BASE RESOURCES

focused on production

ANNUAL REPORT **2013**

Base Resources Limited
ABN 88 125 546 910

Forward Looking statements

Certain statements made in this Annual Report contain or comprise forward looking statements, including statements regarding the capital cost, production and financial performance of the Kwale Project, estimated ore reserves, trends in commodity prices and currency exchange rates, demand for commodities, plans, strategies and objectives of management, anticipated production commencement dates, capital costs and scheduling, operating costs, anticipated production life of the Kwale Project, provisions and contingent liabilities and tax and regulatory developments. Forward looking statements can be identified by the use of terminology such as "intend", "aim", "project", "anticipate", "estimate", "plan", "believe", "expect", "may", "should", "will", "continue" or similar words.

Forward looking statements involve known and unknown risks, uncertainties, assumptions and other factors set out in this Annual Report that are beyond Base's control. No assurance or guarantee can be given that such forward looking statements will prove to be correct. Results could differ materially from those expressed or implied by the forward-looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes in the regulatory environment and other government actions, fluctuations in product prices and exchange rates and business and operational risk management. Except as required by applicable regulations or by law, Base Resources does not undertake to publicly update, review or release any revisions to these forward-looking statements to reflect new information or future events or circumstances.

Base Resources is an ASX and AIM listed (Ticker: BSE) resources developer, with a portfolio of assets in Africa. Its leading project is the US$305 million Kwale Mineral Sands Project in Kenya, East Africa ("the Kwale Project"). The Kwale deposit is a quality resource combining a high grade and high quality mineral assemblage.

Base Resources has driven the rapid development of the Kwale Project which is on schedule to commence production of ilmenite, rutile and zircon in the fourth quarter of 2013 with first bulk shipments scheduled for January 2014.

Kwale continues to be a robust project with an estimated Life of Mine cash surplus, after repayment of debt, of around US$700 million based on current TZMI price forecasts and operating cost estimates, including some US$350 million in the first five full years of operation.

The completion of the Kwale Project will provide the model and capital platform to launch Base Resources as a global resource company in Africa.

Q4 2013

Production of rutile, ilmenite and zircon to commence in Q4 2013

January 2014

First bulk shipments on target for January 2014

US$700 million

Kwale to deliver a cash surplus of US$700 million over its 13-year mine life

a **global** resource company

With Kwale Project commencing ramp up of production of heavy mineral concentrate in October 2013 and scheduled to commence ilmenite, rutile and zircon production later in the fourth quarter of 2013, the 2013 financial year saw many significant milestones and highlights:

Power line, access road, camp and the mining fleet **commissioned and fully operational**.

Mukurumudzi Dam **completed** and holding six gigalitres of water.

Tailings storage facility **completed and fully operational**.

At the peak of construction, **2,200 people employed**, 40% of whom were local residents and 90% were Kenyan nationals.

Excellent **safety record maintained** across the Kwale Project with six million man hours worked over the year with one lost time injury, in July 2012.

Entire operational **management team secured** to oversee Base Resource's transformation to mineral sands producer.

Additional off-take agreements were executed, with the portfolio of off-take agreements covering up to the first six years of production and representing some **86% per cent of project revenue** over the first three years.

Further **social infrastructure delivered** including a fourth school, a health dispensary, road and access improvements.

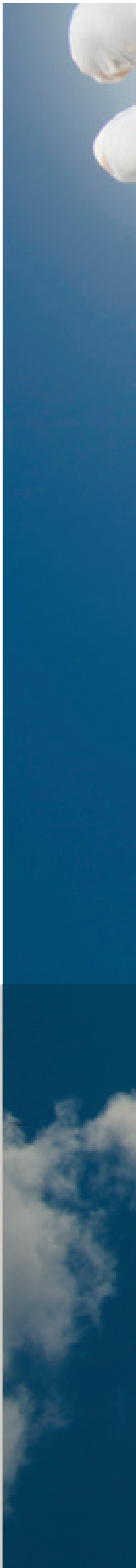
Completion of a A$40 million **capital raising**.

Satisfaction of all **Conditions Precedent** to utilisation of the initial US$170 million project financing facility, which was fully drawn at year end.

Securing a further cost overrun facility of US$20 million.

significant milestones & highlights


THESE BUILDINGS OF
BWITI PRIMARY SCHO
WERE FUNDED B
BASE
TITANIUM
Standard - 3
English
Aid



Chairman's letter

Dear Shareholders,

At the time of writing this report, Base Resources is in the process of completing the most significant step to date in its corporate life, the transition from mineral sands developer to minerals sands producer.

In October this year, your flagship Kwale Project commenced ramp up of production of heavy mineral concentrate, with the first bulk product shipments scheduled for January 2014.

It has taken just three years to build the Project's foundations and drive it from feasibility study to production commencement. This is a remarkable achievement in a country new to mining, and a testament to the Company's business model and culture.

The magnitude of what the Base Resources team has achieved in the last twelve months has been exceptional. Over the year, your team has overseen the completion of an eight kilometre access road, a 700 bed camp, a 16 kilometre 132kVA power line and substation, the eight gigalitre storage capacity Mukurumudzi Dam, the tailings storage facility and the commissioning of the dozer trap mining unit and mobile fleet. The wet concentrator is now processing ore and the mineral separation plant is due to be commissioned over the fourth quarter. Our port facility at Likoni is in the final stages of construction and will be ready well ahead of our scheduled first bulk shipment of product in January 2014.

Significantly, the project's rapid development has been accomplished with an exemplary safety record. Since commencement, we have worked a total of 6.6 million man hours, with the only Lost Time Injury to date on the project being in July 2012.

We are very proud of the fact that of the 2,200 people employed at the peak of construction, 90 per cent were Kenyan nationals and 40 per cent residents of our local communities, most of whom had never had a job on an industrial site before. In this context, to have attained the safety performance we have, is an outstanding achievement and one which augurs well for our operational performance.

We have worked hard this year to lay solid foundations throughout our business, keep our plans on track and make good on our commitments so that we can move quickly into production.

The senior operations management team which has been put in place over the past 18 months features extensive experience in mineral sands operations, project commissioning and the African mining industry. They provide a solid core for us to successfully complete the ramp up phase and achieve steady state production as planned.

Following operational ramp up we anticipate a mining rate of around eight million tonnes per annum by the end of the 2014 financial year delivering an expected annualised production rate of 360,000, 77,000 and 25,000 tonnes of ilmenite, rutile and zircon respectively.

During production, there will be around 370 operational employees. Currently, approximately 90 per cent of these people are Kenyan nationals, many of whom were selected from those employed during construction.

As a major employer in the region, the Kwale Project will have a significant multiplier effect on the local Kenyan economy and help boost regional skills development. As a general guide, it is recognised that for every one direct job on an African mine site, at least two more are created in the wider economy. Further, it is also generally understood that one locally employed worker supports up to eight dependents.

Base Resources is committed to seeing the Kwale Project set high standards for community engagement in mining in Kenya. We know our overall success depends upon our ability to build relationships with the communities in which we operate and to enrich their lives through our participation. Our focus is on maximising the community's ability to capitalise on the opportunity presented by our operations in a way that ensures permanent economic uplift as a community.

While 2013 has been a challenging year for producers, the long-term outlook for all mineral sands products is considered to remain favourable. Kwale continues to be a robust project with an estimated Life of Mine cash surplus of around US$700 million with some US$350 million in the first five years of operations. This is after repayment of debt and is based on current price forecasts and operating cost estimates. To underpin this performance, Base has secured seven off-take agreements across the three product streams with some of the world's largest consumers of titanium dioxide and zircon products. These agreements cover around 86% of revenue for the next three years and puts us in a strong position.

On behalf of the Board, I would like to congratulate Base Resource's Managing Director, Tim Carstens, and Executive Director, Colin Bwye, together with their team, for their ongoing efforts and commitment to delivering this large-scale mining project in a timely, safe and socially sustainable manner. The project has not been without its challenges over the past year, with the inherent difficulty in achieving a balance between the maximising of local participation and the need for rapid project delivery, coupled with the issue of being the first major mining project in Kenya. The team has met the challenges they have been dealt and in the process established some very high benchmarks for community engagement and project development in Africa.

During the year, we took the opportunity to further enhance the capabilities of the Board through the appointment of Malcolm Macpherson as a Non-Executive Director. Malcolm brings significant additional mineral sands, African and corporate development experience to the Company and we look forward to working with him through the next phase of the Company's development.

We would like to thank our shareholders for their support and loyalty during this important growth phase for Base Resources. We have taken the first steps towards our target of building a premier global resources company in Africa and look forward to rewarding shareholders for their ongoing belief and commitment.

Andrew King
Chairman

US$350 million

forecast cash surplus from Kwale Project in first five full years of operation

A$40 million

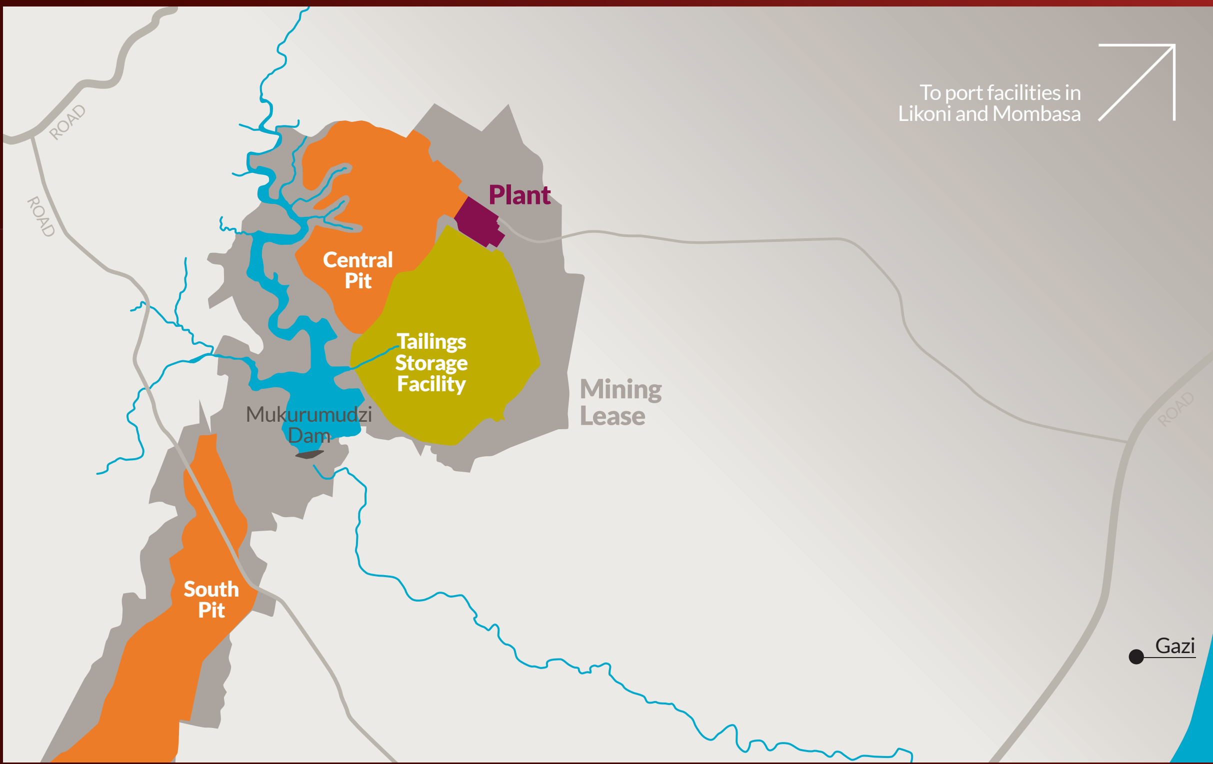
share placement and entitlement offer completed

US$190 million

debt financing drawn down

A$98 million

cash reserves at 30 June



the **path** to production

Review of operations

Base Resources' flagship project is the 100 per cent owned Kwale Mineral Sands Project in Kenya. Progressed along a rapid development timeline, the Kwale Project commenced production of heavy mineral concentrate in October 2013 and is on track to produce finished products later in the fourth quarter of 2013 and commence bulk shipments in January 2014. The Kwale Project will provide the business model and capital platform to launch Base Resources as a global resource company in Africa.

Kwale Project overview

The Kwale Project is located 10 kilometres inland from the Kenyan coast and 50 kilometres south of Mombasa, Kenya's and East Africa's principal port facility. It is a highly competitive project based on an ore body with both a high grade and high value mineral assemblage, enjoying large scale and very low stripping ratio (<0.1:1) and is close to well developed physical and social infrastructure. These factors are expected to position Kwale as a global leader on the basis of revenue to cash cost ratio, the key industry performance benchmark.

The Central and South dunes give the Kwale Project a thirteen year mine life, over the first seven years of which it will produce an average of 80,000 tonnes of rutile, 330,000 tonnes of ilmenite and 30,000 tonnes of zircon per annum, making Kwale a globally significant producer.

The path to production

Following its acquisition in 2010, the completion of an enhanced feasibility study and financing, development of the Kwale Project commenced in October 2011. The development approach adopted has been for the project to be separated into six discrete contract packages, as well as a number of smaller owner's projects, with an integrated management team overseeing their execution and integration. This approach has been adopted to ensure that "best of breed" expertise has been applied to what are technically diverse and effectively separate project elements and risk is more effectively minimised and managed. The six contract packages, each covered by an EPCM contract, included the two processing plants, port facility, powerline, Mukurumudzi Dam, tailings storage facility and access road and camp. The owner's projects, being managed by the Base Resources operational team, included the procurement of the mobile fleet, the dozer trap mining unit and establishment of a bore field for supplementary water supply.

All work packages are now complete and operational with the exception of the mineral separation plant ("MSP") and port facilities which are nearing completion and the Project remains on schedule to make the first bulk product shipments in January 2014.

The mining unit and wet concentrator plant are operational and, in October, commenced the ramp up process towards the building of a stockpile of heavy mineral concentrate ("HMC") ahead of the commissioning of the MSP. Construction work on the MSP is now in its final stages with commissioning of the ilmenite and rutile circuits and commencement of concentrate processing expected during November. This will be followed by the zircon circuit in December.

Onshore construction works at the Likoni port facility are in their final stages with the 60,000 tonne capacity storage shed complete and administration buildings progressing. Following construction and trial assembly in South Africa, the ship loader was successfully erected on the wharf platform in August and its installation is on target for completion prior to the first planned bulk shipment in January 2014.

The 16 kilometre 132kVA power line was commissioned in June and has been providing power for the latter stages of construction and is ready for operations.

The Mukurimudzi dam main embankment was initially closed in April 2013 to begin filling at the start of the main wet season. The embankment wall has now been completed to its final elevation, providing a storage capacity of eight gigalitres, and the spillway is functionally complete. The dam currently holds some six gigalitres of water, which is more than sufficient for the first year's production requirements.

The tailings storage facility was completed in August and is now accepting tails from HMC production through the wet concentrator.

Base is now poised on the cusp of making the transition from developer to producer.

What does Kwale Project mean for Kenya?

US$305 million
direct capital investment

2,200 people employed
at peak of construction, including 950 people from local communities

US$1.9 billion
in mineral sector export earnings

0.8 per cent
boost to GDP

More than
US$220 million expected in tax and royalties over 13 years

Significant multiplier effect
on local economy

Significant training
and skills development

Catalyst
for an inflow of mining investment

An opportunity
to establish a model (and benchmark) for effective mining investment in Kenya

Standout safety record

The Kwale Project has achieved a commendable record for safety to date. The Lost Time Injury Frequency Rate for the project is 0.15 per million man hours with more than six million hours worked since the last (and only) lost time injury in July 2012.

During construction, the Kwale Project has employed a large contractor population and met the challenge of building and nurturing a strong health, safety and environment culture among its contracting workforce. With over 1,000 workers on the various sites coming from local communities, the vast majority of whom had never had a job on an industrial site before, ensuring their safety and that of the entire workforce was a significant risk factor, a major challenge and our success a source of considerable pride.

The decision from the outset was to adopt a first-world best practice safety performance approach across the Kwale Project. It was also recognised that the project's safety system would need to be adapted to suit the cultural and experiential context of the local Kenyan workforce.

It is pleasing to note that both Lost Time Injury Frequency and Total Reportable Injury Frequency rates achieved to date are significantly ahead of the West Australian benchmarks.

Mining and processing operations

Base Resources expects to be a globally significant producer, with a front-ended production profile over an initial 13 year mine life, based on current ore reserves. During this period, Base expects to mine and process 140mt of ore, producing 4.6mt of final product for sale.

The mining operations will use a dozer trap mining unit ("DMU"). The DMU is a simple and cost effective method of mining, best suited to the free-flowing and friable ore at Kwale. Mining is proposed to commence in the higher-grade Central Dune before moving to the lower-grade South Dune in the eighth year of operations.

Kwale's processing plants are designed to process ore to recover three separate products – ilmenite, rutile and zircon – and generate a number of reject streams.

Ore will be received at the wet concentrator plant ("WCP") from the DMU via a slurry pipeline. The WCP is designed to remove slimes at a particle size less than 45µm, concentrate the valuable heavy minerals (ilmenite, rutile and zircon) and reject most of the non-valuable, lighter gangue minerals. The WCP incorporates a number of gravity separation steps using spiral concentrators. The HMC produced, containing 90 per cent heavy minerals, is then processed in the MSP.

The MSP will clean and separate the ilmenite, rutile and zircon minerals and remove any remaining gangue. This is accomplished by a combination of attritioning, electrostatic separation, magnetic separation, classification and gravity separation.

The ilmenite and most of the rutile produced is then transported in bulk, the balance of the rutile and all of the zircon produced is containerised prior to transporting.

Transport, water and power

The Kwale Project is supported by relatively well developed existing physical infrastructure.

During the year the Company has completed construction of an eight kilometre paved access road, to connect the mine site to the main coastal highway running between Mombasa and northern Tanzania.

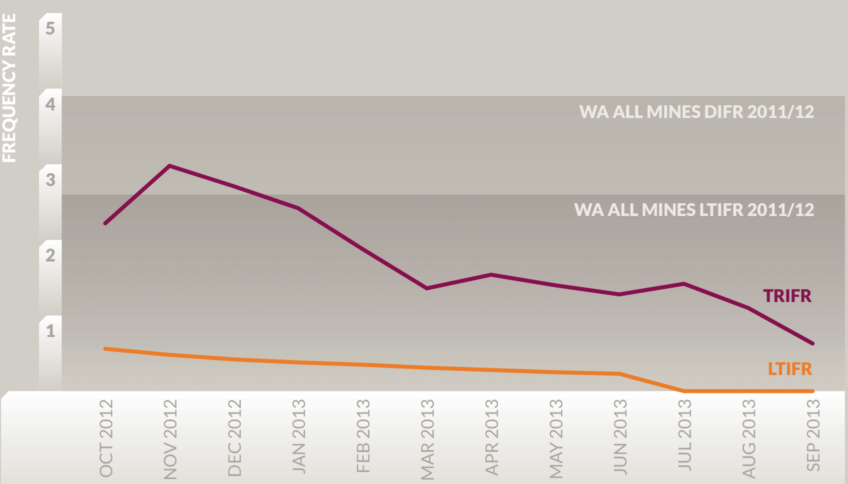
The bulk Kwale product will be hauled 50 kilometres by truck along this route to Base Resources dedicated marine facility at Likoni which comprises a 60,000t capacity storage shed and 1000t/hr shiploader. The loading facility will access the existing shipping channel associated with the main Mombasa port that is the primary terminal for East Africa. Containerised rutile and zircon will be exported through the main Mombasa port.

