TWENTY 14

DELIVERING ON POTENTIAL

ANNUAL REPORT

BASE RESOURCES

Forward looking statements

Certain statements made in this Annual Report contain or comprise forward looking statements, including statements regarding 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, 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 (BSE) MINERAL SANDS PRODUCER, FOCUSED ON THE KWALE MINERAL SANDS OPERATIONS IN KENYA, WHERE, DURING THE PAST YEAR, THE COMPANY COMMENCED PRODUCTION AND EXPORT OF ILMENITE, RUTILE AND ZIRCON.

Kwale is a robust project, ramping up to an annual production of 80,000, 360,000 and 30,000 tonnes of rutile, ilmenite and zircon respectively. The success of the Kwale Project provides a model and platform to launch Base on the next stage of its development.

SIGNIFICANT HIGHLIGHTS

The Kwale Project successfully making the transition to the Kwale Operations

Commencement of first mining and production of concentrate in October 2013

First production of ilmenite and rutile through the mineral separation plant in December 2013, ready for bulk shipments to commence in February

Ramp up of operations during the first half of 2014 with design throughputs, plant availability and runtime now being consistently achieved

Recoveries progressively improving towards design targets with ongoing implementation of process design enhancements and optimization

Successful first bulk shipment of product from the Company's fully owned and operated Likoni port facility in February

More than 150,000 tonnes of ilmenite, rutile and zircon exported to the end of the financial year

Kwale achieved 'commercial production' status for accounting purposes in April 2014

Delivered first quarter of positive operating cashflow in June 2014

Outstanding safety record in construction, and in transition to operations

Increased and upgraded Kwale Mineral Resource

CHAIRMAN'S LETTER

Dear Shareholders

During the past year, Base has successfully made the transition from developer to producer. Following three years of development, your Company commenced production at the Kwale Mineral Sands project in late 2013, and set sail with its first shipment of ilmenite in February this year.

We have been working towards this since acquiring the project in 2010 and the achievement is a great result collectively for our people, our communities and our shareholders. This path to production was achieved by the combination of a quality project and a quality team and it is important that we acknowledge the contribution of all those involved in the success we are now sharing. From our Base team, contractors, advisors, lenders and customers to host governments and communities, the contributors to our success to date have been many.

This is, however, just the beginning rather than the finish line and our focus now is on driving operational performance and maintaining Kwale as a profitable operation over its mine life. Since operations commenced in December, we have been focussed on ramping up the production profile. The mining unit has been performing to design and the processing feed rates have steadily improved during ramp up. They are now on target and delivering annualised production of heavy mineral concentrate above 550,000 tonnes.

The Operations team are delivering on the planned rapid ramp up for ilmenite, with a longer schedule for the rutile and zircon streams to reach design capacity. Our sales and shipping program commenced in February and to the end of the financial year, we shipped in excess of 150,000 tonnes of ilmenite, rutile and zircon. Importantly, all of this has been achieved while maintaining our outstanding safety record, established during the construction phase and carried forward into operations.

We have set high standards for community engagement in Africa and I am particularly proud of the positive impact Base's local subsidiary, Base Titanium Ltd, has made in the local communities in which we operate. We understand that our ability to build supportive relationships with these communities is central to our success and as such, is a core aspect of our business model. Base Titanium has engaged with the local community, local government, international not-for-profit organisations as well as corporate co-sponsors to design and implement wide-ranging programs. These are delivering improvements in the basic needs of health and drinking water quality as well as access, education and transport. The next phase is building sustainable long term capability, which includes training, scholarships and a program of agricultural development.

We are also proud of the role we expect Kwale to play in the broader development of Kenya. Economically, the country has benefited from a direct investment of US$310 million, with significantly larger indirect benefits to come through ongoing operations. Kwale will more than triple Kenya's export earnings from the mineral sector and will generate substantial tax and royalty flows but we would like to think the bigger impact for Kenya will be as a catalyst for an inflow of further mining investment and as a model for effective mineral development.

