shares (<A$500) based on the closing share price of A$0.275 as at 1 August 2019 comprising a total of 54,332 shares.

The voting rights attached to the ordinary shares are:

a) at a meeting of members or classes of members each member entitled to vote may vote in person or by proxy or by attorney; and

b) on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share held.

20 largest registered holders of shares		Number of Shares	%
1.	HSBC CUSTODY NOMINEES <AUSTRALIA> LIMITED	318,332,243	27.29
2.	PACIFIC ROAD CAPITAL MANAGEMENT GP II LIMITED	250,579,218	21.48
3.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	108,332,889	9.29
4.	UBS NOMINEES PTY LTD	89,588,944	7.68
5.	WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	73,441,129	6.30
6.	CITICORP NOMINEES PTY LIMITED	43,283,790	3.71
7.	PACIFIC ROAD CAPITAL II PTY LIMITED	35,074,675	3.01
8.	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	22,138,588	1.90
9.	TWYNAM INVESTMENTS PTY LTD	20,160,020	1.73
10.	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	19,988,702	1.71
11.	CPU SHARE PLANS PTY LTD <BSE LTS CONTROL A/C>	17,078,401	1.46
12.	COMPUTERSHARE CLEARING PTY LTD <CCNL DI A/C>	11,531,748	0.99
13.	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	11,330,123	0.97
14.	BNP PARIBAS NOMS PTY LTD <DRP>	10,959,819	0.94
15.	SANDHURST TRUSTEES LTD <JMFG CONSOL A/C>	8,946,366	0.77
16.	DEFENDER EQUITIES PTY LTD <DEFENDER AUS OPPORTUN FD A/C>	7,000,000	0.60
17.	NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	6,897,198	0.59
18.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	5,511,277	0.47
19.	MR TIMOTHY JAMES CARSTENS	5,400,667	0.46
20.	MR COLIN NEIL STEWART BWYE + MRS ANNETTE MARGARET BWYE <BWYE SUPER FUND A/C>	4,196,451	0.36
		1,069,772,248	**91.70**

Substantial shareholdings

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

Name	Number of shares
Pacific Road Capital II Pty Limited and Pacific Road Capital Management GP II Limited	275,653,893
Sustainable Capital Ltd	222,187,707
Regal Funds Management Pty Ltd	153,066,830
UBS Group AG	95,586,919
FIL Limited	84,275,367

Performance rights

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

Cycle	Date of Vesting/Expiry	Number of performance rights	Number of Holders
2016	30 September 2019	11,514,341	21
2017	30 September 2020	15,128,008	28
2018	30 September 2021	21,943,713	29

Other information

There is no current on-market buy back taking place. During the reporting period, no shares were purchased on-market for the purposes of an employee incentive scheme.

Glossary

AASB	Australian Accounting Standards Board
AIM	A market operated by the London Stock Exchange
APES	Accounting Professional and Ethical Standards
ASIC	Australia Securities and Investments Commission
ASX	Australian Securities Exchange
AUD	Australian dollar
EBITDA	Earnings Before interest, taxes, depreciation, interest and amortisation
EITI	Extractive Industries Transparency Initiative
FY	Financial year
GoK	Government of Kenya
HM	Heavy mineral
HMC	Heavy mineral concentrate
HMU	Hydraulic mining unit
ILM	Ilmenite
IUCN	International Union for Conservation of Nature
JORC	Joint Ore Reserves Committee
KMP	Key management personnel
KP2	Kwale phase 2
Kt	Thousand tonnes
LIBOR	London Inter-bank Offered Rate
LTI	Lost time injury
LTIFR	Lost time injury frequency rate
LTIP	Long term incentive plan
MSP	Mineral separation plant

Mt	Million tonnes
NGOs	Non-governmental organisations
NPAT	Net profit after tax
NRV	Net realisable value
OS	Oversize material
PFS	Project feasibility study
PPE	Property, plant and equipment
RCF	Revolving credit facility
RUT	Rutile
SL	Slimes
SML	Special mining lease
SPL	Special prospecting license
STIP	Short term incentive plan
TFR	Total fixed remuneration
$Ti0_2$	Titanium dioxide
tph	Tonnes per hour
TRI	Total recordable injury
TRIFR	Total recordable injury frequency rate
TRP	Total remuneration package
TSF	Tailings storage facility
TSR	Total shareholder return
USD	United States dollar
VWAP	Volume weighted average price
WCP	Wet concentrator plant
ZIR	Zircon

Corporate directory

Directors

Mr Keith Spence
Non-Executive Chair

Mr Tim Carstens
Managing Director

Mr Colin Bwye
Executive Director

Mr Samuel Willis
Non-Executive Director

Mr Malcolm Macpherson
Non-Executive Director

Mr Michael Stirzaker
Non-Executive Director

Ms Diane Radley
Non-Executive Director

Company secretary

Mr Chadwick Poletti

Principal place of business and registered office

Level 1
50 Kings Park Road
West Perth WA 6005

Contact details

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Phone + 61 (8) 9413 7400
Fax + 61 (8) 9322 8912

Solicitors

Herbert Smith Freehills
Level 36, QV1
250 St Georges Terrace
Perth WA 6000

Auditors

KPMG
235 St Georges Terrace
Perth WA 6000

Share registry

ASX
Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
Perth WA 6000

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Annual Report 2019

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BASE RESOURCES

BASE TITANIUM

BASE TOLIARA