Power is being supplied from the Kenyan grid via a dedicated 132kVA power line from the Galu substation which was commissioned in April 2010 just 16 kilometres from the Kwale Project site with sufficient capacity to accommodate the Project's operational requirements.

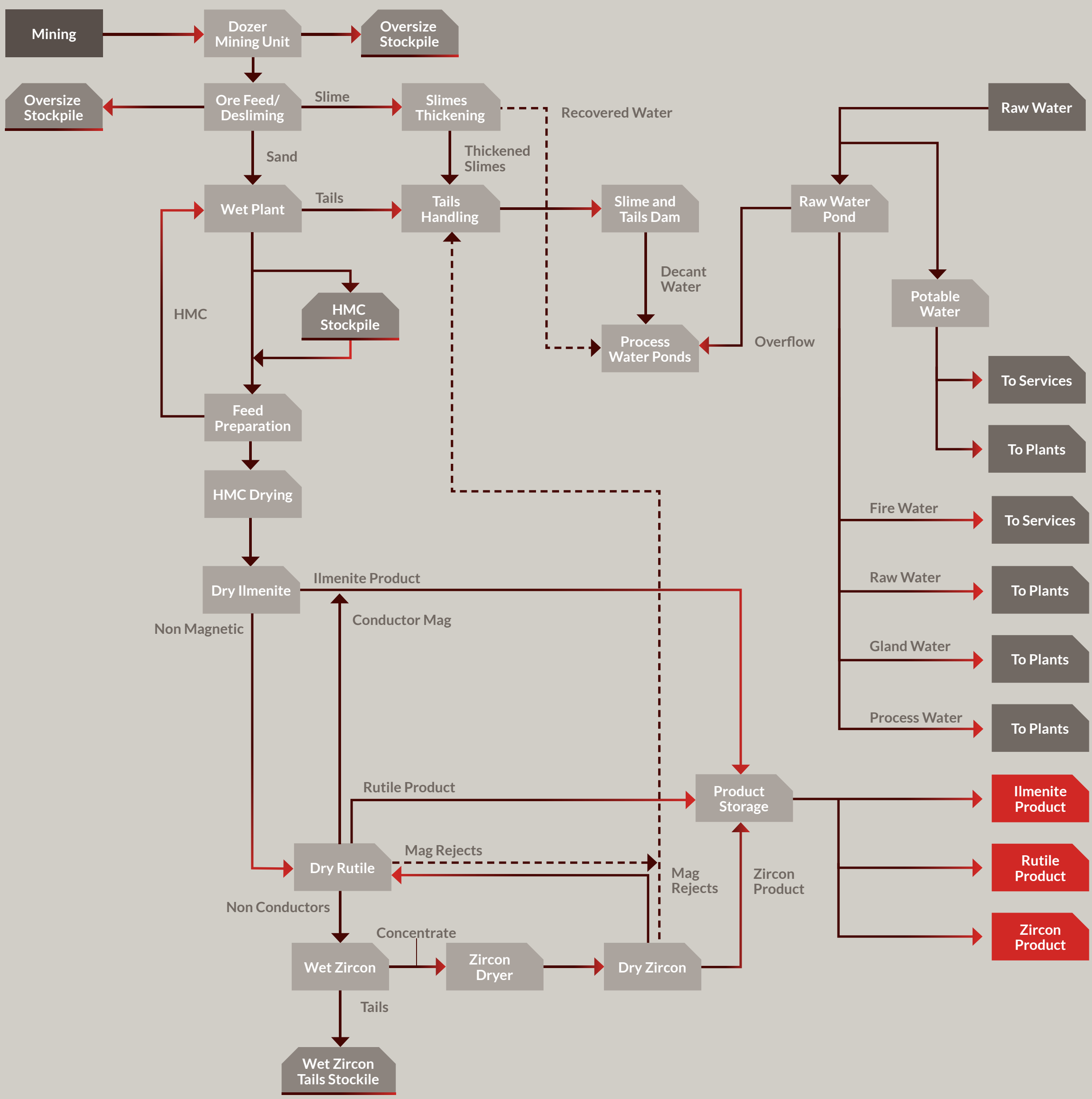
Water is a key input for mineral sands projects. Supply for the Kwale Project comes from the eight gigalitre capacity Mukurumudzi Dam constructed by Base. In addition, a bore field accessing a local aquifer is also being completed to provide a supplemental supply in the event of prolonged drought conditions.

Lost time injury & total recordable injury frequency rates

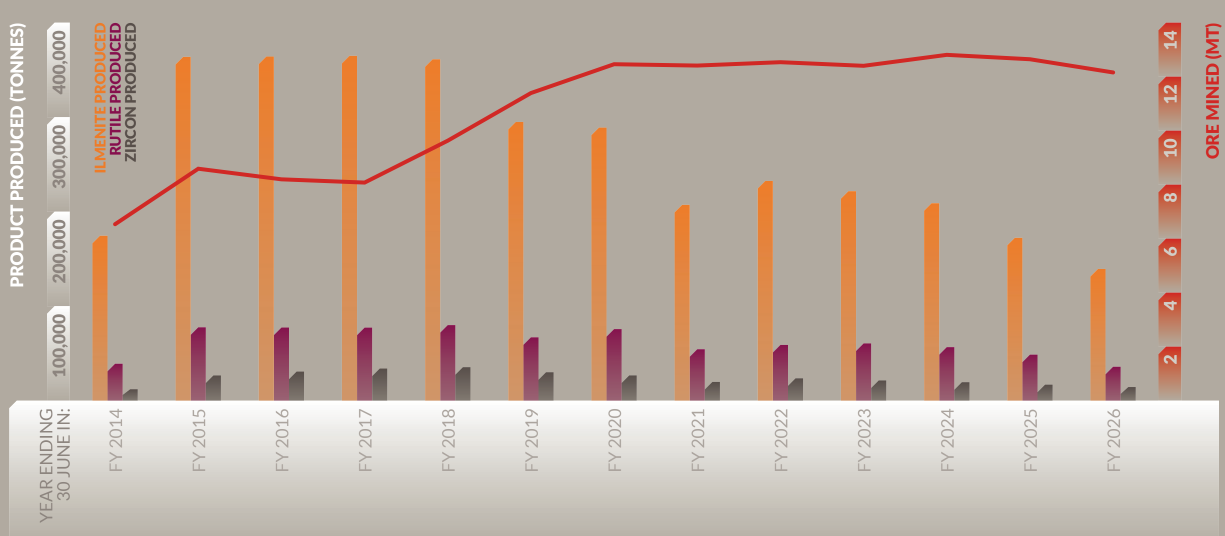
BASE TITANIUM KWALE MINERAL SANDS PROJECT



Process flow diagram



Production profile over current 13 year mine life



Mineral resources

Dune	Classification	Tonnes (Mt)	HMC %	HMC (Mt)	Ilmenite %	Ilmenite (Mt)	Rutile %	Rutile (Mt)	Zircon %	Zircon (Mt)
Central	Measured	46.21	7.06%	3.26	4.01%	1.85	0.93%	0.43	0.43%	0.20
	Indicated	29.94	4.56%	1.37	2.47%	0.74	0.61%	0.18	0.26%	0.08
	Total	76.15	6.08%	4.63	3.40%	2.59	0.81%	0.61	0.36%	0.28
South	Measured	40.02	3.77%	1.51	1.95%	0.78	0.54%	0.22	0.22%	0.09
	Indicated	29.85	3.36%	1.00	1.36%	0.41	0.39%	0.12	0.17%	0.05
	Total	69.87	3.60%	2.51	1.70%	1.18	0.47%	0.33	0.20%	0.14
Total	**Measured**	**86.23**	**5.53%**	**4.77**	**3.05%**	**2.63**	**0.75%**	**0.65**	**0.33%**	**0.29**
	Indicated	**59.79**	**3.96%**	**2.37**	**1.92%**	**1.14**	**0.50%**	**0.30**	**0.22%**	**0.13**
	Total	**146.02**	**4.89%**	**7.14**	**2.59%**	**3.78**	**0.65%**	**0.95**	**0.29%**	**0.42**

NB: The Mineral Resource estimates for Kwale are compliant with the JORC (2004) code for reporting Mineral Resources. At a HM cut-off grade of 1 per cent, the Mineral Resource estimates for the Central Dune and South Dune deposits are summarised in above. All tonnes and grade information have been rounded, hence small differences may be present in the totals. All of the Mineral Resource information is inclusive of Ore Reserves.

Ore reserves

Dune	Classification	Tonnes (Mt)	THM %	Slime %	Oversize %	Ilmenite %	Rutile %	Zircon %
Central	Proven	46.3	6.9	24.6	0.4	3.93	0.91	0.42
	Probable	29.2	4.5	24.5	1.0	2.45	0.61	0.26
	Proven and Probable	75.5	6.0	24.6	0.7	3.36	0.80	0.36
South	Proven	39.9	3.7	26.5	1.7	1.89	0.52	0.22
	Probable	25.2	3.4	29.2	4.8	1.42	0.40	0.17
	Proven and Probable	65.1	3.6	27.6	2.9	1.71	0.48	0.20
Total	**Proven**	**86.2**	**5.4**	**25.5**	**1.0**	**2.99**	**0.73**	**0.33**
	Probable	**54.4**	**4.0**	**26.6**	**2.7**	**1.97**	**0.51**	**0.22**
	Proven and Probable	**140.6**	**4.9**	**25.9**	**1.7**	**2.59**	**0.65**	**0.29**

NB: The Ore Reserves are estimated using all available geological, relevant drill hole and assay data, including mineralogical sampling and test work on mineral recoveries and final product qualities. The Ore Reserve estimates are determined by the consideration of all of the modifying factors in accordance with the JORC Code 2004, and for example, may include but are not limited to, product prices, mining costs, mining dilution and recovery, metallurgical recoveries, environmental considerations, access and approval. The mineral assemblage is reported as a percentage of in situ ore.

Helping communities help themselves

At Base Resources, we clearly understand that achieving our long-term goals depends on our ability to build relationships with our communities in which we operate and to enrich their lives through our participation. Our presence offers significant opportunities for the local community. The focus of our community engagement is on maximising the community's capability to capitalise on that opportunity in a way that provides a broad-based economic uplift that endures beyond the mine life of the Kwale Project. We aim for a balanced flow of mutual benefit.

As the Project has evolved, the focus of our community engagement activities is evolving through three basic phases:

***1. Establishment** – creating the space for our operations and establishing our presence.*

This has involved significant programmes of relocation and compensation, infrastructure replacement and livelihood restoration. Establishing our presence in a manner that has seen Base welcomed, has involved the relocation and compensation, to World Bank standards, of over 500 households, the construction of four schools and refurbishment of another, a health centre, a dispensary complete with medical supplies, a fully equipped school dormitory, a community hall and road and access improvement as well as the delivery of support and training programs to assist with the re-establishment of livelihoods interrupted by relocation.

***2. Basic needs** – addressing those fundamental needs that would otherwise limit participation.*

This is the phase of greatest current focus with activities covering improvements in health, drinking water quality and access, education, transport and, in particular, employment.

A key project deliverable has been the maximisation of local and Kenyan employment in both the construction and operational phases within the constraints of requisite skill and experience. In order to achieve this, Base has established a recruitment centre and a labour recruitment system ("LRS") that allocates job opportunities to registrants based on their priority ranking and verified skills. Priority is allocated on the basis of a series of "fences" reflecting residential proximity and impact of the Kwale Project. In excess of 14,000 people have registered for work on the Kwale Project via the LRS. A measure of the success of the LRS is that, of the peak construction workforce of around 2,200, some 1,500 were from Kenya and 1,000 from the local community.

We have now recruited the permanent operational workforce of around 370 with 60% being from Kwale county, 70% from Coast Province and 90% Kenyan.

The next opportunity to be pursued is opening the recruitment centre and LRS up and making it available to other regional employers as an ongoing employment portal for the local community.

***3. Capability building** – enhancing the communities capability and capacity to capitalise on economic opportunities*

As we are moving into operations, work is now underway on programs targeting industrial training, educational scholarships and agricultural development, in particular, the creation of opportunities.

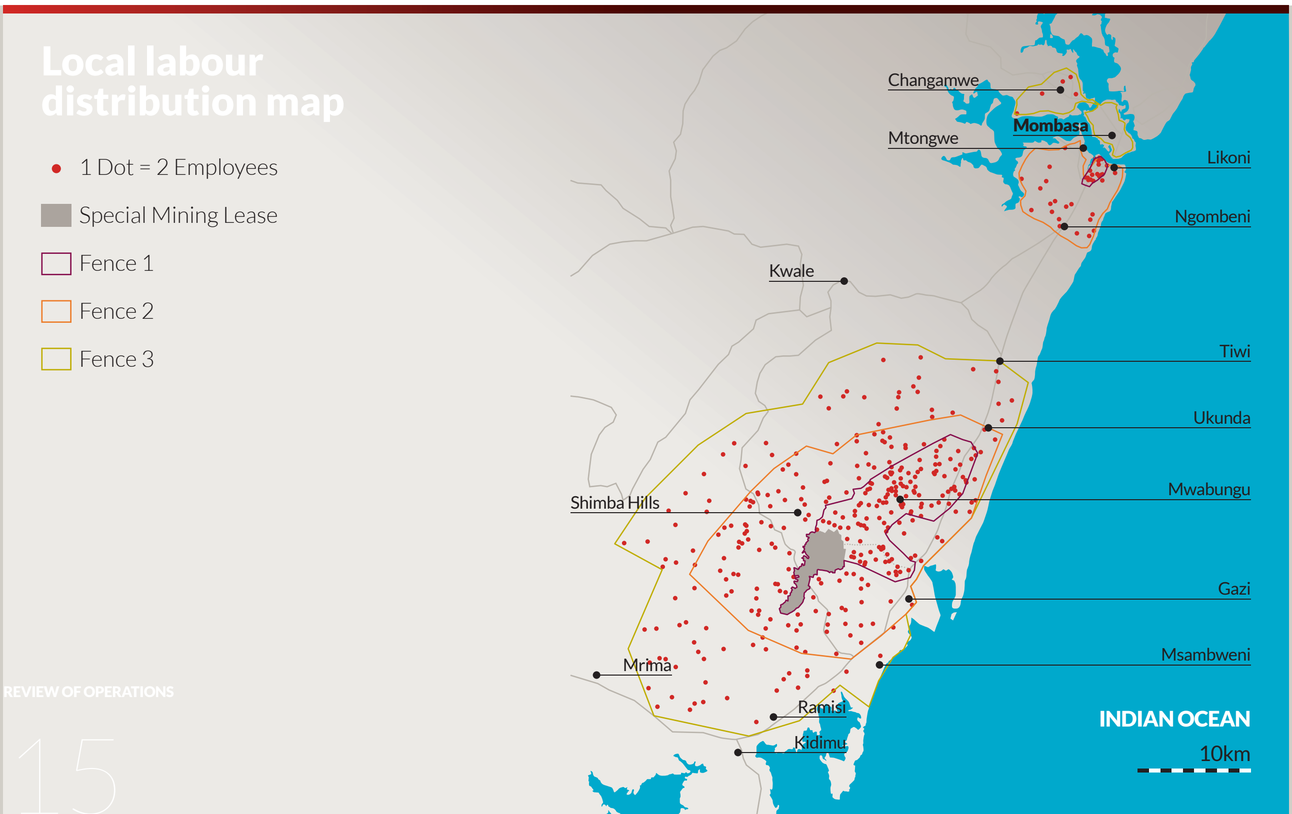
As an illustration, an early, small scale but effective program in creating agricultural opportunities has been the approach to food procurement. The mine site camp caterer, a locally owned company, has established a buying centre that encourages local farmers to sell produce to the camp kitchen, delivering huge financial benefits for local producers. The camp spends more than $6,000 a week on local produce, with the money going direct to farmers.

There are now more than 60 local producers who supply the camp weekly, and local farmers now provide in excess of 60 per cent of all fresh produce used in the camp kitchen. Previously, these farmers had no access to markets, due to distance and poor infrastructure. In order to meet the camp's produce demands, these local farmers have begun to diversify their crops and increase business opportunities in a sustainable manner.

The buying centres have had other spin-off benefits:

- Hotels from nearby Diani Beach have begun shopping at the buying centre, increasing the size of the market for local producers.
- In a response to requests from local producers, the government is in the process of licensing a local abattoir that will allow it to supply the mine camp and other buyers with meat.
- Local government is also providing fish farming training so that new local businesses can be established and fish supplied to the camp.

From this modest start we have identified significant potential opportunities to facilitate new crops, across a wider area, to supply national and international markets and will be exploring these over the coming year.



Many of Base's community development programmes have originated from the three district based community liaison committees and six community based committees. Base Resources established these committees to meet on a monthly basis to discuss any direct impacts related to the construction of various project infrastructure components. Through these committees, it is the community itself that is prioritising its needs in achieving the common goal of broad-based, sustainable economic development.

Base also works with non-government organisations, specialist not-for-profit groups and co-sponsors to efficiently and effectively deliver sustainable development solutions with maximum effect for the local communities surrounding the Kwale Project.

Of course, none of our objectives in terms of community relationship can be achieved without high standards of environmental management and performance. The implementation of the Company's environmental management systems is ongoing, with no environmental incidents reported during the year under review.

Base is committed to complying with Kenyan legislation and International Best Practice, specifically the International Finance Corporations Performance Standards, the Equator Principles, World Bank Group's Environmental, Health and Safety Guidelines and International Labour Organisation's core labour standards.

These standards and policies, in conjunction with Base Resources' corporate policies, guide the Project's actions. With this approach, Base Resources intends to set the benchmark for responsible mineral industry development in Kenya.

Corporate and finance report

In September 2012, following the completion of detailed design, the capital cost estimate for the Kwale Project was increased by 14 per cent to US$298 million. The Company completed a A$40 million capital raising in October 2012 to meet the resultant additional funding requirements. This funding completed Base Resources' equity contribution for the Kwale Project, a key condition precedent to utilisation of the project debt facilities.

Base Resources completed its first drawdown on the project debt facilities in November 2012, a critical milestone for the Company giving access to the full funding required to complete the development of the Kwale Project. A further two drawdowns were completed prior to year end. Total debt drawn at 30 June is US$170 million.

To meet any unforeseen costs or delays, a US$20 million extension to the existing cost overrun facility was finalised at the start of the June quarter. This additional facility was drawn in October 2013, bringing the total Kwale Project debt facilities drawn to US$190 million.

As a consequence of later than anticipated start-up of the MSP, the timing of product shipments, continued subdued product prices expected in the first half of 2014 and the current forecast capital cost of US$305 million, Base Resources considers it prudent to increase the funding buffer available for working capital during the ramp up phase of operations and is currently pursuing a further extension of the existing debt facilities.

As part of a strategy to expand its international profile and capitalise on substantial UK and European investor interest, Base was admitted onto the AIM Market of the London Stock Exchange in January 2013. AIM is recognised as one of the world's leading exchanges for junior resource companies, with a significant peer group, analyst coverage and institutional investor following of companies active in Africa.