Kenya has been undergoing a significant transformation, commencing with the implementation of a new Constitution, followed by a new devolved layer of County government. More recently and specifically in mining, this has included the first-time establishment of a Ministry of Mining and the development of a new Mining Act.

Being the first major foreign direct investment in Kenya's mining sector during this period has presented some challenges. Not least of these has been the Kwale County Government proposing an unconstitutional levy on mineral exports. With continued positive relationships with Government and a demonstrated capability to achieve outcomes, we are confident we can resolve these issues whilst being a recognised contributor to the achievement of our host government's goals.

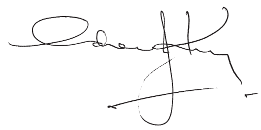
We have commenced production at a challenging time for the mineral sands sector. However, there is a sound basis for believing that product prices have found a floor and lead indicators continue to point to a recovery as we move into 2015. Importantly, with revenue to cost ratios in the upper quartile of industry participants, Kwale is able to remain profitable even in this difficult market.

For Base, the transition to producer is a defining milestone, especially at such a challenging time in the mineral sands industry. While recognising the importance of celebrating this success, we remain firmly focussed on the next chapter, being to define ourselves as a sustainable and globally significant resources company.

As the Company transitions, so too does the Board. One of our Directors, Mr Trevor Schulz, will be retiring from the Board at this year's AGM. His extensive experience in the construction of mining projects in Africa has been of great benefit to us. On behalf of my fellow directors, I would like to take this opportunity to thank Trevor for his contribution in this phase of the Company's development.

Mr Michael Stirzaker will be Trevor's replacement on the Board. Having acted as Trevor's alternate, he is well versed in the Company's culture, activities and aspirations. His corporate advisory and financing experience will be well suited to assist in the next phase of your Company's growth.

Thank you to you, our shareholders, for your continued confidence and support as we undertake this journey.



Andrew King
Chairman

1st Quarter of

positive

operating cash flows ($4.1 million at June 2014)

October 2013

Commenced mining operations and HMC production

December 2013

Commenced ilmenite and rutile production through the MSP

February 2014

First bulk shipment sails

REVIEW OF OPERATIONS

FROM DEVELOPER TO PRODUCER

PROJECT OVERVIEW

Base operates the 100% owned Kwale Mineral Sands Project in Kenya, which commenced production in late 2013. Kwale is located 10 kilometres inland from the Kenyan coast and 50 kilometres south of Mombasa, the principal port facility for East Africa. The project was acquired by Base in 2010. Following the completion of feasibility study enhancements and financing, development of Kwale commenced in October 2011. The Project is based on a mine life of 13 years, and features a high grade ore body with a high value mineral assemblage. Over the next six years, it is expected to produce an annual average of 80,000 tonnes of rutile, 360,000 tonnes of ilmenite and 30,000 tonnes of zircon, making Base a globally significant producer of mineral sands products.

MINING & PROCESSING

The mining operations at Kwale are based on a conventional dozer trap mining unit (DMU), using Caterpillar D11T dozers to feed the DMU. The DMU is a cost effective method of mining, which is particularly well suited to the type of ore at Kwale.

Over Kwale's 13 year mine life, Base expects to mine and process 140mt of ore and produce 4.6mt of final product for sale.

In October 2013, mining commenced at the higher-grade Central Dune zone. Since then, the ramp up of mining activity has delivered steadily increasing throughput. In the final quarter of the year under review, mining rates averaged more than 1,200 tonnes per hour (tph), and delivered the targeted design capacity for this phase of the operation. Mining grades have also steadily improved as the mining activity approaches the high grade regions of the Central Dune. Average ore grades increased from 6.4% heavy mineral (HM) to 8.1% HM from the March to June quarter. Mining activities will remain focussed on the Central Dune zone for the first eight years of the operation.