Off-take agreements

Base has secured seven off-take agreements across the three product streams with some of the world's largest consumers of titanium dioxide and zircon products, including a cornerstone agreement with DuPont Titanium Technologies. Over the past year, three new, three year, take or pay off-take agreements have been signed with leading Chinese off-takers, securing a large portion of the previously uncontracted sales volumes for ilmenite and zircon.

Once production ramps up, the Kwale Project will be shipping finished products to North America, Europe, the Middle East, Japan and China.

All off-take agreements contain firm minimum volumes (subject to annual production forecasts by Base), with pricing derived from prevailing market prices, based on agreed price index or six monthly or quarterly price negotiations.

Mineral sands market

Ilmenite and rutile are mainly used as feed stocks for the production of titanium dioxide (TiO_2) pigment, with a small percentage also used in the production of titanium metal and fluxes for welding rods and wire. Titanium dioxide is the most widely used white pigment because of its non-toxicity, brightness and very high refractive index. Historically, TiO_2 pigment use has been greatest in the highly urbanised and wealthy countries of the world as it is an essential component of basic consumer products such as paint, plastics and paper. Despite volatility in recent years, global consumption of TiO_2 pigment has maintained a long-term average growth rate of approximately three per cent per annum.

The short-term market for titanium dioxide feedstocks showed some signs of improvement through the later part of the 2013 financial year with some of the major pigment producers reporting a significant reduction in final product stocks. Continued strength in the US housing market, together with improvement in the Chinese housing sector, provides support for market conditions to continue improving through the second half of 2013. However, ilmenite and rutile stock levels in the supply chain are likely to result in subdued pricing for the remainder of 2013 and into the first half of 2014.

Zircon has a range of end-uses, the largest of which is in ceramic tiles, which accounts for more than 50 per cent of global zircon consumption. Milled zircon used in glazes and/or bodies of tiles enables ceramic tile manufacturers to achieve brilliant opacity, whiteness and brightness in their products. Zircon is also used in a range of other applications such as refractories, foundries and specialty chemicals that benefit from zircon's unique properties such as heat and wear resistance, stability, opacity, hardness and strength. Demand growth for zircon is closely linked to growth in global construction and is, therefore, increasingly driven by construction activity in the developing world.

After a sharp downturn in 2012, zircon demand, from Chinese customers in particular, increased significantly throughout the first half of the 2013 calendar year. Some of the major zircon producers, including Iluka Resources Limited, managed to reduce zircon stocks through the first half of the 2013 calendar year and advised customers that the availability of zircon for prompt sales was diminishing. While zircon demand through the second half of the 2013 calendar year is expected to remain firm, a recovery in pricing will be dependent on the pace of stock re-balancing throughout the supply chain.

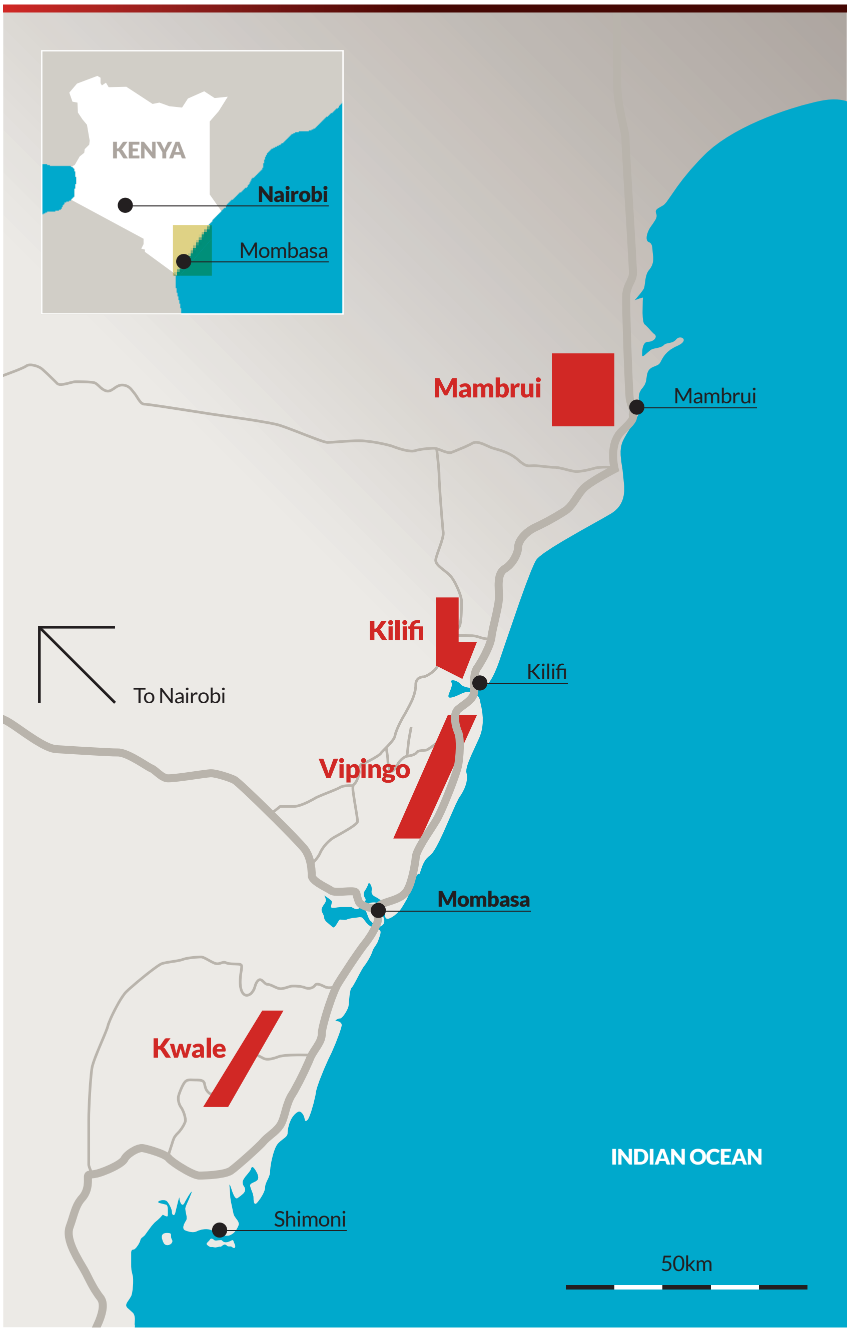
Kenyan exploration projects

As part of the Kwale acquisition, Base Resources also acquired an option to purchase three further exploration projects, Mambrui, Kilifi and Vipingo, located along the coast to the north of Mombasa.

On 28 December 2012, the then Kenyan Minister of Environment & Mineral Resources published a gazette notice purporting to cancel the three exploration licenses covering these projects. The Company has taken the appropriate legal action to protect the exploration rights and has received a court order staying the cancellation pending a hearing. Base continues to pursue the matter and is confident of a positive outcome.

Following the exploratory drilling program completed during the year, updated JORC-compliant resource estimates have been completed for the Kilifi and Mambrui projects. Resource statements at a 1 per cent THM cut-off are presented below.

Further exploration activity, focused on enhancing the Kwale North Dune resource estimate, was undertaken during the year. Analysis of the results is nearing completion and an updated resource estimate is scheduled for completion in the December quarter. The North Dune is not currently included in the Kwale Project.



Mineral resources

Project	Classification	Resource	HMC		Ilmenite		Rutile		Zircon	
		Mt	%	Mt	%	Mt	%	Mt	%	Mt
Kilifi	Indicated	1,520	2.8%	43.0	1.80%	27.3	0.13%	2.0	0.12%	1.8
	Inferred	593	2.4%	14.0	1.40%	8.3	0.10%	0.6	0.10%	0.6
	Total	**2,110**	**2.7%**	**57.0**	**1.69%**	**35.6**	**0.12%**	**2.6**	**0.11%**	**2.4**
Mambrui	Indicated	490	4.1%	20.2	2.61%	12.8	0.10%	0.5	0.10%	0.5
	Inferred	259	2.8%	7.2	1.54%	4.0	0.08%	0.2	0.07%	0.2
	Total	**750**	**3.7%**	**27.4**	**2.24%**	**16.8**	**0.09%**	**0.7**	**0.09%**	**0.7**

NB: The Mineral Resource estimates for Kilifi and Mambrui are compliant with the JORC (2004) code for reporting Mineral Resources. At a HM cut-off grade of 1 per cent, the Mineral Resource estimates are summarised above. All tonnes and grade information have been rounded, hence small differences may be present in the totals.

Competent persons' statements

Information in this annual report that relates to Mineral Resources at the Kwale Project is based on information compiled by Scott Carruthers, who is a full time employee of Base Titanium Limited (a wholly owned subsidiary of Base Resources Limited), who is a member of The Australasian Institute of Mining and Metallurgy. Mr Carruthers has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and ore Reserves'. Mr Carruthers consents to the inclusion in this annual report of the information based on his work in the form and context in which it appears.

Information in this annual report that relates to ore Reserves at the Kwale Project is based on information compiled by Scott Carruthers and Per Scrimshaw, both of whom are Members of The Australasian Institute of Mining and Metallurgy. Mr Carruthers is a full time employee of Base Titanium Limited. Mr Scrimshaw is employed by Creative Mined enterprises. Both Mr Carruthers and Mr Scrimshaw have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and ore Reserves'. Both Mr Carruthers and Mr Scrimshaw consent to the inclusion in this annual report of the information based on his work in the form and context in which it appears.

Information in this annual report that relates to Mineral Resources at the Kilifi and Mambrui Projects are based on information compiled by Scott Carruthers, who is a full time employee of Base Titanium Limited and is a member of The Australasian Institute of Mining and Metallurgy. Mr Carruthers has sufficient experience (>20 years) in exploration, assessment, resource estimation and mining of heavy mineral sand projects and qualifies as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Carruthers consents to the inclusion in this announcement of the information based on his work in the form and context in which it appears.

Corporate directory

Directors

Mr Andrew King, *NON-EXECUTIVE CHAIRMAN*
Mr Tim Carstens, *MANAGING DIRECTOR*
Mr Colin Bwye, *EXECUTIVE DIRECTOR*
Mr Samuel Willis, *NON-EXECUTIVE DIRECTOR*
Mr Winton Willesee, *NON-EXECUTIVE DIRECTOR*
Mr Michael Anderson, *NON-EXECUTIVE DIRECTOR*
Mr Trevor Schultz, *NON-EXECUTIVE DIRECTOR*
Mr Mike Stirzaker, *NON-EXECUTIVE DIRECTOR – ALTERNATE FOR TREVOR SCHULTZ*
Mr Malcolm Macpherson, *NON-EXECUTIVE DIRECTOR – APPOINTED 25TH JULY 2013*

Company Secretary

Mr Winton Willesee

Principal place of business and registered office

Level 1
50 Kings Park Road
WEST PERTH WA 6005

Contact details

Website: www.baseresources.com.au
Email: info@baseresources.com.au
Phone: + 61 (8) 9413 7400
Fax: + 61 (8) 9322 8912

Solicitors

Ashurst Australia
Level 32, Exchange Plaza
2 The Esplanade
PERTH WA 6000

Auditors

KPMG
235 St Georges Terrace
PERTH WA 6000

Share registry

ASX: Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
PERTH WA 6000
Enquiries: (within Australia): 1300 850 505
(outside Australia): +61 (3) 9415 4000
www.computershare.com.au
www.investorcentre.com/contact

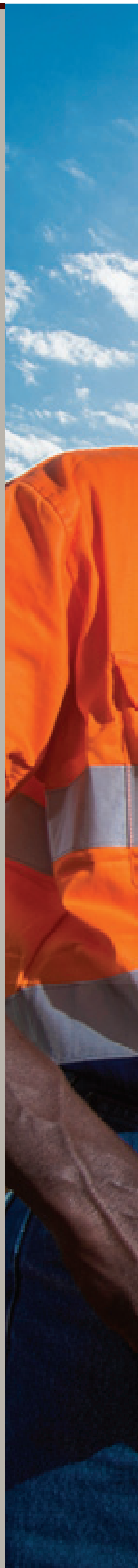
AIM: Computershare Investor Services PLC
The Pavilions
Bridgwater Road
BRISTOL BS99 6ZZ
Enquiries: +44 (0) 870 702 0003
www.computershare.co.uk
www.investorcentre.co.uk

AIM nominated advisor

RFC Ambrian Limited
Level 15, QV1 Building
250 St Georges Terrace
PERTH WA 6000

AIM broker

RFC Ambrian Limited
Condor House
10 St Paul's Churchyard
LONDON EC4M 8AL



consolidated **financial** statements

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 2013.

Directors

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

Mr Andrew King

Mr Tim Carstens

Mr Colin Bwye

Mr Winton Willesee

Mr Samuel Willis

Mr Michael Anderson

Mr Trevor Schultz

Mr Mike Stirzaker – alternate for Trevor Schultz

Mr Malcolm Macpherson – appointed 25 July 2013

Directors have been in office since the start of the financial year to the date of this report with the exception of Mr Malcolm Macpherson who was appointed on 25 July 2013.

Company secretary

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

Mr Winton Willesee

Principal activities and significant changes in nature of activities

The principal activities of the Group during the financial year were the development of the Kwale Mineral Sands Project in Kenya.

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

Operating results

The loss of the Group after providing for income tax amounted to $6,661,165 (2012: profit of $331,213).

Dividends paid or recommended

There were no dividends paid or declared for payment during the financial year.

Review of operations

The Company has made significant progress in the development of the Kwale Mineral Sands Project during the year with the overall development currently approximately 95% complete. The Kwale Project is expected to commence production of heavy mineral concentrate in Q3 2013 and finished products in Q4 2013 with first bulk shipments to commence in the 2nd half of Q4 2013.

A number of the work packages are now complete including the power line, access road, camp and the mining fleet is commissioned and fully operational.

The Mukurimudzi dam diversion channel was closed in April ahead of the wet season and now holds 5.9 gigalitres of water, which is more than sufficient for the first year's production requirements. Construction of the main embankment to the final elevation is now complete and the spillway construction is in its final stages.

Onshore construction works of the Likoni port facility are well advanced with the storage shed complete and administration buildings progressing. Following construction and trial assembly in South Africa, the ship loader is undergoing final erection on the wharf platform and is on target for completion prior to the first planned bulk shipment in the December quarter of 2013.

The Mineral Separation Plant ("MSP") completion is expected to be delayed by approximately 4 weeks as a consequence of slower than anticipated structural, mechanical and pipework installation. In response, the MSP completion and ramp-up schedule has been revised to prioritise the ilmenite and rutile circuits ahead of the zircon circuit in order to minimise the cashflow impacts of the delay.

Safety performance continues to be an area of intense focus and effort with particular emphasis on system development, training and supervisor accountability. The Lost Time Injury frequency rate for the construction project is currently 0.2 per million man hours with over 5.6 million hours worked since the last (and only) lost time injury in July 2012.

The short term market for titanium dioxide feedstocks showed some signs of improvement through the later part of the 2013 financial year with some of the major pigment producers reporting a significant reduction in final product stocks. Continued strength in the US housing market together with improvement in the Chinese housing sector provides support for market conditions to continue improving through the second half of 2013. However, ilmenite and rutile stock levels in the supply chain are considered likely to maintain subdued pricing for the remainder of 2013.

Market conditions for zircon remained firm through the June quarter of 2013. Demand from Chinese customers, in particular, increased significantly throughout the first half of 2013 calendar year. Some of the major zircon producers, including Iluka Resources Limited, managed to reduce zircon stocks through the first half of the 2013 calendar year and have advised customers that the availability of zircon for prompt sales is diminishing. While zircon demand through the September quarter, and the remainder of the second half of 2013 calendar year, is expected to remain firm, a recovery in pricing will be dependent on the pace of stock re-balancing throughout the supply chain.

The long term outlook for all mineral sands products remains very positive. Enquiry levels for Base's products remains strong and recently Base has entered three new, three year, take or pay offtake agreements with leading Chinese offtakers which secure a large portion of the previously uncontracted sales volumes for ilmenite and zircon.

In October 2012, in response to an increase in the capital cost estimate for the Kwale Project following the completion of the detailed design, the Company completed a A$40 million share placement and entitlement offer in order to meet the additional funding requirements. This funding completed Base's equity contribution for the Kwale Project and allowed Base to commence utilisation of the Kwale Project debt facilities.

The first drawdown on the Kwale Project debt facilities was completed in November 2012 with a further two drawdowns prior to year end. Total debt drawn at 30 June is US$170 million, inclusive of the original US$20 million cost overrun facility. A further US$20 million extension to the cost overrun facility has been secured but remains undrawn, with utilisation subject to receiving the consent of the Commissioner of Mines & Geology to the resultant extension of security interests.

As a consequence of the anticipated delay in the start-up of the MSP, the timing of product shipments, continued subdued product prices expected in the December quarter of 2013 and an increased forecast capital cost of

US$305 million, Base considers it prudent to increase the funding buffer available for working capital and will be pursuing a further extension of the existing debt facilities.

In July 2013, Malcolm Macpherson was appointed to the Board, bringing significant additional mineral sands, African and corporate development experience to the company. The appointment of Mr Macpherson comes as part of our development of a team at all levels of the organization with the requisite capability to deliver on the significant opportunities in front of us.

Financial position

The net assets of the Group have increased by $48 million from $170 million at 30 June 2012 to $218 million at 30 June 2013. This net increase is primarily due to the $40 million capital raising completed in October 2012 to meet the additional funding of the development of the Kwale Project.

The Group's working capital, being current assets less current liabilities, has decreased from $101 million at 30 June 2012 to $88 million at 30 June 2013, largely due to the use of funds in the development of the Kwale Project.

In June 2013, the third drawdown of US$46 million was completed on the Kwale Project debt facilities. Total debt drawn at 30 June is US$170 million, inclusive of the original cost overrun facility. The Company had cash reserves of $98 million at 30 June. A further US$20 million extension to the cost overrun facility which was finalised in May 2013 remains undrawn, with utilisation subject to receiving the consent of the Commissioner of Mines and Geology to the resultant extension of security interests.

In the Directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Significant changes in state of affairs

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

a. Completion of a A$40 million share placement and entitlement offer;

b. Drawdown of US$170 million in debt financing;

c. Securing a US$20 million extension of the existing cost overrun facility; and

d. Advancing the Kwale Mineral Sands Project to 95% overall completion.

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

After balance date events

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

Future developments, prospects and business strategies

The Group's strategy is to complete the development of the Kwale Mineral Sands Project and commence operating whilst continuing to explore for other economic deposits and growth opportunities.

Environmental issues

The Group is aware of its environmental obligations with regards to its activities and ensures that it complies with all regulations when carrying out any exploration work.

National Greenhouse and Energy Reporting Act (NGER) legislation was considered and determined not to be applicable to the Company at the current stage.

Information on directors

Mr Andrew King

Non-Executive Chairman

Qualifications: DipMinEng, GradCertAcc&FinMgt, MAusIMM, MIEAust, MAICD

Appointed: 28 May 2008

Experience: A mining engineer with over 35 years' experience in the mineral resources industry, Mr King brings to Base Resources Limited a considerable depth of knowledge and expertise in technical disciplines as well as in the successful establishment of new companies including Goldstar Resources NL and Alcyone Resources Limited. In addition to experience covering corporate, strategic and operational roles in gold, iron ore, coal and base metals, he holds qualifications in accounting and financial management.

Interests in shares and options: 820,000 ordinary shares and options to acquire a further 800,000 ordinary shares.

Past public company directorships held over the last three years: Alcyone Resources Limited (resigned 15 March 2013).

Mr Tim Carstens

Managing Director

Qualifications: BCom, ACA

Appointed: 5 May 2008

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

Interests in shares and options: 641,006 ordinary shares and options to acquire a further 5,000,000 ordinary shares.

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

Mr Colin Bwye

Executive Director – Operations & Development

Qualifications: BEng(Hons)

Appointed: 12 July 2010

Experience: Mr Bwye has over 20 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. Most recently he was Managing Director of Western Australian mineral sands producer, Doral Mineral Industries Limited, a subsidiary of Iwatani Corporation of Japan. Mr Bwye has an extensive knowledge of all aspects of the mineral sands industry, including downstream processing and marketing of mineral sands products and he has also been integral in bringing a number of development projects into production. 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.

Interests in shares and options: 1,251,223 ordinary shares and options to acquire a further 8,600,000 ordinary shares.

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

Directors' report continued

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 non-executive director of oil and gas explorer New Standard Energy Limited (NSE) after having served as Managing Director for 7 years. Mr Willis provides Base Resources Limited with in excess of 15 years' experience and expertise in capital markets, corporate finance and executive board involvement with emerging small and mid-cap companies.

Interests in shares and options: 200,000 ordinary shares and options to acquire a further 600,000 ordinary shares.

Past public company directorships held over the last three years: Northern Energy Corporation Limited (NEC).

Mr Winton Willesee

Non-executive Director / Company Secretary

Qualifications: BBus, DipEd, PGDipBus, MCom, FFin, CPA, MAICD, ACIS/ACSA

Appointed: 23 May 2007

Experience: Mr Willesee is an experienced company director. Mr Willesee brings a broad range of skills and experience in strategy, company administration, corporate governance, company public listings, merger and acquisition transactions, reconstructions and corporate finance from his background with listed and unlisted public and other companies.

Mr Willesee holds a Master of Commerce, Post-Graduate Diploma in Business (Economics and Finance), a Graduate Diploma in Applied Corporate Governance, a Graduate Diploma in Applied Finance and Investment, a Graduate Diploma in Education and a Bachelor of Business. He is a Fellow of the Financial Services Institute of Australasia, a Member of the Australian Institute of Company Directors, a Member of CPA Australia and a Chartered Secretary.

As well as his position with Base Resources Limited, Mr Willesee is currently the Chairman of Birimian Gold Limited (appointed 31 January 2013), Cove Resources Limited (appointed 4 June 2008), Mining Group Limited (appointed 14 March 2011) and Bioprospect Limited (appointed 16 September 2011), and a Director of Coretrack Limited (appointed 4 October 2010), Newera Resources Limited (appointed 31 March 2007), Otis Energy Limited (appointed 18 Jan 2008) and Torrens Energy Limited (appointed 21 March 2012).

Interests in shares and options: 595,834 ordinary shares and options to acquire a further 600,000 ordinary shares.

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

Mr Michael Anderson

Non-executive Director

Qualifications: BSc (Hons), PhD

Appointed: 28 November 2011

Experience: Mr Anderson has 20 years' industry experience, largely in southern Africa and Australia. His career commenced as a geologist with Anglo American, followed by roles in the metallurgical and engineering industries with Mintek, Bateman and Kellogg Brown & Root. He subsequently held senior management positions including Corporate Development Manager at Gallery Gold Limited, and most recently as Managing Director at Exco Resources Limited, where he oversaw the successful development of the White Dam Gold Project, and the sale of the Company's Cloncurry Copper Project to Xstrata. He joined Taurus Funds Management as a Director in August 2011. Mr Anderson is also a director of Hot Chili Limited (appointed 13 December 2011), Ampella Mining Limited (appointed 18 June 2012) and PMI Gold Corporation Limited (appointed 15 May 2013).

Interests in shares and options: Nil

Past public company directorships held over the last three years: Exco Resources Limited.

Mr Trevor Schultz

Non-executive Director

Qualifications: M.A (ECON), M.Sc (Min Eng)

Appointed: 28 November 2011

Experience: Mr Schultz has over 40 years' experience at the executive management and board level with leading international mining companies, including BHP, RTZ/CRA, Pegasus Gold and Ashanti Goldfields. His roles have included the development of several new mining operations in Africa, South America and the U.S.A., negotiations with various governments and their agencies and project financing and capital raisings. Mr Schultz has extensive experience operating in Africa and is currently Executive Director of Operations for Centamin Egypt Limited (appointed 15 August 2008), where he had responsibility for the development and expansion of the Sukari Gold Mine in the eastern desert of Egypt.

Mr Schultz has a Masters Degree in Economics from Cambridge University, a Master of Science Degree in Mining from the Witwatersrand University and he completed the Advanced Management Programme at Harvard University.

Interests in shares and options: Nil

Past public company directorships held over the last three years: Guinor Gold Corporation.

Mr Michael Stirzaker

Alternate for Trevor Schultz

Qualifications: BCom, CA (Aust.)

Appointed: 28 November 2011

Experience: Mr Stirzaker has 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 B.Com from the University of Cape Town. He moved into investment banking with Wardley James Capel (part of the HSBC Group) and then Kleinwort Benson Limited in London. From 1993 to 2007 he was part of the natural resource advisory and investment firm, RFC Group Limited, where he became Joint Managing Director. He has also been a shareholder and Director of Tennant Metals Pty. Limited, a privately owned physical metal trader and investor, and was the Finance Director of Finders Resources Limited, an ASX listed company with copper & gold projects in Indonesia. In 2010, Mike joined the private equity mining fund manager, Pacific Road Capital Management Pty Limited as an Executive Director.

Interests in shares and options: Nil

Past public company directorships held over the last three years: Finders Resources Limited.

Mr Malcolm Macpherson

Non-executive Director

Qualifications: B.Sc. FAusIMM, FAICD, 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. Malcolm spent 25 years from 1974 at Iluka Resources Limited, the world's largest mineral sands company, rising from mine manager to Managing Director and Chief Executive. Malcolm is currently a director of Bathurst Resources Limited, Bathurst Resources (New Zealand) Limited and Titanium Corporation Inc., a Canadian-listed technology company. He has previously held the position of Chairman with Azumah Resources Limited and Western Power Corporation and been a director of Portman Mining Limited and Minara Resources Limited. Malcolm 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.

Interests in shares and options: Nil

Past public company directorships held over the last three years: Pluton Resources Limited (Chairman), Bathurst Resources Limited, Minara Resources Limited, and Range River Gold Limited.

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 COMMITTEE	
	Number of meetings held while a director	Number of meetings attended	Number of meetings held while a committee member	Number of meetings attended	Number of meetings held while a committee member	Number of meetings attended
Andrew King	11	11	4	4	4	4
Tim Carstens	11	11	-	-	-	-
Colin Bwye	11	11	-	-	-	-
Samuel Willis	11	9	4	4	4	4
Winton Willesee	11	11	4	4	4	4
Michael Anderson	11	11	3	3	-	-
Trevor Schultz	11	10	-	-	3	1
Malcolm Macpherson(i)	-	-	-	-	-	-

(i) Appointed 25 July 2013

Indemnifying officers or auditor

During or since the end of the financial year, the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The Company has paid premiums to insure all of the directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of director of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The policies prohibit disclosure of details of the policies or the premiums paid.

Options

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

GRANT DATE	DATE OF EXPIRY	EXERCISE PRICE	NUMBER UNDER OPTION
9.7.2010	9.7.2015	$0.25	8,500,000
9.7.2010	9.7.2015	$0.09	7,100,000
30.7.2010	30.7.2015	$0.25	1,000,000
			16,600,000

Option holders do not have any rights to participate in any issues of shares or other interests in the Company or any other entity.

For details of options issued to directors and executives as remuneration, refer to the Remuneration Report.

1,000,000 options were issued to RFC Corporate Finance on 30 July 2010 for services provided in connection with the acquisition of the Kwale Mineral Sands Project. Refer to note 24 for further details.

During the year ended 30 June 2013, 1,400,000 shares in Base Resources Limited were issued as a result of the exercise of options.

Directors' report continued

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 company

No person has applied for leave of a Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company 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 2013:

	2013 $	2012 $
Taxation services	151,359	91,653

Auditor's independence declaration

The lead auditor's independence declaration for the year ended 30 June 2013 has been received and can be found on page 29 of the Annual Report.

Remuneration report — audited

This remuneration report sets out the remuneration arrangements for Base Resources Limited for year ended 30 June 2013. 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 ('KMPs') 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 Company and other executive management as detailed in the table below. The Executive Directors and executive management listed in the table below are collectively defined as the Senior Executives for the purposes of this report.

NAME	POSITION	APPOINTED DURING THE PERIOD
SENIOR EXECUTIVES		
T Carstens	Managing Director	
C Bwye	Executive Director – Operations & Development	
K Balloch	Chief Financial Officer	
D Vickers	General Manager – Operations	
J Schwarz	General Manager – External Affairs & Development	
C Forbes	General Manager – Environment & Community Affairs	
S Hay	General Manager – Marketing	14 January 2013
NON-EXECUTIVE DIRECTORS		
A King	Chairman	
S Willis	Director	
W Willesee	Director and Company Secretary	
M Anderson	Director	
T Schultz	Director	
M Macpherson	Director	25 July 2013

Changes since the end of the reporting period

Mr Malcolm Macpherson was appointed on 25 July 2013, subsequent to the end of the reporting period.

Role of the remuneration committee

The Remuneration Committee is responsible for oversight of the remuneration policy and system. It is also responsible for evaluating the performance of the Executive Directors and monitoring performance of the executive management team. The Board, upon recommendation of the Remuneration Committee, determines the remuneration of the Executive Directors and approves the remuneration of the executive management team.

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

The Corporate Governance Statement provides further information on the role of this committee.

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 Company'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 Company.

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

- Facilitate the achievement of the Company'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 Company;
- Attract, retain and motivate employees of the required capabilities; and
- Comply with applicable legal requirements and appropriate standards of governance.

Key principles of senior executive remuneration

Remuneration comprises fixed remuneration, and variable (or at-'risk') remuneration, which is determined by individual and Company performance. The Company 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 Company's Senior Executives have a higher proportion of remuneration at-risk than industry averages.

Remuneration report — audited continued

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 Company and individual executives. More senior positions have a greater proportion of their remuneration at-risk. If overall Company performance fails to meet a minimum standard, no executives will be entitled to receive any at-risk remuneration. For all executives, it is therefore possible that no at-risk remuneration will be earned and that fixed remuneration will represent 100 per cent of total remuneration. If target at-risk remuneration is earned, the proportion of total remuneration represented by fixed and at-risk remuneration would be: • Executive Directors (includes Managing Director): 36% fixed and 64% at-risk. • Other Senior Executives who are KMP: 53% fixed and 47% at-risk.
FIXED REMUNERATION	
What is included in fixed remuneration?	TFR includes a base salary plus superannuation. Allowances and other benefits may be provided and are as agreed, including leased motor vehicles and additional superannuation, provided that no extra cost is incurred by the Company. In order to attract and retain people of the requisite capability to key roles located in Kenya, an additional market allowance may be paid. The market allowance, while fixed in nature, does not form part of TFR for the purposes of calculating at-risk remuneration entitlements.
When and how is fixed remuneration reviewed?	TFR is reviewed annually. Any adjustments to the TFR for the Executive Directors must be approved by the Board after recommendation by the Remuneration Committee. The Executive Directors determine the TFR of other Senior Executives within specified guidelines approved by the Board. The Company seeks to position the fixed remuneration at the 50th percentile of salaries for comparable companies within the mining industry, utilising datasets and specific advice provided by independent remuneration consultants.
SHORT TERM INCENTIVE PLAN ("STIP")	
What is the STIP?	The STI is the cash component of the at-risk remuneration, payable based on a mix of Company and individual annual performance standards.
Why does the Board consider an STI is appropriate?	At-risk remuneration strengthens the link between pay and performance. The purpose of these programs is to reward executives for annual performance relative to expectations of their role accountabilities, required behaviours and KPI's as well as the delivery of annual business plans. A reward structure that provides at-risk remuneration is also necessary as a competitive remuneration package in the Australian and global marketplace for executives.
Does the STI take into account different levels of performance compared to objectives?	The size of any payment is linked to the extent of achievement. Levels of performance required for target levels of STI 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 STI award would be payable. The STI Plan 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 STI Plan is designed such that there is an 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 STI Plan is designed such that there is an 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 75th percentile total remuneration package policy objective for executives.

SHORT TERM INCENTIVE PLAN ("STIP") CONTINUED

What are the performance criteria?	Performance criteria are assigned for both individual and Company performance. Performance criteria may change from year to year. For Senior Executives, 50% of the STI is attached to individual performance criteria and 50% to corporate performance criteria. Reflecting the importance attached to role clarity within Base Resources, individual performance criteria are drawn directly from the role accountabilities in the participant's role description. Each performance criteria is allocated a weighting that reflects the relative importance of that performance criteria for the year. Corporate performance criteria are set at the commencement of each financial year and are derived from the annual operating plan and may vary from time to time to include other aspects of performance for which there is shared accountability and which the Company wishes to emphasise. The corporate performance (50% STI component) criteria for Senior Executives and relative weightings for 2013 comprised: • Delivery of the Kwale Project on budget – 70%. • Delivery of the Kwale Project on time – 30%. This component of the 2013 STI will, together with the same 2012 corporate performance STI, be assessed and paid once the development of the Kwale Project is completed in the second half of the calendar year 2013.
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 Company or a safety performance threshold that must be achieved for **any** awards to become payable under the STI Plan. Irrespective of whether a gate is achieved, the Board retains discretion to increase or decrease awards in its absolute discretion. It is intended that the exercise of this discretion is used sparingly to take account of significant events and/or factors that were not anticipated when the year commenced and the performance criteria were set.
What is the value of the STI award opportunity?	Executive Directors have a target STI opportunity of 60% of TFR, with a minimum opportunity (if only threshold level is met) of 20% and a maximum opportunity (if the stretch targets are achieved) of 100% of TFR. Other Senior Executives have a target STI opportunity of 30% of TFR, with a minimum opportunity (if only threshold level is met) of 15% and a maximum opportunity (if the stretch targets are achieved) of 60% of TFR. These percentages are set based on external advice to achieve the remuneration policy intent of 75th percentile total remuneration package market positioning.
How is STI assessed?	Individual performance criteria – are assessed using a performance rating scale. In making the assessment in respect of a particular area of accountability, consideration is given to the extent to which the behaviours and performance indicators identified in the role description have been modelled and observed. This assessment is undertaken by the participant's manager and then signed-off by the manager-once-removed. In the case of the Executive Directors, the assessment is undertaken by the Remuneration Committee and approved by the Board. Corporate performance criteria – the Board determines the extent to which each corporate performance criteria has been achieved.

Remuneration report — audited continued

LONG TERM INCENTIVE PLAN ("LTIP")	
What is the LTIP?	The LTIP is the equity component of at-risk remuneration and is linked to the Company's Total Shareholder Return ("TSR") performance over a 3 year period. The LTIP aims to reward participants for Base Resources TSR performance, both relative to its peer group and in absolute terms.
How often are LTIP awards made?	The LTIP operates on the basis of a series of cycles. Each cycle commences on 1 October and is followed by a 3 year performance period, with a test date on the 3rd anniversary of the commencement of the cycle. The first cycle of the LTIP began on 1 October 2011.
Why does the Board consider an LTIP is appropriate?	The Company believes that a well designed LTIP can: • Attract executives with the required capability; • Retain key talent; • Maintain a stable leadership team; and • Explicitly align and link the interests of Base Resources leadership team and shareholders.
What types of equity may be granted under the LTIP?	Performance rights are granted under the Base Resources LTIP. Performance rights are a right granted to acquire one share in Base Resources, subject to satisfying the performance criteria outlined below. A participant is not entitled to participate in or receive any dividends or other shareholder benefits until the performance right has vested and a share has been allocated and transferred to the participant.
Was a grant made in 2013?	Performance Rights were granted to eligible participants in the LTIP for the cycle commencing 1 October 2012. The number of performance rights granted for each executive was calculated by reference to the volume weighted average share price ("VWAP") on the twenty trading days up to the start of the cycle, being $0.4936 per share.

LONG TERM INCENTIVE PLAN ("LTIP") CONTINUED

What are the LTIP performance conditions?

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

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

The Board considers that TSR is an appropriate performance hurdle because it ensures that a proportion of each participant's remuneration is explicitly linked to shareholder value and ensures that participants only receive a benefit where there is a corresponding direct benefit to shareholders.

Relative TSR performance rights

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

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

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

Absolute TSR performance rights

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

Base Resources 3-year TSR	Percentage of absolute TSR performance rights that vest
Less than 40.5%	Nil
40.5%	25%
Between 40.5% and 60%	Pro rata between 25% and 50%
Between 60% and 100%	Pro rata between 50% and 100%
100% or greater	100%

The performance rights were granted for the cycle commencing 1 October 2012 by reference to the 20 day VWAP of $0.4936 per share ($0.4085 for cycle commencing 1 October 2011). In order to achieve 100% vesting would require a share price of $0.9872 or greater ($0.8170 for cycle commencing 1 October 2011) at the conclusion of the 3 year performance period.

Remuneration report — audited continued

LONG TERM INCENTIVE PLAN ("LTIP") CONTINUED

What is the comparator group?