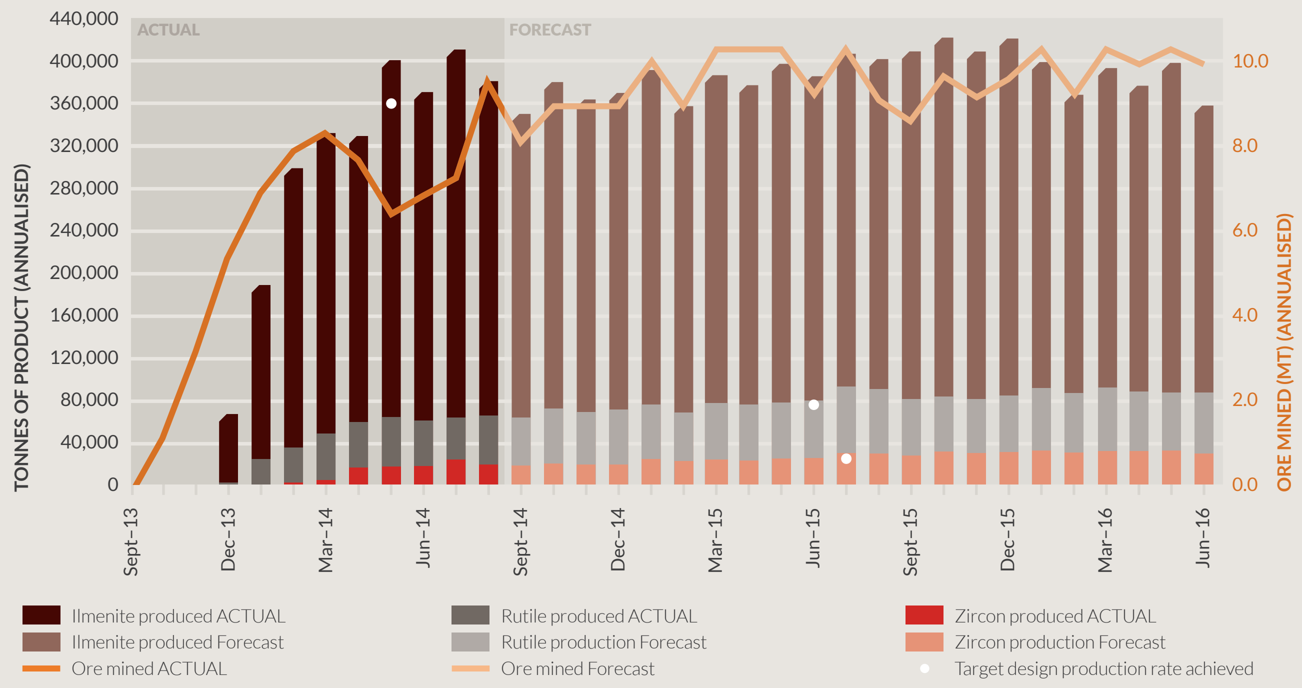
Kwale is designed to process ore to recover three separate products – ilmenite, rutile and zircon. Ore is received at the wet concentrator plant (WCP) from the DMU via a slurry pipeline. The WCP removes slimes at a particle size less than 45μm, concentrates the valuable heavy minerals (ilmenite, rutile and zircon) and rejects most of the non-valuable, lighter gangue minerals.

The WCP incorporates a number of gravity separation steps using spiral concentrators. The heavy mineral concentrate (HMC), containing 90 per cent heavy minerals, is then processed in the mineral separation plant (MSP).

The MSP cleans and separates the ilmenite, rutile and zircon minerals and removes 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 to Base's own Likoni Port facility. The balance of the rutile and all of the zircon produced is containerised prior to transporting to the main Mombasa container port.

In December, Base commenced processing of HMC through the MSP to produce the first ilmenite and rutile. The ramp-up program has delivered a steady improvement in production and recoveries since. At the end of the financial period, the Company achieved quarterly throughput of 141,753 tonnes of HMC – a 25% increase from the previous quarter.