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

COMPANIES	LTIP CYCLE Commencing 1 October 2012	LTIP CYCLE Commencing 1 October 2011
ABM Resources NL	✔	
Adamus Resources Limited		✔
Alkane Resources Limited	✔	✔
Ampella Mining Limited		✔
Aquarius Platinum Limited	✔	
Azimuth Resources Limited	✔	
Bandanna Energy Limited		✔
Bathurst Resources Limited	✔	✔
BC Iron Limited	✔	
Beadell Resources Limited	✔	✔
Bougainville Copper Limited	✔	✔
Cape Lambert Resources Limited	✔	
CGA Mining Limited	✔	✔
Coalspur Mines Limited	✔	✔
Cockatoo Coal Limited		✔
CuDeco Limited	✔	
Discovery Metals Limited	✔	✔
Energy Resources of Australia Limited	✔	✔
Equatorial Resources Limited	✔	
FerrAus Limited		✔
Galaxy Resources Limited	✔	
Gindalbie Metals Limited	✔	✔
Gold One International Limited	✔	✔
Grange Resources Limited	✔	✔
Gryphon Minerals Limited	✔	✔
Guildford Coal Limited	✔	✔
Hunnu Coal Limited		✔
Independence Group NL		✔
Indophil Resources NL	✔	✔
Integra Mining Limited	✔	✔
Intrepid Mines Limited	✔	✔
Ivanhoe Australia Limited	✔	✔
Jupiter Mines Limited	✔	✔
Kagara Limited		✔
Kangaroo Resources Limited		✔
Kingrose Mining Limited	✔	✔
Kingsgate Consolidated Limited	✔	✔
Metals X Limited	✔	✔
Minara Resources Limited		✔
Mineral Deposits Limited	✔	✔
Mirabela Nickel Limited	✔	✔
Mount Gibson Iron Limited	✔	
Noble Mineral Resources Limited		✔
Northern Iron Limited	✔	✔
Northern Star Resources Limited	✔	
OM Holdings Limited	✔	✔
Orocobre Limited	✔	
Paladin Energy Limited		✔
Papillion Resources Limited	✔	
Perilya Limited	✔	
Rameluis Resources Limited		✔
Resolute Mining Limited		✔
Rocklands Richfield Limited	✔	
Sandfire Resources		✔
Saracen Mineral Holdings Limited	✔	✔
Silver Lake Resources Limited	✔	✔
Sirius Resources Limited	✔	
Sphere Minerals Limited	✔	✔
St Barbara Limited		✔
Summit Resources Limited	✔	✔
Syrah Resources Limited	✔	
Tanami Gold NL	✔	
Tiger Resources Limited	✔	✔
Troy Resources NL	✔	✔
Western Areas NL	✔	✔
Western Desert Resources Limited	✔	
White Energy Company Limited		✔
WPG Resources Ltd		✔

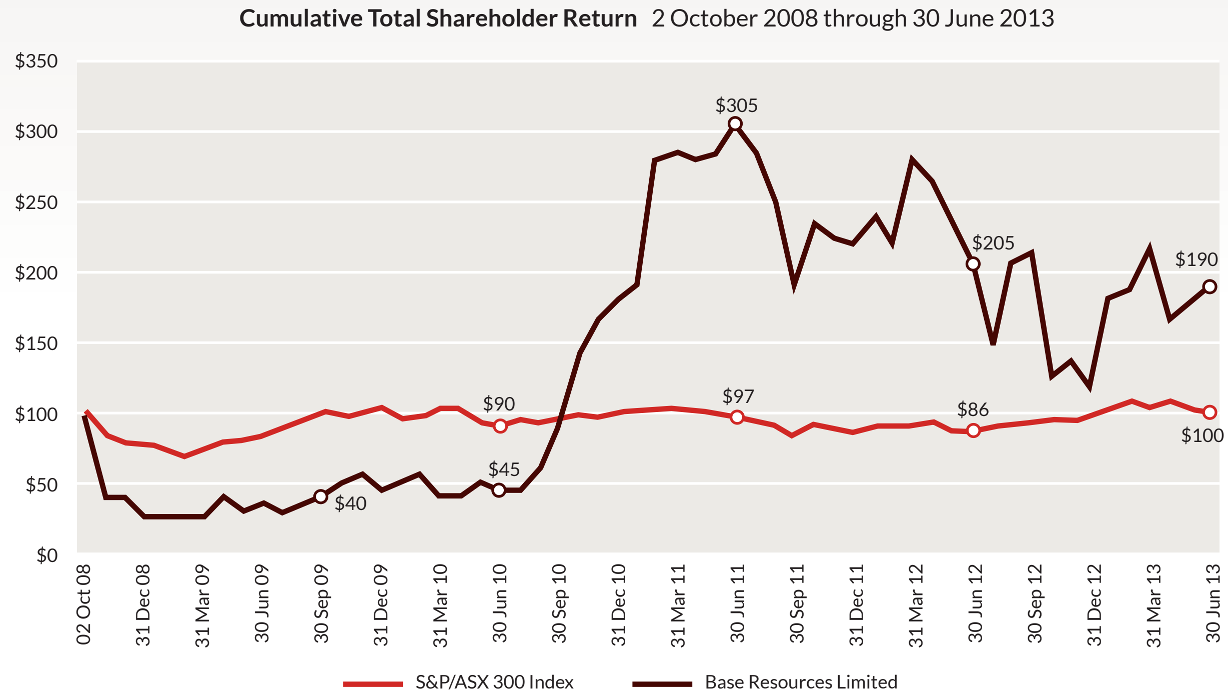
LONG TERM INCENTIVE PLAN ("LTIP") CONTINUED

What happens to performance rights granted under the LTIP when an executive ceases employment?	Where an executive who holds performance rights 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 an eligible employee who holds performance rights ceases to be employed by a Group member because of a qualifying reason, then the Board must determine, in its absolute discretion, the number of unvested performance rights of a participant (if any) that will remain on foot and become capable of vesting in accordance with LTIP rules. The Board will generally exercise its discretion in the following manner: • Performance rights granted in the cycle beginning on the 1 October immediately prior to the participant ceasing to be employed by a Group member are automatically forfeited; and • All other performance rights that are not forfeited on the participant ceasing to be employed by a Group member will continue to be held by the participant and will be tested for vesting on the test date for the relevant performance right. Qualifying reasons include but are not limited to death, total and permanent disablement, retirement or redundancy.
What happens in the event of a change of control?	Subject to the Board determining otherwise, if a change in control event occurs then a test date arises on the date that the change in control event occurs with the Board to test the extent to which the performance criteria have been satisfied: • On the basis of the offer price of the relevant transaction; and • In the case of absolute TSR performance rights, reducing the percentage TSR performance hurdle pro rata to the unexpired portion of the performance period as at the date the change in control event occurs.
Do shares granted upon vesting of performance rights granted under the LTIP dilute existing shareholders' equity?	Generally, there is no dilution of shareholders' pre-existing equity as shares allocated to the participants in the LTIP upon vesting of performance rights would usually be satisfied by purchases by the plan trustee on market. In the event the Company issues shares to the plan trustee to satisfy the vesting of performance rights then shareholders' pre-existing equity will be diluted.
Does the Company 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.

Remuneration report — audited continued

Company performance and its link to shareholder return

The following graph compares the yearly change in the cumulative TSR on the Base Resources Limited shares during the period 2 October 2008 to 30 June 2013, against the cumulative total return of the ASX 300 Index over the same period. The graph illustrates the cumulative return from Base Resources Limited initial listing date on 2 October 2008, assuming $100 was invested. No dividends have been declared during this period.



The Company's principal activities have historically consisted of exploration and evaluation and development of its Kwale Mineral Sands Project in Kenya. As a result, prior to the 2012 financial year, long and short term incentive remuneration has been linked to achieving major milestones relating to these activities and not TSR.

As detailed above, the changes made in the 2012 financial year to Senior Executive remuneration seek to align remuneration with shareholder return through the LTIP. The LTIP explicitly links the long term variable component of Senior Executive remuneration with TSR.

Executive remuneration outcomes for 2013

Short Term Incentives

At the end of the 2013 financial year, a review of the performance of each executive was undertaken against each of their 2013 individual performance measures as explained above. STI entitlements earned for 2013 performance are paid in the 2014 financial year.

The following table outlines the STI that was earned in comparison with the target STI for the 2013 financial year:

	TARGET STI		STI AWARDED	
Name	Individual performance	Corporate performance	Individual performance	Corporate performance(i)
T Carstens	30%	30%	36%	deferred
C Bwye	30%	30%	35%	deferred
K Balloch	15%	15%	23%	deferred
D Vickers	15%	15%	23%	deferred
J Schwarz	15%	15%	18%	deferred
C Forbes	15%	15%	22%	deferred
S Hay	15%	15%	21%	deferred

(i) This component of the 2013 STI will be assessed and paid once the development of the Kwale Project is completed.

LTIP Performance Rights

The LTIP Performance Rights plan, introduced in 2012, operates on the basis of a series of 3 year performance cycles commencing on 1 October. Accordingly, performance rights issued in the year ending 30 June 2013 under the LTIP are subject to a 3 year performance period ending on 30 September 2015. Performance rights issued under the inaugural plan in the 2012 financial year are subject to a performance period ending on 30 September 2014. As a result, no performance rights were tested against their vesting conditions during 2013 and none vested.

The remuneration for each executive of the Company for the years ending 30 June 2013 and 2012 was as follows:

KEY MANAGEMENT PERSON	SHORT TERM EMPLOYMENT BENEFITS			POST EMPLOY-MENT BENEFITS	SHARE BASED PAYMENT TOTAL		TOTAL	VALUE OF OPTIONS AS PROPOR-TION OF REMUN-ERATION	PROPOR-TION PERFOR-MANCE RELATED
	Salary $	Current year STI bonus(i) $	Prior year STI bonus(ii) $	Superan-nuation $	Options(iii) $	Performance Rights(iv) $	$	%	%
2013									
Executive Directors									
T Carstens	395,000	152,000	154,000	25,000	52,627	125,666	904,293	5.8	53.6
C Bwye	395,000	147,000	156,000	25,000	105,253	125,666	953,919	11.0	56.0
Other Key Management Personnel									
K Balloch	275,000	78,349	-	25,000	n/a	29,100	407,449	-	26.4
D Vickers	403,395	83,309	28,280	n/a	n/a	42,516	557,500	-	27.6
J Schwarz	306,748	63,374	40,169	n/a	n/a	46,611	456,902	-	32.9
C Forbes	323,862	76,824	64,579	n/a	n/a	29,943	495,208	-	34.6
S Hay(v)	178,570	36,247	-	n/a	n/a	8,763	223,580	-	20.1
Total	2,277,575	637,103	443,028	75,000	157,880	408,265	3,998,851	-	-
2012									
Executive Directors									
T Carstens	375,000	-	195,000	25,000	52,475	65,802	713,277	7.4	43.9
C Bwye	375,000	-	120,000	25,000	104,950	65,802	690,752	15.2	42.1
Other Key Management Personnel									
K Balloch(vi)	32,436	-	-	2,949	n/a	2,592	37,977	-	6.8
D Vickers	246,323	-	-	n/a	n/a	21,364	267,687	-	8.0
J Schwarz	267,644	-	-	n/a	n/a	24,676	292,320	-	8.4
C Forbes	219,228	-	-	n/a	n/a	11,269	230,497	-	4.9
Total	1,515,631	-	315,000	52,949	157,425	191,505	2,232,510	-	-

(i) Current year STI bonuses are accrued relating to 2013 financial year performance.

(ii) Prior year STI bonuses were paid in July 2012 relating to the 2012 financial year performance. These were yet to be determined at the signing of 2012 financial accounts.

(iii) The fair value of options is calculated at the date of grant using 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 options recognised in the reporting period.

(iv) The fair value of performance rights is calculated at the date of grant using 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 related to or indicative of the benefit (if any) that individual KMP may ultimately receive.

(v) Appointed 14 January 2013.

(vi) Appointed 14 May 2012.

(vii) No KMPs received non cash benefits during the year.

Remuneration report — audited continued

Non-executive director remuneration

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

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

All directors have their indemnity insurance paid by the Company.

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

	2013 $	2012 $
Base fees		
Chairman	**110,000**	110,000
Other non-executive directors	**70,000**	70,000
Remuneration Committee		
Chair	**10,500**	10,500
Committee member	**5,250**	5,250
Audit Committee		
Chair	**14,000**	14,000
Committee member	**7,000**	7,000
Additional fees		
Company secretarial services	**54,000**	54,000

Non-Executive remuneration for the year ended 30 June 2013 and comparative 2012 remuneration:

	SALARY AND FEES $	NON-CASH BENEFIT $	SUPER-ANNUATION $	OPTIONS(iii) $	TOTAL $	VALUE OF OPTIONS AS PROPORTION OF REMUN-ERATION %
2013						
A King	127,500	-	-	8,420	135,920	6.2
S Willis	89,250	-	-	6,315	95,565	6.6
W Willesee(i)	136,250	-	-	6,315	142,565	4.4
M Anderson	75,833	-	-	-	75,833	-
T Schultz	70,000	-	-	-	70,000	-
M Macpherson(ii)	-	-	-	-	-	-
Total	498,833	-	-	21,050	519,883	-
2012						
A King	113,375	-	-	8,396	121,771	6.9
S Willis	78,188	-	-	6,297	84,485	7.5
W Willesee(i)	126,938	-	-	6,297	133,235	4.7
M Anderson	41,222	-	-	-	41,222	-
T Schultz	41,222	-	-	-	41,222	-
Total	400,945	-	-	20,990	421,935	-

(i) Included in salary and fees for Mr Willesee is $54,000 for company secretarial services.

(ii) Mr Macpherson appointed on 25 July 2013

(iii) The fair value of options 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).

Equity instruments

Options

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

No options were granted or exercised during the 2013 or 2012 financial years.

During the 2011 financial year, the terms of the outstanding options were modified at a General Meeting of the Company on 24 January 2011. The existing terms were amended to provide that the options will vest immediately upon a change in the control of the Company.

The table below outlines movements in options during 2013 and the balance held by each director at 30 June 2013:

NAME	GRANT DATE	NUMBER GRANTED	FAIR VALUE PER OPTION AT GRANT DATE	EXERCISE PRICE PER OPTION	EXPIRY DATE	NUMBER VESTED	NUMBER EXERCISED DURING YEAR	BALANCE AT END OF YEAR
A King	30 June 2010	400,000	$0.07	$0.09	9 July 2015	200,000	-	400,000
	30 June 2010	400,000	$0.06	$0.25	9 July 2015	200,000	-	400,000
T Carstens	30 June 2010	2,500,000	$0.07	$0.09	9 July 2015	1,250,000	-	2,500,000
	30 June 2010	2,500,000	$0.06	$0.25	9 July 2015	1,250,000	-	2,500,000
C Bwye	30 June 2010	5,000,000	$0.07	$0.09	9 July 2015	2,500,000	1,400,000	3,600,000
	30 June 2010	5,000,000	$0.06	$0.25	9 July 2015	2,500,000	-	5,000,000
S Willis	30 June 2010	300,000	$0.07	$0.09	9 July 2015	150,000	-	300,000
	30 June 2010	300,000	$0.06	$0.25	9 July 2015	150,000	-	300,000
W Willesee	30 June 2010	300,000	$0.07	$0.09	9 July 2015	150,000	-	300,000
	30 June 2010	300,000	$0.06	$0.25	9 July 2015	150,000	-	300,000
Total		17,000,000				8,500,000	-	15,600,000

All options were granted for nil consideration. Options have been valued using a Monte Carlo Simulation Model. Vesting conditions are such that 50% of each tranche vested upon the Company making a decision to commence construction at the Kwale Project following the securing of the required development financing on 22 November 2011; and the remaining 50% will vest upon first production from the Kwale Project which is scheduled for the 2014 financial year.

Performance Rights

The LTIP was introduced during the 2012 financial year with effect from 1 October 2011. Under the plan, the Board may offer performance rights to executives. During the 2013 financial year, performance rights were granted to executives as part of their 2013 remuneration packages.

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

Remuneration report — audited continued

The table below outlines movements in performance rights during 2013 and the balance held by each executive at 30 June 2013:

NAME	GRANT DATE(i)	NUMBER OF PERFORMANCE RIGHTS	FAIR VALUE OF EACH PERFORM-ANCE RIGHT	VESTING DATE(ii)	NUMBER VESTED DURING YEAR	NUMBER LAPSED DURING YEAR	BALANCE AT END OF YEAR
T Carstens	30 June 2012	1,175,031	$0.2240	1 October 2014	-	-	1,175,031
	1 October 2012	1,018,273	$0.1490	1 October 2015	-	-	1,018,273
C Bwye	30 June 2012	1,175,031	$0.2240	1 October 2014	-	-	1,175,031
	1 October 2012	1,018,273	$0.1490	1 October 2015	-	-	1,018,273
K Balloch	30 June 2012	167,805	$0.2240	1 October 2014	-	-	167,805
	1 October 2012	363,669	$0.1490	1 October 2015	-	-	363,669
D Vickers	30 June 2012	381,503	$0.2240	1 October 2014	-	-	381,503
	1 October 2012	376,648	$0.1490	1 October 2015	-	-	376,648
J Schwarz	30 June 2012	440,637	$0.2240	1 October 2014	-	-	440,637
	1 October 2012	368,051	$0.1490	1 October 2015	-	-	368,051
C Forbes	30 June 2012	201,226	$0.2240	1 October 2014	-	-	201,226
	1 October 2012	400,488	$0.1490	1 October 2015	-	-	400,488
S Hay	14 January 2013	323,456	$0.1490	1 October 2015	-	-	323,456
		7,410,091			-	-	7,410,091

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

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

Employment arrangements of directors and senior executives

The employment arrangements of the KMPs are formalised in a 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 1 months 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 remuneration
C Bwye K Balloch D Vickers J Schwarz C Forbes S Hay	Permanent – ongoing until notice has been given by either party	3 months notice 1 months 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 remuneration (3 months remuneration for C Forbes)

Messrs King, Willis and Macpherson are engaged under formal contracts as employees. Messrs Willesee, Anderson and Schultz are engaged under formal contracts with their respective consulting companies. None of the non-executive director's contracts provide for a termination payment or have a specified notice period and are ongoing unless terminated.

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

Andrew King
Chairman

Dated: 30th August 2013

Corporate governance

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has turned to the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations.

The Company is pleased to advise that the Company's practices are largely consistent with those ASX guidelines.

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council have been applied for the financial year ended 30 June 2013.

RECOMMENDATION		BASE RESOURCES LIMITED CURRENT PRACTICE
1.1	Companies should establish the functions reserved for the board and those delegated to senior executives and disclose those functions.	Satisfied. Board Charter is available at www.baseresources.com.au in the Corporate Governance Statement.
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Satisfied. Board Performance Evaluation Policy is available at www.baseresources.com.au in the Corporate Governance Statement and within the remuneration report of this Annual Report.
1.3	Companies should provide the information indicated in the Guide for reporting on Principle 1.	Satisfied. The Board Charter is available at www.baseresources.com.au in the Corporate Governance Statement. During the year a performance evaluation of the senior executives of the Company was conducted in accordance with the Company's relevant policies.
2.1	A majority of the board should be independent directors.	Not Satisfied. Since the 2011 AGM, at which Mr Anderson and Mr Schultz were elected to the Board, the Company has not complied with this recommendation. The Board is continuing to review its composition and seek suitable candidates. In July 2013 Mr Malcolm Macpherson, who is an independent director, was added to the Board.
2.2	The chair should be an independent director.	Satisfied. Mr King, the Chairman, is independent.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Satisfied. Mr King is Chair and Mr Carstens fulfils the role of Managing Director (fulfilling the duties of chief executive officer).
2.4	The board should establish a Nomination Committee.	Not Satisfied. Whilst a defined group of directors is driving the process and the full Board is continuing to review its composition and seek suitable candidates to supplement the Board, the Company has not formalised the appointment of a nominations committee. The Board considers this process the most effective for its particular circumstance. The charter for the nomination processes is available at www.baseresources.com.au in the Corporate Governance Statement.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Satisfied. Board Performance Evaluation Policy is available at www.baseresources.com.au in the Corporate Governance Statement.

Corporate governance continued

RECOMMENDATION		BASE RESOURCES LIMITED CURRENT PRACTICE
2.6	Companies should provide the information indicated in the guide to reporting on Principle 2.	Satisfied. The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the directors' report. The names of the independent directors of the Company are Mr King, Mr Willis, Mr Macpherson and Mr Willesee. Mr Carstens and Mr Bwye are not considered independent as a consequence of their executive positions and Mr Schultz and Mr Anderson have relationships with substantial shareholders of the Company and accordingly are not considered independent under ASX guidelines. Directors have the right to seek independent professional advice, at the Company's expense, in the furtherance of their duties as directors. The Company's diversity policy is available at www.baseresources.com.au in the Corporate Governance Statement. The Board engaged a suitable consultant to conduct a formal board function and performance review.
3.1	Companies should disclose a code of conduct and disclose the code or a summary of the code as to: • The practices necessary to maintain confidence in the Company's integrity; • The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and • The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Satisfied. The Code of conduct is available at www.baseresources.com.au in the Corporate Governance Statement.
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	Satisfied. The Diversity Policy is available at www.baseresources.com.au in the Corporate Governance Statement.
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Satisfied. The Diversity Policy is available at www.baseresources.com.au in the Corporate Governance Statement.
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	All eight board members are male. Senior management consists of 21 people of whom 1 is female. The balance of the organisations workforce consists of three hundred and ninety six people of whom ninety six are female.
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Satisfied.
4.1	The board should establish an Audit Committee.	Satisfied. The Committee consists of Messrs King, Willis (Chairman), Anderson and Willesee.

RECOMMENDATION		BASE RESOURCES LIMITED CURRENT PRACTICE
4.2	The Audit Committee should be structured so that it: • Consists only of non-executive directors; • Consists of a majority of independent directors; • Is chaired by an independent chair, who is not chair of the board; and • Has at least three members.	Satisfied.
4.3	The Audit Committee should have a formal charter.	Satisfied. The Audit Committee charter is available at www.baseresources.com.au in the Corporate Governance statement.
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Satisfied. Details of the number of meetings held and attended by members can be found in the Directors Report of this Annual Report.
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	Satisfied. The Continuous disclosure policy is available at www.baseresources.com.au in the Corporate Governance statement.
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Satisfied.
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of their policy.	Satisfied. The shareholders communication policy is available at www.baseresources.com.au in the Corporate Governance Statement.
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Satisfied.
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Satisfied. The risk management program is available at www.baseresources.com.au in the Corporate Governance Statement. The full Board acts as the Risk Committee. Risk monitoring is an agenda item at each monthly board meeting with a full review of the risk register undertaken every quarter.
7.2	The board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Satisfied. The Board, including the Managing Director, routinely consider risk management matters and seek external advice as appropriate.
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Satisfied. The Board has received a section 295A declaration pursuant to the 2013 financial year.

Corporate governance continued

RECOMMENDATION		BASE RESOURCES LIMITED CURRENT PRACTICE
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Satisfied.
8.1	The board should establish a Remuneration Committee.	Satisfied. The Committee consists of Messrs King (Chairman), Willis, Willesee and Schultz. Details of the number of meetings held and attended by members can be found in the Directors Report in this Annual Report.
8.2	The remuneration committee should be structured so that it: • Consists of a majority of independent directors; • Is chaired by an independent chair; and • Has at least three members.	Satisfied.
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Satisfied. The structure of directors remuneration is disclosed in the remuneration report of the annual report.
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Remuneration Committee charter is available at www.baseresources.com.au in the Corporate Governance Statement.

The Company's full suite of Corporate Governance policies and procedures can be found on the Company's website.

Auditor's independence declaration

UNDER S 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF BASE RESOURCES LIMITED

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

To: the directors of Base Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2013 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

Graham Hogg
Partner

Perth

30 August 2013

Consolidated statement of profit or loss & other comprehensive income

FOR THE YEAR ENDED 30 JUNE 2013

	NOTE	**2013 $**	2012 $
Other income		**14,751**	-
Directors' and related fees		**(2,255,816)**	(1,518,476)
Employee benefits expense		**(1,135,430)**	(415,213)
Consultant fees		**(1,504,874)**	(1,452,419)
Administrative expense		**(1,639,093)**	(1,056,482)
Accounting, audit and related services fees		**(395,358)**	(412,094)
Share based payment expense		**(462,370)**	(312,610)
Depreciation		**(96,285)**	(35,627)
Write down of exploration costs		**-**	(394,114)
Other expenses from ordinary activities		**(199,988)**	(142,543)
Loss before financing income and income tax		**(7,674,463)**	(5,739,578)
Financing income, net	2	**1,017,446**	6,079,031
(Loss) / profit before income tax		**(6,657,017)**	339,453
Income tax benefit / (expense)	5	**(4,148)**	(8,240)
Net (loss) / profit for the year		**(6,661,165)**	331,213
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations		**16,461,585**	(372,255)
Total other comprehensive income / (loss) for the year		**16,461,585**	(372,255)
Total comprehensive income / (loss) for the year		**9,800,420**	(41,042)
Net (Loss) / earnings per share		**CENTS**	CENTS
Basic (loss) / earnings per share (cents per share)	4	**(1.25)**	0.08
Diluted (loss) / earnings per share (cents per share)	4	**(1.25)**	0.08

The accompanying notes form part of these consolidated financial statements.

Consolidated statement of financial position

AS AT 30 JUNE 2013

	NOTE	30 JUNE 2013 $	30 JUNE 2012 $
Current assets			
Cash and cash equivalents	6	**98,122,682**	105,805,685
Other receivables	7	**6,131,329**	1,530,313
Other	8	**2,219,196**	2,019,898
Total current assets		**106,473,207**	109,355,896
Non-current assets			
Capitalised exploration and evaluation	9	**1,980,899**	653,514
Capitalised mine development	10	**281,390,117**	62,132,204
Property, plant and equipment	11	**12,259,327**	1,699,808
Capitalised borrowing costs	12	**-**	7,506,115
Restricted cash	13	**5,478,394**	-
Other receivables	7	**16,228,748**	2,292,213
Other	8	**-**	36,553
Total non-current assets		**317,337,485**	74,320,407
Total assets		**423,810,692**	183,676,303
Current liabilities			
Trade and other payables	14	**17,396,187**	7,974,515
Provisions	15	**712,230**	208,966
Total current liabilities		**18,108,417**	8,183,481
Non-current liabilities			
Other payables	14	**1,088,900**	-
Borrowings	16	**178,850,990**	-
Provisions	15	**2,162,752**	714,990
Deferred revenue	17	**5,474,500**	4,948,046
Total non-current liabilities		**187,577,142**	5,663,036
Total liabilities		**205,685,559**	13,846,517
Net assets		**218,125,133**	169,829,786
Equity			
Issued capital	18	**213,668,499**	175,718,629
Reserves		**17,127,328**	120,686
Accumulated losses		**(12,670,694)**	(6,009,529)
Total equity		**218,125,133**	169,829,786

The accompanying notes form part of these consolidated financial statements.

Consolidated statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2013

	ISSUED CAPITAL $	ACCUMULATED LOSSES $	SHARE BASED PAYMENT RESERVE $	FOREIGN CURRENCY TRANSLATION RESERVE $	TOTAL $
Balance at 1 July 2011	21,882,774	(6,340,742)	799,630	(726,172)	15,615,490
Profit for the year	-	331,213	-	-	331,213
Other comprehensive loss	-	-	-	(372,255)	(372,255)
Total comprehensive profit / (loss) for the year	-	331,213	-	(372,255)	(41,042)
Transactions with owners, recognised directly in equity					
Shares issued during the period, net of costs	153,835,855	-	-	-	153,835,855
Share based payments	-	-	419,483	-	419,483
Balance at 30 June 2012	175,718,629	(6,009,529)	1,219,113	(1,098,427)	169,829,786
Balance at 1 July 2012	175,718,629	(6,009,529)	1,219,113	(1,098,427)	169,829,786
Loss for the year	-	(6,661,165)	-	-	(6,661,165)
Other comprehensive loss	-	-	-	16,461,585	16,461,585
Total comprehensive profit / (loss) for the year	-	(6,661,165)	-	16,461,585	9,800,420
Transactions with owners, recognised directly in equity					
Shares issued during the period, net of costs	37,725,870	-	-	-	37,725,870
Shares issued on exercise of options	224,000	-	-	-	224,000
Share based payments	-	-	545,057	-	545,057
Balance at 30 June 2013	213,668,499	(12,670,694)	1,764,170	15,363,158	218,125,133

The accompanying notes form part of these consolidated financial statements.

Consolidated statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 $	2012 $
Cash flows from operating activities			
Payments in the course of operations		**(6,503,805)**	(5,784,659)
Deferred revenue received		**-**	4,948,046
Income tax paid (Kenya)		**-**	(8,240)
Net cash used in operating activities	21	**(6,503,805)**	(844,853)
Cash flows from investing activities			
Interest receipts		**1,961,443**	4,667,662
Payments for exploration and evaluation		**(1,239,367)**	(3,436,361)
Purchase of property, plant and equipment		**(11,349,156)**	(1,642,214)
Proceeds on disposal of property, plant and equipment		**4,028**	-
Payments for mine development		**(219,044,275)**	(46,109,762)
Payments to restricted cash		**(5,478,394)**	-
Security deposits		**46,808**	(680,700)
Net cash used in investing activities		**(235,098,913)**	(47,201,375)
Cash flows from financing activities			
Proceeds from issue of shares		**40,000,000**	162,304,403
Payment of share issue costs		**(2,274,130)**	(8,468,549)
Proceeds from exercise of share options		**126,000**	-
Proceeds from debt financing		**186,133,000**	-
Debt finance facility fees		**(1,872,822)**	(7,434,020)
Net cash provided by financing activities		**222,112,048**	146,401,834
Net increase in cash held		**(19,490,670)**	98,355,606
Cash at beginning of year		**105,805,685**	7,284,459
Effect of exchange fluctuations on cash held		**11,807,667**	165,620
Cash at end of year	6	**98,122,682**	105,805,685

The accompanying notes form part of these consolidated financial statements.

Notes to the consolidated financial statements

FOR THE YEAR ENDED 30 JUNE 2013

Note 1. Statement of significant accounting policies

Reporting entity

Base Resources Limited is a company domiciled in Australia. The registered address is located at Level 1, 50 Kings Park Road, West Perth, WA 6005. The consolidated financial statements of the Company as at and for the year ended 30 June 2013 comprises the Company and its wholly owned subsidiaries (together referred to as the "Group"). The Group is a for-profit entity and primarily is involved in the development of the Kwale Mineral Sands Project in Kenya.

Basis of preparation

Statement of compliance

The consolidated financial statements is a general purpose financial report prepared in accordance Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were approved by the Board of Directors on 30th August 2013.

Basis of measurement

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Financial position

The Group held cash on hand and on deposit as at 30 June 2013 of $98 million. As at 30 June 2013 the Group held net assets of $218 million and had a net working capital surplus of $88 million. Net cash outflows from operations and investing activities for the year ended 30 June 2013 was $242 million. The Directors consider the going concern basis of preparation to be appropriate based on forecast cash flows. The achievement of the cash flow forecast depends upon the successful completion and commissioning of the plant, ramp up of operations to achieve acceptable levels of commercial production and mineral sands prices. Should each of these factors not be achieved as forecast the Group may be required to source additional funds through debt or equity markets or a combination of the two.

Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency. The functional currency for the subsidiaries is United States dollars.

Critical accounting estimates and judgements

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

Exploration and evaluation expenditure

Determining the recoverability of exploration and evaluation expenditure capitalised in accordance with the Group's accounting policy (refer note 1e), requires estimates and assumptions as to the future events and circumstances in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. Critical to this assessment is estimates and assumptions as to the timing of expected cash flows, exchange rates, commodity prices and future capital requirements. Changes in these estimates and assumptions as new information about the presence or recoverability of an ore reserve becomes available, may impact the assessment of the recoverable amount of exploration and evaluation assets. If, after having capitalised the expenditure under accounting policy (note 1e), a judgment is made that recovery of the expenditure is unlikely, an impairment loss is recorded in profit or loss in accordance with accounting policy (note 1j). The carrying amounts of exploration and evaluation assets are set out in note 9.

Mine closure and rehabilitation obligations

Provision is made for the anticipated costs of future closure and rehabilitation of mining areas. These future cost estimates are discounted to their present value. The calculation of these provision estimates requires assumptions such as application of environmental legislation, plant closure dates, available technologies, engineering cost estimates and discount rates. A change in any of the assumptions used may have a material impact on the carrying value of mine closure and rehabilitation obligations.

Ore reserves and resources estimates

The estimated quantities of economically recoverable reserves and resources are based upon interpretations of geological and geophysical models and require assumptions to be made regarding factors such as estimates of short and long-term exchange rates, estimates of short and long-term commodity prices, future capital requirements and future operating performance. Changes in reported reserves and resources estimates can impact the carrying value of property, plant and equipment, intangible assets, provisions for mine closure and rehabilitation obligations, the recognition of deferred tax assets, as well as the amount of depreciation and amortisation charged to the Income Statement.

Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by a recognised valuation model, using the assumptions detailed in note 24.

Taxation

Balances related to taxation disclosed in the financial statements and the notes thereto are based on the best estimates of directors. These estimates take into account both the financial performance and position of the Group as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents the directors' best estimate, pending an assessment by the tax authorities in Australia and jurisdictions where it has foreign operations. In accordance with the group's accounting policies for deferred taxes (refer note 1c), a deferred tax asset is recognised for unused tax losses only if it is probable that future taxable profits will be available to utilise those losses. Determination of future taxable profits requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial

Note 1. Statement of significant accounting policies continued

exploitation, or alternatively, sale of the respective areas of interest will be achieved. This includes estimates and judgements about commodity prices, exchange rates, future capital requirements, future operational performance and the timing of estimated cash flows. Changes in these estimates and assumptions could impact on the amount and probability of estimated taxable profits and accordingly the recoverability of deferred tax assets. The carrying amount of deferred tax assets are set out in note 5.

Significant accounting policies

(a) Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Base Resources Limited at the end of the reporting period. A controlled entity is any entity over which Base Resources Limited has the power to govern the financial and operating polices so as to obtain benefits from the entities activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in note 25 to the financial statements.

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

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

Foreign operations

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

(c) Income tax

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

Current income tax expense charged to the profit or loss is the expected tax payable or recoverable on the taxable income or loss calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date, and any adjustment to tax payable in respect of previous years. Current tax liabilities / assets are therefore measured at the amounts expected to be paid to / recovered from the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense / benefit charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

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

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

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

(d) Property, plant and equipment

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

Plant and equipment

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

Notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 JUNE 2013

Note 1. Statement of significant accounting policies continued

which they are incurred. The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income / other expenses in the Statement of Comprehensive Income.

Depreciation

The depreciable amount of all plant and equipment, but excluding freehold land, is depreciated on a straight line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

CLASS OF PLANT AND EQUIPMENT	DEPRECIATION RATE
Furniture and fixtures	12.5% to 30%
Plant and equipment	10% to 30%
Buildings	5%
Motor vehicles	25%

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

(e) Exploration and evaluation expenditure

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

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

For each area of interest the expenditure is recognised as an exploration and evaluation asset when the rights of tenure to that area of interest are current and the expenditure is expected to be recouped through success 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 exploring 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 instance, these costs are expenses as incurred.

Accumulated costs in relation to an abandoned area are written off in full to the Statement of 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 viable or facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

(f) Mine development assets

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

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

Mine development expenditure includes:

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

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

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

(g) Mine closure and rehabilitation obligations

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

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

The provision is recognised as a liability, separated into current (estimated costs arising within twelve months) and non-current components based on the expected timing of these cash flows. A corresponding asset is included in mine property and mine development assets, only to the extent that it is probable that future economic benefits associated with the restoration expenditure will flow to the entity. The capitalised cost of this asset is recognised in property, plant and equipment and is amortised over the life of the mine.

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

Note 1. Statement of significant accounting policies continued

Mine closure and rehabilitation provisions are adjusted for changes in estimates. Adjustments to the estimated amount and timing of future closure and rehabilitation cash flows are a normal occurrence in light of the significant judgements and estimates involved. Changes in the liability relating to mine closure and rehabilitation obligations are added to or deducted from the related asset (where it is probable that future economic benefits will flow to the entity), other than the unwinding of the discount which is recognised as financing expenses in the Statement of Comprehensive Income. Changes to capitalised cost result in an adjustment to future amortisation charges.

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

(h) Finance income and expenses

Financing income includes:

- Interest income on cash and cash equivalents.

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

Financing expenses include:

- Interest on short-term and long-term borrowings;
- Amortisation of ancillary costs incurred in connection with the arrangement of borrowings;
- Finance lease charges; and
- The impact of the unwinding of discount on long-term provisions for mine closure and rehabilitation.

Financing expenses are calculated using the effective interest rate method. Finance expenses incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other financing expenses are expensed as incurred.

(i) Leases

Operating Leases

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

Leased assets

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

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

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

Determining whether an arrangement contains a lease

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

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

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

(j) Impairment of assets

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

(k) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(l) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured (refer to note 1g for provision for rehabilitation).

(m) Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Notes to the consolidated financial statements

FOR THE YEAR ENDED 30 JUNE 2013

Note 1. Statement of significant accounting policies continued

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks.

Non derivative financial liabilities

The Group initially recognises financial liabilities on the trade date at which the Group becomes a party to the contractual provisions of the instrument. Such liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised costs using the effective interest rate method.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Other financial liabilities comprise trade and other payables.

Share capital

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

(n) Earnings per share

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

(o) Employee benefits

Short-term benefits payable

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under the short-term incentive plan as a cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past services by the employee, and the obligation can be estimated reliably.

Defined contribution plans

Contributions are made by the Company to individual defined contribution superannuation plans for Australian directors and employees and are charged as an expense in the Statement of Comprehensive Income when incurred.

Equity-settled Compensation

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

The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(p) Goods and services tax (GST) and other indirect taxes

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

Cash flows are presented in the statement of cash flows on a gross basis, except for the indirect tax component of investing and financing activities, which are disclosed as operating cash flows.

(q) Segment reporting

Determination and presentation of operating segments

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

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

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

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

(r) Comparative figures

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(s) New accounting standards for application in future periods

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2012, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for AASB 9 Financial Instruments, which becomes mandatory for the Group's 2014 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

(t) Changes in accounting policies

Presentation of transactions recognised in other comprehensive income

From 1 July 2012 the Group applied amendments to AASB 101 *Presentation of Financial Statements* outlined in AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income.* The change in accounting policy only relates to disclosures and has had no impact on consolidated earnings per share or net income. The changes have been applied retrospectively and require the Group to separately present those items of other comprehensive income that may be reclassified to profit or loss. These changes are included in the statement of profit or loss and other comprehensive income.