Kwale Production Summary



During the June quarter, MSP feed rates were consistently at design levels of 80tph and MSP availability increased to 87%, providing a stable platform on which to undertake further refinement testwork and plant optimisation.

Ilmenite production has reached design capacity and is in fact now exceeding expectations, whilst rutile and zircon production is consistent with a planned twelve month ramp-up to design capacity. Further plant modifications and optimisation are expected to increase production to design output through the 2015 financial year. Early results from this work have been encouraging with MSP recoveries consistent with the improvement plan.

TRANSPORT & INFRASTRUCTURE

A key feature of the Kwale Project is its proximity to well-developed existing physical infrastructure. To support the mining operation, Base has completed the construction and development of several additional dedicated infrastructure elements over the past 12 months.

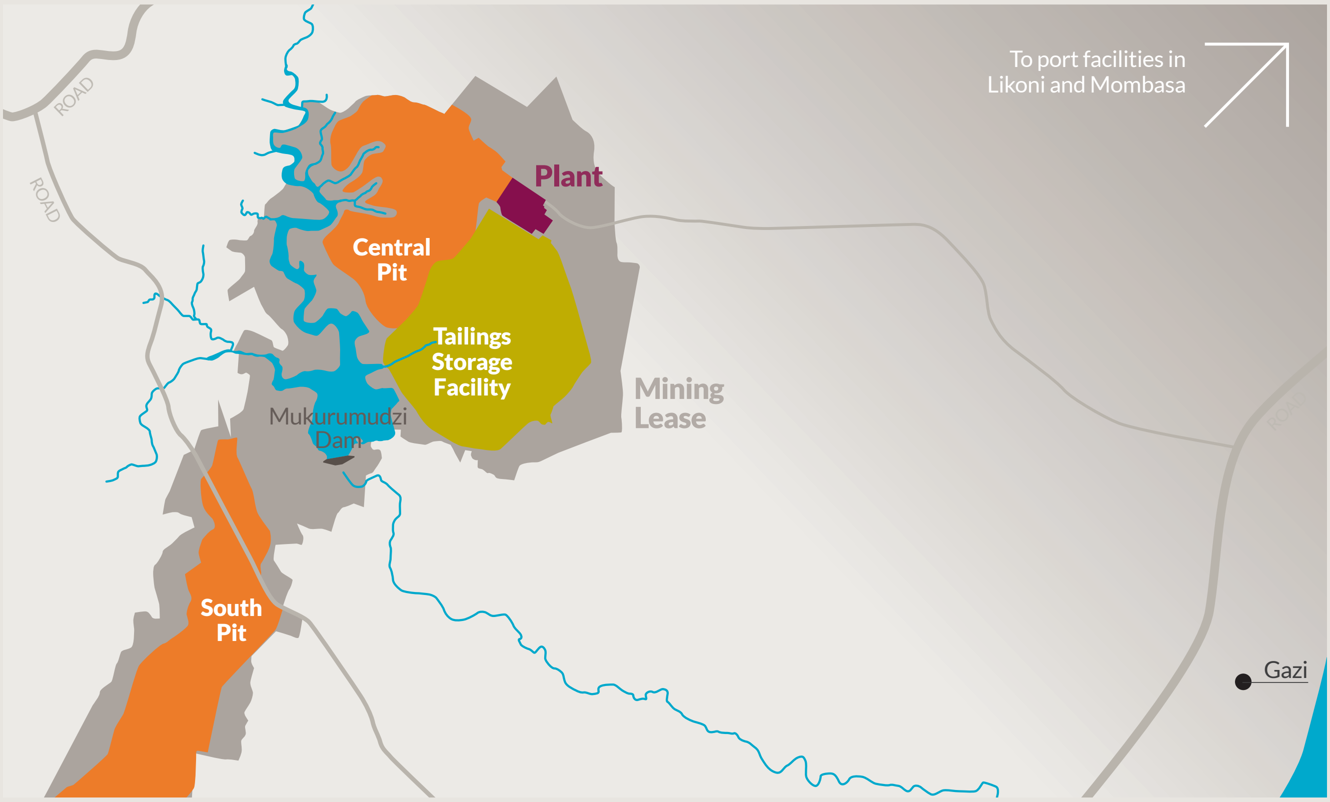
In November, construction of a purpose-built marine facility was completed at Likoni. The fully owned and operated port facility includes a storage shed capable of holding in excess of 80,000 tonnes and a 1,000 tonnes per hour ship loader. The loading system was commissioned in early 2014, and the first bulk vessel of ilmenite from Kwale was loaded in February. The loading facility provides access to the existing shipping channel associated with the main Mombasa port, which is the primary terminal for East Africa. Containerised rutile and zircon are exported through the main Mombasa container port.

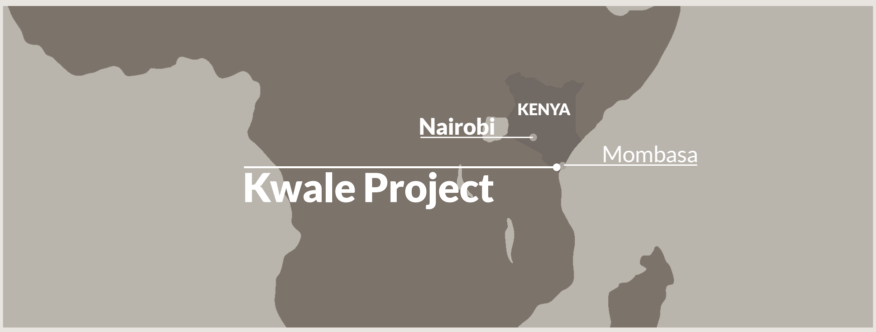
Base also completed construction of an eight kilometre paved access road, which connects the mine site to the main coastal highway running between Mombasa and northern Tanzania. The bulk product is hauled 50 kilometres by truck from Kwale along this route to the port facility at Likoni.

The Likoni Port facility has performed well, with Base completing four bulk shipments of ilmenite (totalling approximately 140,000 tonnes) and two bulk shipments of rutile (totalling approximately 14,000 tonnes) by the end of the financial year. Base commenced container shipments of zircon in April and completed a total of 12 individual shipments (totalling approximately 2,700 tonnes) through the June quarter. The first container shipment of rutile was dispatched in early July and this has been followed by a regular container shipping schedule.

Water is a key input for mineral sands projects. Supply for the Kwale Project comes from the dedicated Mukurumudzi Dam constructed by Base. Dam construction was completed in the second half of 2013, providing 8.6 gigalitres of water storage. The south coast of Kenya enjoys two wet seasons annually with excellent rains during May filling the dam to capacity. In addition, a borefield accessing a local aquifer has been constructed to provide a supplementary supply in the event of prolonged drought conditions.

Power for Kwale is supplied from the Kenyan grid via a Base-constructed 132kVA power line from the Galu substation, just 16 kilometres from the Kwale Project site. The power line was commissioned in 2013 and the reliability of supply has proved to be excellent with negligible downtime from outages or voltage dips.