Note 2. Financing income, net

	2013 $	2012 $
(Loss) / gain on foreign exchange transactions	**(943,997)**	537,875
Interest income	**1,961,443**	5,541,156
	1,017,446	6,079,031

Note 3. Auditors' remuneration

	2013 $	2012 $
Auditing or reviewing financial reports	**214,641**	125,693
Taxation services	**151,359**	91,653
	366,000	217,346

Note 4. Earnings / (loss) per share

	2013 $	2012 $
(Loss) / earnings used to calculate basic / diluted (loss) / earnings per share	**(6,661,164)**	331,213
Weighted average number of ordinary shares on issue used in the calculation of basic earnings / (loss) per share	**532,343,145**	408,307,038
Weighted average number of ordinary shares on issue used in the calculation of diluted earnings / (loss) per share	**540,443,145**	417,807,038

Note 5. Income tax

	2013 $	2012 $
a. Major components of income tax / (benefit) for the year		
Current income tax		
Income tax (benefit) / expense	**4,148**	8,240
Income tax expense reported in comprehensive income	**4,148**	8,240
Items related to equity		
Deferred income tax related to items charged or credited directly to equity		
Share issue costs	**675,847**	228,841
Deferred tax asset not recognised	**(675,847)**	(228,841)
	-	-

Notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 JUNE 2013

Note 5. Income tax continued

	NOTE	2013 $	2012 $
b. Reconciliation of income tax expense to prima facie tax payable			
The prima facie tax payable on loss from ordinary activities before tax is reconciled to the income tax expense as follows:			
Accounting (loss) / profit before tax		**(6,657,017)**	339,453
Prima facie tax on operating (loss) / profit at 30% (2012: 30%)		**(1,997,105)**	101,836
Add / (less) tax effect of:			
Unders and overs from prior year		**(310,815)**	(35,512)
Subsidiary losses not recognised		**475,232**	33,716
Share based payments		**138,711**	93,783
Deferred tax asset (brought) / not brought to account		**1,698,125**	(185,583)
Income tax attributable to operating income / (loss)		**4,148**	8,240
c. Deferred tax assets			
Provisions and accruals		**221,888**	321,594
Share issue costs		**675,847**	228,841
		897,735	550,435
Set-off deferred tax liabilities	5(d)	**-**	(269,216)
Deferred tax asset not recognised		**(897,735)**	(281,219)
Net deferred tax assets		**-**	-
d. Deferred tax liabilities			
Interest receivable		**-**	269,216
Exploration expenditure		**-**	-
		-	269,216
Set-off deferred tax assets	5(c)	**-**	(269,216)
Net deferred tax liabilities		**-**	-

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward have not been brought to account at 30 June 2013 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

i. The company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss and exploration expenditure to be realised;

ii. The company continues to comply with conditions for deductibility imposed by law; and

iii. No changes in tax legislation adversely affect the company in realising the benefit from the deductions for the loss and exploration expenditure.

	2013 $	2012 $
e. Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	**11,582,514**	5,165,958

Note 6. Cash and cash equivalents

	2013 $	2012 $
Cash at bank and in hand	**88,122,682**	15,805,685
Short-term bank deposits	**10,000,000**	90,000,000
	98,122,682	105,805,685

Note 7. Other receivables

	2013 $	2012 $
Current		
Other receivables	**934,737**	1,530,313
Income tax receivable	**5,196,592**	-
	6,131,329	1,530,313
Non-current		
Value added tax claimable	**16,228,748**	2,292,213
	22,360,077	3,822,526

The Group has classified an amount related to Kenyan value-added tax ("VAT") claimable on Kwale Project development as non-current due to the extended repayment timelines currently being experienced in Kenya. Base Titanium is eligible to claim VAT refunds once product sales commence.

Note 8. Other assets

	2013 $	2012 $
Current		
Prepayments	**1,436,071**	1,326,205
Security deposits	**722,695**	693,693
Inventory	**60,430**	-
	2,219,196	2,019,898
Non-current		
Prepayments	**-**	36,553
	2,219,196	2,056,451

Notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 JUNE 2013

Note 9. Capitalised exploration and evaluation expenses

	2013 $	2012 $
Exploration and evaluation (Kenya)	**1,980,899**	653,514
Movement in carrying value		
Opening Balance	**653,514**	8,608,613
Evaluation and exploration expenditure during the period	**1,288,329**	3,436,361
Adjustment for the effect of foreign exchange movements	**39,056**	184,456
Transfer to capitalised mine development	**-**	(11,181,802)
Exploration written off during the year	**-**	(394,114)
	1,980,899	653,514

Capitalised exploration and evaluation cost relates to the Company's Kenyan Kilifi, Mambrui and Vipingo projects. Base Titanium Limited has an option to acquire these tenements and is required to meet minimum exploration commitments in the interim. A confirmatory drilling program was conducted at the Mambrui and Kilifi projects in order to identify further potential in the region.

On 28 December 2012, the Kenyan Minister of Environment & Mineral Resources published a gazette notice purporting to cancel the Kilifi, Mambrui and Vipingo exploration licenses. The Company has taken legal action to protect the rights and has received a court order staying the cancellation pending a hearing. The Company continues to pursue the matter and is confident of a positive outcome.

The Company's accounting policy requires that for each area of interest the exploration and evaluation expenditure is recognised as an asset when, among other things, the rights of tenure to that area of interest are current. As at the date of this report the court order affords that the Kilifi, Mambrui and Vipingo exploration licenses are not cancelled and remain valid but are subject to the outcome of the court hearing.

During the 2012 financial year, capitalised evaluation expenditure on the Kwale Project was transferred to mine development asset based on the decision to proceed with the development of the Kwale Project.

Capitalised expenditure on the Company's Australian exploration projects were written off during the 2012 financial year as the tenements were relinquished.

Note 10. Capitalised mine development

	2013 $	2012 $
Mine Development – Kwale Project	**281,390,117**	62,132,204
Movement in carrying value		
Opening balance	**62,132,204**	-
Expenditure during the period	**220,649,039**	50,950,402
Adjustment for the effect of foreign exchange movements	**4,255,367**	-
Income tax benefit	**(5,196,592)**	-
Transfers to property, plant and equipment	**(183,594)**	-
Transfers to prepayments	**(266,307)**	-
Transfer from capitalised exploration and evaluation	**-**	11,181,802
	281,390,117	62,132,204

Mine development expenditure relates to the development of the Kwale Mineral Sands Project in Kenya. Capitalised exploration and evaluation costs for the Kwale Project were transferred to mine development asset during the 2012 financial year following the decision to proceed with the development of the project. Items of property, plant and equipment and prepaid rehabilitation deposits have been transferred from mine development during the 2013 financial year.

Note 11. Property, plant and equipment

	2013 $	2012 $
Plant and equipment		
At cost	**8,999,744**	275,474
Accumulated depreciation	**(602,616)**	(57,598)
	8,397,128	217,876
Vehicles		
At cost	**2,191,708**	1,165,337
Accumulated depreciation	**(662,619)**	(175,884)
	1,529,089	989,453
Furniture & fixtures		
At cost	**641,646**	114,330
Accumulated depreciation	**(102,146)**	(24,105)
	539,500	90,225
Buildings		
At cost	**1,805,856**	-
Accumulated depreciation	**(30,097)**	-
	1,775,759	-
Capital work in progress		
At cost	**17,851**	402,254
Total Property, Plant and Equipment	**12,259,327**	1,699,808

	PLANT & EQUIPMENT $	FURNITURE & FIXTURES $	VEHICLES $	BUILDINGS $	CAPITAL WORK IN PROGRESS $	TOTAL $
Balance at 1 July 2011	52,057	103,310	126,835	-	-	282,202
Additions	204,218	-	1,020,731	-	402,254	1,627,203
Depreciation capitalised to mine development	(13,747)	(4,229)	(163,532)	-	-	(181,508)
Depreciation expense	(25,545)	(10,082)	-	-	-	(35,627)
Effects of movement in foreign exchange	893	1,226	5,419	-	-	7,538
Balance at 30 June 2012	217,876	90,225	989,453	-	402,254	1,699,808
Balance at 1 July 2012	217,876	90,225	989,453	-	402,254	1,699,808
Additions	8,708,854	354,019	833,670	1,434,762	17,851	11,349,156
Disposals	(1,340)	-	(1,653)	-	-	(2,993)
Transfers (to) / from mine development	8,614	-	43,029	371,095	(239,144)	183,594
Transfers	5,929	169,490	21,770	-	(197,189)	-
Depreciation capitalised to mine development	(462,972)	(64,698)	(470,975)	(30,098)	-	(1,028,739)
Depreciation expense	(83,856)	(12,429)	-	-	-	(96,285)
Effects of movement in foreign exchange	4,023	2,893	113,795	-	34,079	154,790
Balance at 30 June 2013	8,397,128	539,500	1,529,089	1,775,759	17,851	12,259,327

Notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 JUNE 2013

Note 12. Capitalised borrowing costs

	2013 $	2012 $
Debt finance facility	-	8,235,771
Amortisation of finance facility fees	-	(729,656)
	-	7,506,115

In accordance with Australian Accounting Standards, all transaction costs directly attributable to securing the project debt facility funding are deferred to be offset against drawn loan amounts.

Capitalised borrowing costs are amortised over the life of the loan using the effective interest rate method. Whilst in the mine development phase all amortised borrowing costs are capitalised as part of mine development asset.

The initial drawdown against the debt facility was made in November 2012, after which the capitalised borrowing costs are shown net against the debt facility (note 16).

Note 13. Restricted cash

	2013 $	2012 $
Restricted cash	**5,478,394**	-

As a condition of the project debt finance facility agreement, US$5 million was placed on deposit with Nedbank Limited representing a customer performance guarantee. The funds may only be utilised if and when a loss is suffered as a result of a breach by the customer of its obligations under the offtake agreement it has entered into with Base Titanium Limited.

Note 14. Trade and other payables

	2013 $	2012 $
Current		
Trade and other creditors	**4,359,310**	402,985
Accruals	**13,036,877**	7,571,530
	17,396,187	7,974,515
Non-current		
Trade payables	**1,088,900**	-
	18,485,087	7,974,515

Trade creditors are non-interest bearing and are normally settled on 30 day terms.

Note 15. Provisions

	2013 $	2012 $
Current		
Employee benefits	**708,082**	208,966
Income tax liability	**4,148**	-
	712,230	208,966
Non-current		
Mine closure and rehabilitation	**2,144,729**	714,990
Employee benefits	**18,023**	-
	2,162,752	714,990

Note 15. Provisions continued

Movement in mine closure and rehabilitation:

	2013 $	2012 $
Balance at 1 July	**714,990**	-
Effects of movement in foreign exchange	**80,455**	-
Recognition of new obligation	**1,333,176**	714,990
Unwinding of discount	**16,108**	-
Balance at 30 June	**2,144,729**	714,990

The mine closure and rehabilitation obligations have been recorded initially as a liability at fair value, assuming a risk-free discount rate equivalent to the average of 10 and 20 year US Government bonds of 2.87% as at 30 June 2013 (2012: 2.03%) and an inflation factor of 2.45% (2012: 2.49%). Although the ultimate amount to be incurred is uncertain, management has at 30 June 2013 estimated the asset retirement cost of work completed to date using an expected mine life of 13 years and a total undiscounted estimated cash flow of US$ 2,019,691 (2012: US$ 680,589).

Note 16. Borrowings

	2013 $	2012 $
Debt facility	**186,133,000**	-
Capitalised borrowing costs	**(9,164,947)**	-
Amortisation of finance facility fees	**1,882,937**	-
Net capitalised borrowing costs	**(7,282,010)**	-
Total Borrowings	**178,850,990**	-

The Group entered into project debt finance facility agreements for US$170 million in debt financing in November 2012. The project debt facility is comprised of a US$80 million senior commercial tranche, US$70 million development finance institution ("DFI") tranche and a US$20 million cost overrun facility.

In November 2012 the initial drawdown of US$52 million was made against this facility. A second drawdown of US$72 million was completed in February 2013 and a third drawdown of the remaining US$46 million was completed in June 2013.

A further US$20 million extension of the cost overrun facility was secured in May 2013. No drawdowns have been made against this facility at the date of this report, with utilisation subject to receiving the consent of the commissioner of Mines and Geology to the resultant extension of security risks.

In accordance with Australian Accounting Standards, all transaction costs directly attributable to securing the project debt facility funding are offset against drawn loan amounts. Capitalised borrowing costs are amortised over the life of the loan using the effective interest rate method.

Note 17. Deferred revenue

	2013 $	2012 $
Fee paid on execution of product sales agreement	**5,474,500**	4,948,046

During the 2012 financial year the Company entered into a long term product sales agreement for the Kwale Project. Under the terms of the agreement the buyer will purchase mineral production from the Kwale Mineral Sands Mine for a period of six years from commencement of production. The agreement includes a US$5 million fee payable on execution of the contract. The fee has been classified as deferred revenue and will be amortised over the six year contract term from the commencement of production.

Notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 JUNE 2013

Note 18. Issued capital

	2013 $	2012 $
Ordinary share capital:		
Issued and fully paid	**213,668,449**	175,718,629

DATE	NUMBER	$
1 July 2011	**165,341,114**	21,882,774
Issue of shares	**295,098,915**	162,304,403
Share issue costs	**-**	(8,468,548)
30 June 2012	**460,440,029**	175,718,629
1 July 2012	**460,440,029**	175,718,629
Issue of shares	**100,000,000**	40,000,000
Share issue costs	**-**	(2,274,130)
Share options exercised	**1,400,000**	224,000
30 June 2013	**561,840,029**	213,668,499

All issued shares are fully paid. The Company 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 Company.

a. Options

For information relating to share options issued to key management personnel during the financial year, refer to note 24 share-based payments.

b. Performance rights

For information relating to share options issued to key management personnel during the financial year, refer to note 24 share-based payments.

Note 19. Commitments

	2013 $	2012 $
a. Exploration expenditure commitments		
The Group has rental and expenditure commitments in respect of its exploration licenses of:		
Payable not later than 12 months	**181,751**	161,569
b. Operating lease commitments		
Payable not later than 12 months	**292,154**	24,348
Payable between 12 months and 5 years	**898,633**	-
	1,190,787	24,348

The company entered into a non-cancellable lease agreement for its office premises which expires in September 2016. The above represents the present value of the future minimum lease payments.

Note 19. Commitments continued

	2013 $	2012 $
c. Finance lease commitments		
Payable not later than 12 months	**400,479**	-
Payable between 12 months and 5 years	**1,747,546**	-
More than 5 years	**36,407**	-
	2,184,432	-

During the year the company entered into an agreement for the provision of laboratory assay services from 1 August 2013. A portion of the contract relates to the provision of laboratory equipment, which has been deemed a finance lease under accounting policy note 1(i). The above represents the present value of the future minimum lease payments.

	2013 $	2012 $
d. Kwale Project mine development commitments		
The outstanding capital commitments of the Company relating to the construction of the Kwale Project are as follows:		
Payable not later than 12 months	**62,103,662**	104,263,610
Payable between 12 months and 5 years	**-**	4,700,767
	62,103,662	108,964,377

Note 20. Contingent liabilities

Base Titanium Limited ("Base Titanium") entered into an agreement with Mantrac Kenya Limited ("Mantrac") for the supply of mining equipment whereby Mantrac agree to hold replacement components in stock which will then be acquired by Base Titanium at a point 24 months following the equipment commissioning. At the date of this report the equipment has not yet been commissioned. As such, a contingent liability of US$1,022,965 exists being the contract price of the components to be held in stock.

Note 21. Reconciliation of (loss) / profit after income tax to cash flow from operations

	2013 $	2012 $
(Loss) / profit for the year	**(6,661,165)**	331,213
Depreciation	**96,285**	37,557
Share based payments	**462,370**	312,610
Exploration valuation write down	**-**	394,114
Interest accrued but not yet received	**-**	(873,493)
Interest income classified as investing activity	**(1,961,443)**	(4,667,662)
Profit on disposal of property, plant and equipment	**(1,036)**	-
Deferred revenue received	**-**	4,948,046
Foreign exchange	**943,999**	(537,875)
Provision for income tax expense	**4,148**	-
Changes in assets and liabilities:		
Increase in receivables and other assets	**(21,910)**	(789,363)
Increase in trade and other payables	**620,513**	-
Increase in employee provisions	**14,434**	-
Cash flow from operations	**(6,503,805)**	(844,853)

Notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 JUNE 2013

Note 22. Segment reporting

Identification of reportable segments

The Group is currently developing the Kwale mineral sands project in Kenya, approximately 50 kilometres south from the deep water port of Mombasa. The principal activities of the project are the construction of the process plant and ancillary infrastructure, marine port facilities in Mombasa, HV power line, Mukurumundzi dam, tailings storage facility and the access road and camp. Mining and concentrate production is scheduled to commence in the third quarter of 2013 with first product shipments in the fourth quarter of 2013 calendar year.

Other operations include the Group head office (which includes all corporate expenses that cannot be directly attributed to the operation of the Kwale Project) and exploration projects in Kenya.

	2013			2012		
REPORTABLE SEGMENT	KWALE PROJECT $	OTHER OPERATIONS $	TOTAL $	KWALE PROJECT $	OTHER OPERATIONS $	TOTAL $
FX (loss) / gain	(892,281)	(51,716)	(943,997)	1,625	536,250	537,875
Interest income	259,479	1,701,964	1,961,443	-	5,541,156	5,541,156
Depreciation	-	96,285	96,285	-	(37,557)	(37,557)
Reportable (loss) / profit	(1,545,351)	(5,115,814)	(6,661,165)	(82,268)	421,721	339,453
Capital Expenditure	229,621,355	1,523,461	231,144,816	59,117,178	218,400	59,335,578
	AS AT 30 JUNE 2013			AS AT 30 JUNE 2012		
Total assets	406,997,868	16,808,676	423,806,544	77,490,146	106,186,157	183,676,303
Total liabilities	203,364,576	2,316,832	205,681,408	9,655,895	4,190,622	13,846,517

Note 23. Related parties

Controlled entities

In April 2010 the Company incorporated its wholly owned subsidiary Base Titanium (Mauritius) Limited, a Mauritian incorporated Company. In July 2010 Base Titanium (Mauritius) Limited acquired 100% of Base Titanium Limited, a Kenya incorporated company.

Key management personnel

Refer to the Remuneration Report contained in the Report of the Directors for details of the remuneration paid or payable to the Company's key management personnel (KMP) for the year ended 30 June 2013.

KMP compensation:

	2013 $	2012 $
Short-term employment benefits	**3,856,539**	2,231,576
Post-employment benefits	**75,000**	52,949
Share-based payments	**587,195**	369,920
	4,518,734	2,654,445

Note 23. Related parties continued

KMP performance rights and movements

	BALANCE 1 JULY	GRANTED	EXERCISED	VESTED	BALANCE 30 JUNE
2013					
T Carstens	1,175,031	1,018,273	-	-	2,193,304
C Bwye	1,175,031	1,018,273	-	-	2,193,304
K Balloch	167,805	363,669	-	-	531,474
D Vickers	381,503	376,648	-	-	758,151
J Schwarz	440,637	368,051	-	-	808,688
C Forbes	201,226	400,488	-	-	601,714
S Hay	-	323,456	-	-	323,456
	3,541,233	3,868,858	-	-	7,410,091
2012					
T Carstens	-	1,175,031	-	-	1,175,031
C Bwye	-	1,175,031	-	-	1,175,031
K Balloch	-	167,805	-	-	167,805
D Vickers	-	381,503	-	-	381,503
J Schwarz	-	440,637	-	-	440,637
C Forbes	-	201,226	-	-	201,226
	-	3,541,233	-	-	3,541,233

The long term incentive plan under which performance rights are granted was approved by the board during the 2012 financial year and shareholder approval was obtained at the AGM held in November 2012.

Notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 JUNE 2013

Note 23. Related parties continued

KMP options holdings and movements

	BALANCE 1 JULY	GRANTED	EXERCISED	BALANCE 30 JUNE	VESTED DURING THE YEAR	VESTED AND EXERCISABLE AT 30 JUNE
2013						
A King	800,000	-	-	800,000	-	400,000
T Carstens	5,000,000	-	-	5,000,000	-	2,500,000
C Bwye	10,000,000	-	1,400,000	8,600,000	-	3,600,000
S Willis	600,000	-	-	600,000	-	300,000
W Willesee	600,000	-	-	600,000	-	300,000
M Anderson	-	-	-	-	-	-
T Schultz	-	-	-	-	-	-
M Macpherson	-	-	-	-	-	-
K Balloch	-	-	-	-	-	-
D Vickers	-	-	-	-	-	-
J Schwarz	-	-	-	-	-	-
C Forbes	-	-	-	-	-	-
S Hay	-	-	-	-	-	-
	17,000,000	-	1,400,000	15,600,000	-	7,100,000
2012						
A King	800,000	-	-	800,000	400,000	400,000
T Carstens	5,000,000	-	-	5,000,000	2,500,000	2,500,000
C Bwye	10,000,000	-	-	10,000,000	5,000,000	5,000,000
S Willis	600,000	-	-	600,000	300,000	300,000
W Willesee	600,000	-	-	600,000	300,000	300,000
	17,000,000	-	-	17,000,000	8,500,000	8,500,000

Note 23. Related parties continued

KMP shareholdings

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

	BALANCE 1 JULY	OPTIONS EXERCISED	PURCHASED	SOLD	BALANCE 30 JUNE
2013					
A King	820,000	-	-	-	820,000
T Carstens	1,148,334	-	-	(507,328)	641,006
C Bwye	778,980	1,400,000	64,915	(992,672)	1,251,223
S Willis	200,000	-	-	-	200,000
W Willesee	550,000	-	45,834	-	595,834
M Anderson	-	-	-	-	-
T Schultz	-	-	-	-	-
M Macpherson	-	-	-	-	-
K Balloch	-	-	-	-	-
D Vickers	100,000	-	195,000	-	295,000
J Schwarz	-	-	-	-	-
C Forbes	-	-	-	-	-
S Hay	-	-	-	-	-
	3,597,314	1,400,000	305,749	(1,500,000)	3,803,063
2012					
A King	740,000	-	80,000	-	820,000
T Carstens	950,000	-	198,334	-	1,148,334
C Bwye	667,869	-	111,111	-	778,980
S Willis	200,000	-	-	-	200,000
W Willesee	440,000	-	110,000	-	550,000
D Vickers	-	-	100,000	-	100,000
	2,997,869	-	599,445	-	3,597,314

Other KMP transactions

There have been no other transactions involving equity instruments other than those described in the tables above. There have been no loans to KMP's during the year or subsequent to year end.

Notes to the consolidated financial statements continued
FOR THE YEAR ENDED 30 JUNE 2013

Note 23. Related parties continued

Other related party transactions
At 30 June the balance of loans advanced to / (from) controlled entities of Base Resources Limited are as follows:

	2013 $	2012 $
Base Titanium Limited	**6,357,414**	61,764
Base Titanium (Mauritius) Limited	**104,427**	62,958
	6,461,841	124,722
Investments in subsidiaries are as follows:		
Base Titanium Limited	**122,755,271**	40,497,978
Base Titanium (Mauritius) Limited	**3,448,166**	3,448,166
	126,203,437	43,946,144

The loan from Base Resources Limited to Base Titanium Limited attracts interest at 6% per annum, calculated from 22 November 2012, being the date of the initial drawdown of the project debt finance facility. The interest outstanding at 30 June 2013 is $323,040.

Note 24. Share-based payments

a. Share options
Granted options are as follows:

	GRANT DATE	NUMBER	ISSUE DATE
Key management personnel	30 June 2010	17,000,000	9 July 2010
Other	30 July 2010	1,000,000	13 August 2010

Terms of granted options

2010

Options granted to KMP on 30 June 2010 (issued on 9 July 2011) were as performance incentives to the Managing Director (5,000,000), the Executive Director – Operations & Development (10,000,000), the Non-executive Chairman (800,000) and the other two Non-executive Directors (600,000 each). All options were granted for nil consideration. Vesting conditions are such that 50% of each tranche vest upon the Company making a decision to commence development of the Kwale Project following the securing of the required project financing; and the remaining 50% vest upon first production from the Kwale Project, currently scheduled for the 2014 financial year.

The fair value of the 17 million options granted to KMP during the 2010 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 4.6%; no dividend yield; volatility factor of the expected market price of the Company's shares of 104%; and an expected life of options of 5 years.

2011

RFC Corporate Limited ("RFC") were granted 1 million options on 30 July 2010 in respect of services provided. These options were granted for nil consideration, vested immediately and were valued using a Black and Scholes model.

The fair value of the 1 million options granted to RFC during the 2011 financial year has been estimated at the date of grant using a Black & Scholes model using the following assumptions: risk-free interest rate of 5.39%; no dividend yield; volatility factor of the expected market price of the Company's shares of 104%; and an expected life of options of 5 years.

Note 24. Share-based payments continued

Summary of shares under option are as follows:

	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
Options outstanding as at 1 July 2011	18,000,000	$0.17
Granted	-	-
Exercised	-	-
Options outstanding as at 30 June 2012	18,000,000	$0.17
Options outstanding as at 1 July 2012	18,000,000	$0.17
Granted	-	-
Exercised	1,400,000	$0.09
Options outstanding as at 30 June 2013	16,600,000	$0.18

The exercise price of outstanding options at reporting date was $0.25 for 9,500,000 options and $0.09 for 7,100,000 options. The options hold no voting or dividend rights.

Options exercisable as at 30 June 2012	5,250,000	$0.25
Options exercisable as at 30 June 2012	4,250,000	$0.09
Options exercisable as at 30 June 2013	5,250,000	$0.25
Options exercisable as at 30 June 2013	2,850,000	$0.09

b. Performance rights

Granted performance rights are as follows:

PERFORMANCE CYCLE DATE	KMP	OTHER EMPLOYEES	TOTAL
1 October 2011	3,541,233	635,381	4,176,614
1 October 2012	3,868,858	1,091,044	4,959,902

Terms of granted performance rights

Performance rights were granted to KMP and other senior staff under the terms of the long term incentive plan ("LTIP). The LTIP operates on the basis of a series of cycles. Each cycle commences on 1 October and will be followed by a 3 year performance period, with a test date on the 3rd anniversary of the commencement of the Cycle. The first Cycle of the LTIP began on 1 October 2011. The LTIP contains performance criteria related to total shareholder return ("TSR") to determine the proportion of performance rights which vest, as follows:

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

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

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

All performance rights were granted for nil consideration.

The fair value of the performance rights granted during the 2013 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 2.68%; no dividend yield; volatility factor of the expected market price of the Company's shares of 70%; and a remaining life of performance rights of 2.84 years. The fair value of the performance rights is recognised over the service period which commenced prior to the date of grant of 30 June 2013.

Notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 JUNE 2013

Note 25. Parent entity disclosures

As at, and throughout the financial year ended 30 June 2013, the parent entity of the consolidated group was Base Resources Limited.

Financial performance of the parent entity

	2013 $	2012 $
(Loss) / profit for the year	(5,190,243)	5,318
Total comprehensive (loss) / income for the year	(5,190,243)	5,318

Financial position of the parent entity

	2013 $	2012 $
Current assets	21,100,007	97,687,376
Non-current assets	184,885,041	76,998,969
Total assets	205,985,048	174,686,345
Current liabilities	2,019,702	4,180,365
Non-current liabilities	154,682	-
Total liabilities	2,174,384	4,180,365
Net assets	203,810,664	170,505,980
Issued capital	213,668,499	175,718,629
Share-based payment reserve	1,764,170	1,219,113
Retained losses	(11,622,005)	(6,431,762)
Total equity	203,810,664	170,505,980

The wholly owned controlled entities of the parent entity as listed below:

ENTITY	COUNTRY OF INCORPORATION
Base Titanium (Mauritius) Limited	Mauritius
Base Titanium Limited	Kenya

Parent entity guarantees for the acquisition of Kwale Project equipment

Base Resources Limited has issued parent company guarantees to a number of suppliers of major components required for the construction of the Kwale Mineral Sands Project. Under the terms of the agreements Base Resources Limited guarantees the performance of its subsidiary under the major equipment supply contracts.

Parent entity guarantee in respect of Kwale Project finance facility

Base Resources Limited has entered into a shareholder support agreement in relation to the Kwale Project financing facility. Refer to note 16 for further details.

Note 26. Financial risk management

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

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

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

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

	NOTE	2013 $	2012 $
Financial assets			
Cash and cash equivalents	6	**98,122,682**	105,805,685
Other receivables	7	**22,360,077**	3,822,526
		120,482,759	109,628,211
Financial liabilities			
Trade and other payables	14	**18,485,087**	7,974,515
Debt facility	16	**186,133,000**	-
		204,618,087	7,974,515

Financial risk management policies

The overall risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance. The senior executives of the Group meet on a regular basis to analyse treasury risks and evaluate treasury management strategies in the context of the prevailing economic conditions and forecasts.

Risk management policies are approved and reviewed by the Board on a regular basis.

Financial assets and liabilities of the Group are carried at amortised cost, which approximates fair value.

Interest rate risk

The Group entered into project debt finance facility agreements for US$170 million in debt financing in November 2011. The project debt facility is comprised of a US$80 million senior commercial tranche with an interest rate of LIBOR plus 4.5% (4.0% post-completion), US$70 million development finance institution ("DFI") tranche with an interest rate of LIBOR plus 6.0% (5.5% post-completion) and a US$20 million cost overrun facility at an interest rate of LIBOR plus 5.0%.

The security for the facility is a fixed and floating charge over all the assets of Base Titanium and the shares held by Base Titanium Mauritius and the shares held in Base Titanium Mauritius by Base Resources Limited. In addition, a shareholder support agreement is in place that requires Base Resources Limited to do all things necessary to cause the project to achieve project completion by no later than 31 December 2014.

In November 2012 the initial drawdown of US$52 million was made against this facility. A second drawdown of US$72 million was completed in February 2013 and a third drawdown of US$46 million was completed in June 2013.

A further US$20 million extension of the cost overrun facility was secured in May 2013 at an interest rate of LIBOR plus 6.5%. No drawdowns have been made against this facility at the date of this report, with utilisation subject to receiving the consent of Mines and Geology to the resultant extension of security interests.

The majority of the Group's cash deposits are held in project financing accounts with Nedbank Limited at variable interest rates. Term deposits usually mature in six months or less so as to take advantage of interest rate changes.

Notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 JUNE 2013

Note 26. Financial risk management continued

	CARRYING AMOUNT		REALISABLE / PAYABLE WITHIN SIX MONTHS	
	2013 $	2012 $	2013 $	2012 $
Fixed rate instruments				
Financial assets	10,000,000	100,000,000	10,000,000	100,000,000
Financial liabilities	-	-	-	-
	10,000,000	100,000,000	10,000,000	100,000,000
Variable rate instruments				
Financial assets	88,122,682	5,805,685	88,122,682	5,805,685
Financial liabilities	(186,133,000)	-	-	-
	(98,010,318)	5,805,685	88,122,682	5,805,685

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased or decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

VARIABLE RATE INSTRUMENTS	2013 $ 100BP INCREASE	2013 $ 100BP DECREASE	2012 $ 100BP INCREASE	2012 $ 100BP DECREASE
Profit or loss	(980,103)	980,103	58,057	(58,057)
Equity	980,103	(980,103)	(58,057)	58,057

Currency risk

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

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

30 JUNE 2013	AUD	USD	KES	OTHER	TOTAL A$
Cash and cash equivalents	4,889,367	53,549	3,399,254	2,020	8,344,190
Other receivables	-	-	16,228,748	-	16,228,748
Other current assets	86,168	-	26,932	22,855	135,955
Trade and other payables	(2,389,192)	(22)	(3,405,401)	(2,913,782)	(8,708,397)
Net exposure	2,586,343	53,527	16,249,533	(2,888,907)	16,000,496

30 JUNE 2012	AUD	USD	KES	OTHER	TOTAL A$
Cash and cash equivalents	-	168,846	559,334	-	728,180
Trade and other receivables	-	-	2,292,213	-	2,292,213
Other current assets	-	-	583,970	-	583,970
Trade and other payables	(1,651,569)	(1,277,904)	(1,107,750)	(107,875)	(4,145,098)
	(1,651,569)	(1,109,058)	2,327,767	(107,875)	(540,735)

Note 26. Financial risk management continued

The following significant exchange rates applied during the year:

	AVERAGE RATE		30 JUNE SPOT RATE	
	2013	2012	2013	2012
AUD:USD	1.0269	1.0323	0.9133	1.01590
AUD:KES	86.1744	90.4532	77.0285	83.5557

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 Company's after-tax profit / (loss) for the year to date would have been $1,600,050 higher / lower (2012: $54,074 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.

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

	2013 $	2012 $
Financial assets – cash flow realisable		
Cash and cash equivalents	**98,122,682**	105,805,685
Other receivables	**22,360,077**	3,822,526
Total anticipated inflows	**120,482,759**	109,628,211

The Group has classified an amount related to Kenyan value-added tax ("VAT") claimable on Kwale Project development as non-current due to the extended repayment timelines currently being experienced in Kenya. Base Titanium is eligible to claim VAT refunds once product sales commence. 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:

	2013 $	2012 $
Australia	**20,787,549**	96,872,190
Kenya	**99,688,814**	12,745,225
Mauritius	**6,396**	10,796
Total	**120,482,759**	109,628,211

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

Notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 JUNE 2013

Note 26. Financial risk management continued

Liquidity risk continued

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 2013	$	$	$	$	$	$	$
Trade and other payables	18,485,087	18,485,087	16,519,258	876,929	1,088,900	-	-
Debt facility	186,133,000	221,802,340	1,791,445	8,756,756	50,049,096	142,399,589	18,805,454
	204,618,087	240,287,427	18,310,703	9,633,685	51,137,996	142,399,589	18,805,454
30 JUNE 2012							
Trade and other payables	7,974,515	7,974,515	7,974,515	-	-	-	-

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.

All operating cash flows generated by the Kwale Project will be subject to a cash 'lock up' until Base Titanium can satisfy physical and financial completion tests required under the terms of the Kwale Project Debt Facility. Prior to meeting the completion test requirements no cash can be distributed by Base Titanium to other companies within the Group.

	2013 $	2012 $
Cash and cash equivalents	**98,122,682**	105,805,685
Trade and other receivables	**6,131,329**	1,530,313
Other current assets	**2,219,196**	2,019,898
Trade and other payables	**(17,396,187)**	(7,974,515)
Provisions	**(712,230)**	(208,966)
Working capital position	**88,364,790**	101,172,415

Note 27. Events after the reporting date

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

Note 28. Company details

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

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

Directors' declaration

1 In the opinion of the directors of Base Resources:

(a) the consolidated financial statements and notes that are set out on pages 44 to 72 and the Remuneration Report in pages 27 to 38 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 2013 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 2013.

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:

Andrew King
Chairman

DATED at PERTH this 30th day of August 2013

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

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

Report on the financial report

We have audited the accompanying financial report of Base Resources Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2013, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 28 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

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

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

Report on the remuneration report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2013. The Directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Base Resources Limited for the year ended 30 June 2013, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

G-T Hogg

Graham Hogg
Partner

Perth

30 August 2013

Additional shareholder information

Additional information required by the Australian Securities Exchange Limited Listing Rules, and not disclosed elsewhere in this report.

Shareholdings

At the date of this report the Company had received the following current substantial shareholder notices:

a) On 1 August 2012 a substantial shareholder notice was received by the Company notifying the Company that L1 Capital Pty Limited was a substantial shareholder holding a relevant interest in shares representing 7.90% of the voting power.

b) On 19 November 2012 a substantial shareholder notice was received by the Company notifying the Company that Aterra Investments Limited was a substantial shareholder holding a relevant interest in shares representing 5.67% of the voting power. On 16 January 2013 Aterra Investments Limited updated their substantial shareholding to a relevant interest of 5.46% of the voting power;

c) On 22 April 2013 a substantial shareholder notice was received by the Company notifying the Company that BT Investment Management Limited was a substantial shareholder holding a relevant interest in shares representing 7.05% of the voting power;

d) On 22 April 2013 a substantial shareholder notice was received by the Company notifying the Company that Westpac Banking Corporation Group was a substantial shareholder holding a relevant interest in shares representing 7.05% of the voting power.

Class of shares and voting rights

The voting rights attached to the Fully Paid Ordinary Shares of the Company 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.

Options do not carry any voting rights.

On the 20 August 2013 there were 119 holders of unmarketable parcels comprising a total of 30,489 ordinary shares.

Other information

There is no current on-market buy back taking place.

During the reporting period the Company used its cash assets in a manner consistent with its business objectives.

The top 20 largest registered holders of shares as at 20 August 2013 were:

	NAME	NUMBER OF SHARES	%
1.	JP Morgan Nominees Australia Ltd	156,251,178	27.81
2.	HSBC Custody Nominees Australia Ltd	133,246,583	23.72
3.	Pacific Road Capital Management GP II Ltd	98,184,512	17.48
4.	National Nominees Ltd	55,715,423	9.92
5.	Pacific Road Capital II Pty Ltd	12,433,348	2.21
6.	UBS Nominees Pty Ltd	11,398,288	2.03
7.	Citicorp Nominees Pty Ltd	6,698,035	1.19
8.	JP Morgan Nominees Australia Ltd	5,145,567	0.92
9.	HSBC Custody Nominees Australia Ltd	5,089,704	0.91
10.	Citicorp Nominees Pty Ltd	4,478,149	0.80
11.	Raptor Securities Pty Ltd	4,090,000	0.73
12.	RBC Investor Services Australia Nominees PL	3,200,385	0.57
13	Alchemy Securities Pty Ltd	3,131,402	0.56
14.	Escor Investments Pty Ltd	2,550,872	0.45
15.	Pacific Road Cap Management GP II Ltd	2,433,861	0.43
16.	Zero Nominees Pty Ltd	1,828,333	0.33
17.	Brooks Rita Marian & William Tobias	1,777,907	0.32
18.	BNP Paribas Nominees Pty Ltd	1,732,681	0.31
19.	HSBC Custody Nominees Australia Ltd	1,720,541	0.31
20.	Pacific Road Capital II Pty Ltd	1,648,165	0.29
		512,754,934	**91.26**

SHARES RANGE	HOLDERS	UNITS	%
1 – 1000	111	21,301	0.00
1001 – 5000	166	504,668	0.10
5001 – 10000	175	1,474,511	0.26
10001 – 100000	476	17,149,632	3.05
100001 and over	117	542,689,917	96.59
	1,045	**561,840,029**	**100.00**

Options

At 20 August 2013 the following options were on issue:

STREAM	DATE OF EXPIRY	EXERCISE PRICE	NUMBER UNDER OPTION	NUMBER OF HOLDERS
1	9.7.2015	$0.25	8,500,000	5
2	9.7.2015	$0.09	7,100,000	5
3	30.7.2015	$0.25	1,000,000	1
			15,600,000	

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

Stream 1: Colin Bwye – 5,000,000 Options
Stream 1: Tim Carstens – 2,500,000 Options
Stream 1: All other holders hold greater than 100,000 Options
Stream 2: Colin Bwye – 3,600,000 Options
Stream 2: Tim Carstens – 2,500,000 Options
Stream 2: All other holders hold greater than 100,000 Options
Stream 3: Alchemy Securities Pty Limited – 1,000,000 Options

Tenement schedule

The Group holds a 100% interest in the following tenements, all of which are located in Kenya:

TENEMENT NUMBER	STATUS
Exploration Licence 173	Granted
Special Mining Licence 23	Granted

BASE RESOURCES

www.baseresources.com.au

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