PEOPLE & SAFETY

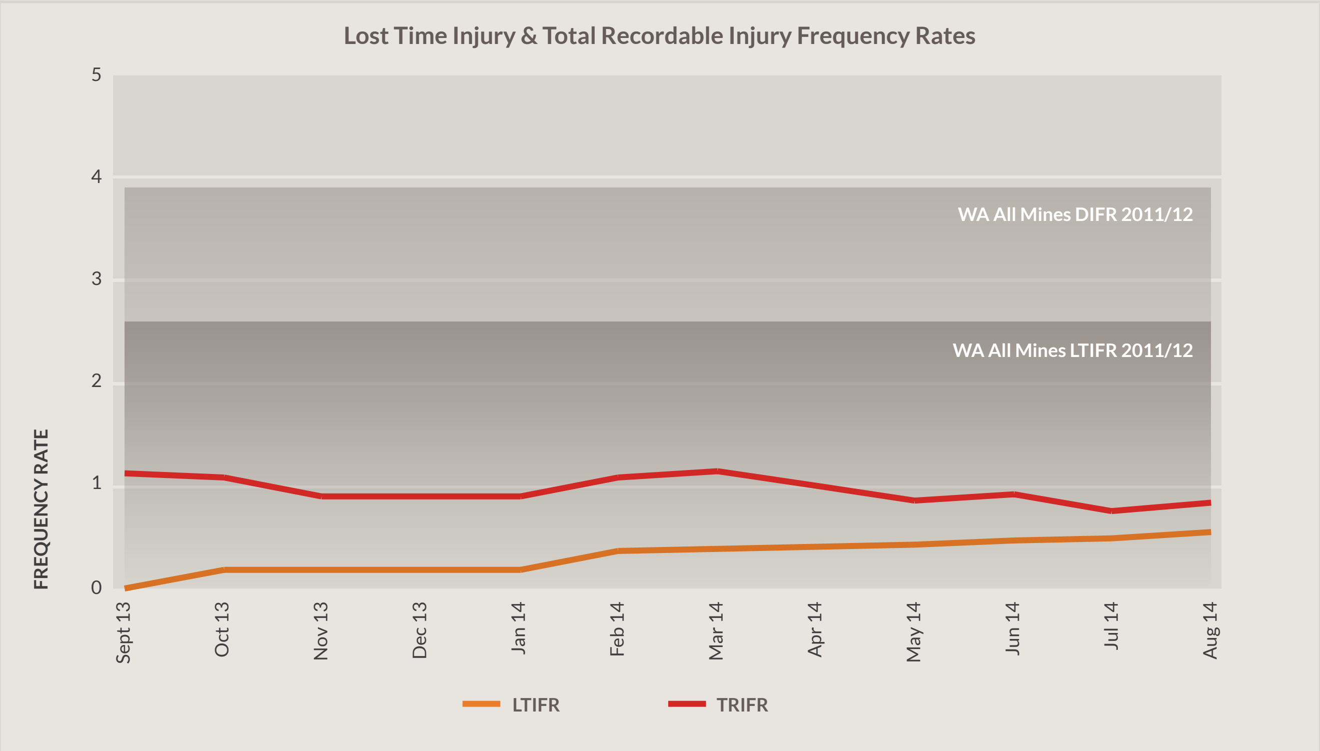
Since the commencement of construction, Base has adopted a "first-world best practice" safety performance approach across the Kwale Project, with adaptation to suit the cultural environment of the Kenyan workforce. During construction, the project employed more than 1,000 workers from local communities, the vast majority of whom had never had a job on an industrial site before. Ensuring the safety of the entire workforce was a significant focus.

The construction of the Kwale Project achieved a commendable safety record.

With a total of more than nine million man hours worked and a peak of 2,400 people on site, the Company recorded just two lost time injuries (LTI) throughout the construction phase. During this period, both the LTI and total reportable injury (TRI) frequency rates were significantly ahead of West Australian benchmarks. With more than 26,000 hours of operational readiness training completed prior to start up, the Company is pleased to report its safety performance has been maintained through the transition from construction into operations.

In March, Kwale Operations recorded its first LTI when a trainee operator suffered a hand injury in a conveyor incident. The incident investigation recommended a number of corrective actions, including design changes, which have been fully implemented.

Base's safety performance was also highlighted by a positive report from the Department of Safety and Health compliance audit conducted during the June quarter.



Operational workforce
90%
Kenyan

World-class best practice
safety approach
implemented

26,000
hours
operational readiness
training completed

COMMUNITY

At Base, 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, both through our own activities as well as those of partners whose participation we are able to facilitate. The focus of our community engagement is on maximising the community's ability and capacity 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.

Our programmes have been structured across three core phases:

1. Establishment – creating the space for our operations and establishing our presence in the community, involving resettlement and compensation, infrastructure replacement, livelihood restoration and establishing stakeholder engagement structures that guide our focus.

2. Basic needs – addressing fundamental needs which would otherwise limit participation such as access to quality water supplies, education and health facilities, health programmes and employment.

3. Capability building – enhancing the communities' capability and capacity to capitalise on economic opportunities through training, scholarships and agricultural extension and livelihood enhancement programmes.

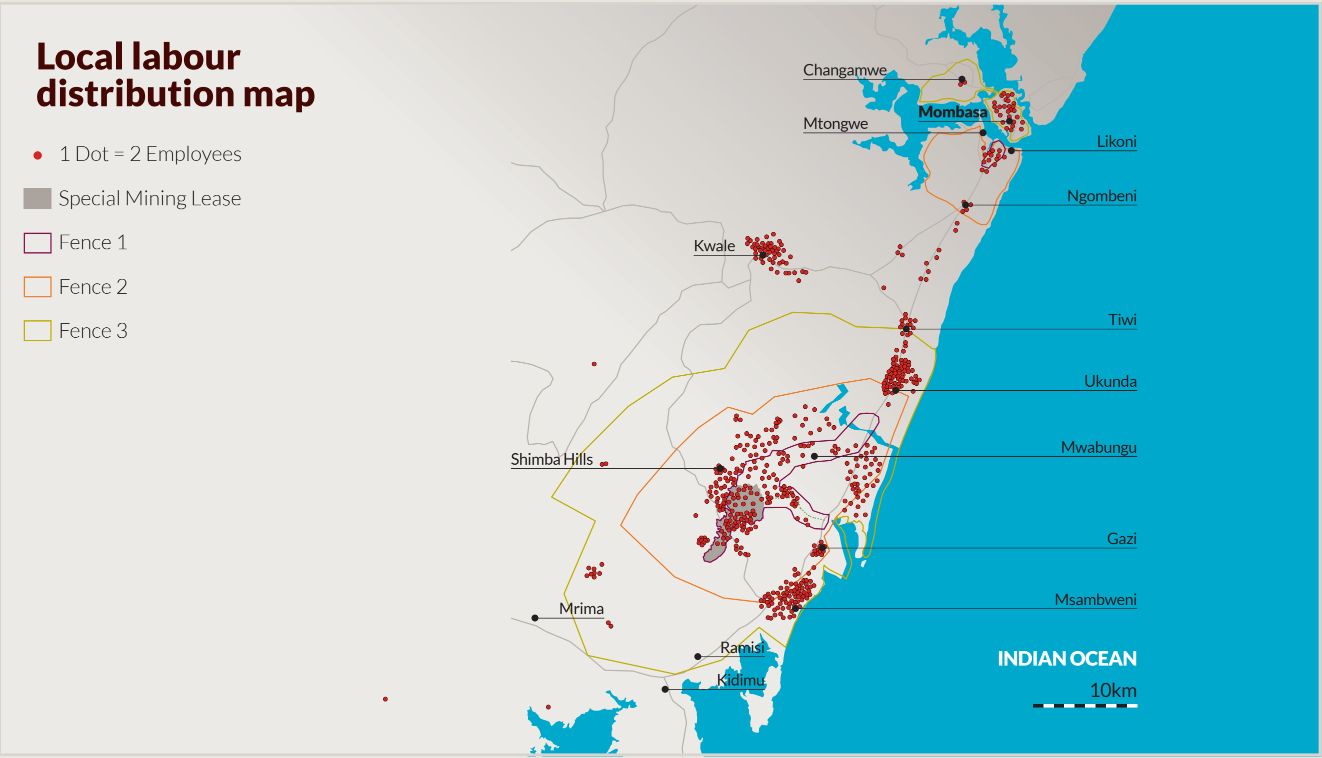
As Kwale has moved toward production, and building on the success of previous initiatives, Base's activities have been increasingly focussed on capability building, as well as the ongoing work to address the shortfalls in basic needs. The results we are seeing are very encouraging.

A core project deliverable has been maximising Kenyan employment in both the construction and operational phases. To deliver this, Base established a recruitment centre and labour recruitment system. During construction this facilitated the employment of more than 1,000 local people. Now in operations, Base has recruited a permanent operational workforce of around 600, of which over 90% is Kenyan.

27 community infrastructure projects
commenced 2014

To guide the stakeholder engagement process, Base established three district-based community liaison committees and six community-based committees. Through these committees, it is the community itself which identifies its goals and priorities. Base also works with non-government organisations (NGOs), specialist not-for-profit groups and corporate co-sponsors to deliver sustainable development outcomes.

Local labour distribution map



An example of some the projects underway during 2014 include:

LIVELIHOOD PROJECTS

Agriculture is the primary economic activity in Kwale County. Base aims to support and improve livelihoods for the long term, through increased crop diversity and facilitating links to national and international markets in collaboration with the Australian-based Business for Millennium Development, DEG and Sygenta. Trials have been initiated on site and on seven farms across Kwale County in association with several stakeholder groups. Potato and cotton trials are well advanced, and are already showing outstanding potential for new commercial crops in the region. Planning is also underway for a commercial poultry production trial.

COMMUNITY HEALTH

A Community Health Development Management Plan is being prepared in collaboration with health authorities to identify appropriate interventions for Base's community health initiatives. An initial Health Impact Assessment identified a 'jigger' parasite treatment campaign as a local priority. In July, Base partnered with the Ministry of Health (Public Health Department), to visit more than 70 households across eight villages to assist in the treatment of the pest and its human health impacts.

COMMUNITY INFRASTRUCTURE

Consultation with communities as part of the Community Development Management Plan identified the priorities for Base's social infrastructure projects. Base has now undertaken 93 discrete community infrastructure or assistance projects. In 2014 alone, 27 such projects have commenced, including construction on eleven health and education facilities in Kwale and Likoni. To assist with the effective rollout of this program, a construction engineer has been engaged to oversee all infrastructure projects. This has led to a surge in community investment projects, improved contractor performance and higher quality buildings.

Base is also working with NGOs to improve water supply to local communities. This has included rehabilitation of existing hand-pump boreholes for villages, and redrilling of boreholes which are unable to be restored.

TRAINING AND SCHOLARSHIPS

Base is supporting education through various NGOs in the region, implementing more than 100 secondary school and 25 tertiary level scholarships. This includes assisting talented Kenyan students to study in Australia and at Oxford University.

At the primary school level, Base is also working with the Little Sports Organisation to deliver after school sports programs to more than 20 schools. This is focussed on teaching life skills through play and sports activities and has already demonstrated positive impacts on school performance.

Base is committed to providing a positive learning environment that ensures the rapid transfer of skills in order to build a generation of workers for Kenya's growing mining sector. The focus is on building workforce capacity, both internally and externally, to ensure that appropriate skills are available to develop this sector. Our graduate, internship, apprenticeship and high school programmes are now in operation. Over the life of the mine, we expect to have over 2,000 Kenyans pass through these programmes.

The programmes are designed to provide exceptional on-the-job opportunities to transfer academic knowledge into a real work environment. The graduate and student programmes enable participants to learn from experts, practice their trade and create an experience-based foundation for their future careers.

Between January and June 2014, our employees, trainees and community members attended over 450 training courses equating to over 36,000 hours of training.

We are proud that Kenya's National Industrial Training Authority (NITA), a newly formed State corporation has accredited our external graduate, intern and apprenticeship training programmes. Following their visit to our training facility, NITA adopted Base's training programmes as a model to assist in establishing a consistent approach to skills transfer across other Kenyan industries.

Having already established an official partnership with the Technical University of Mombasa, Base hopes to partner with other similar institutions to influence study curricula and contribute to the development of graduates to meet the needs of industry.

ENVIRONMENT

Our community development program is being matched by our high standards of environmental management and performance. The Company has implemented a comprehensive environmental management system, and has had no environmental incidents during the year under review.

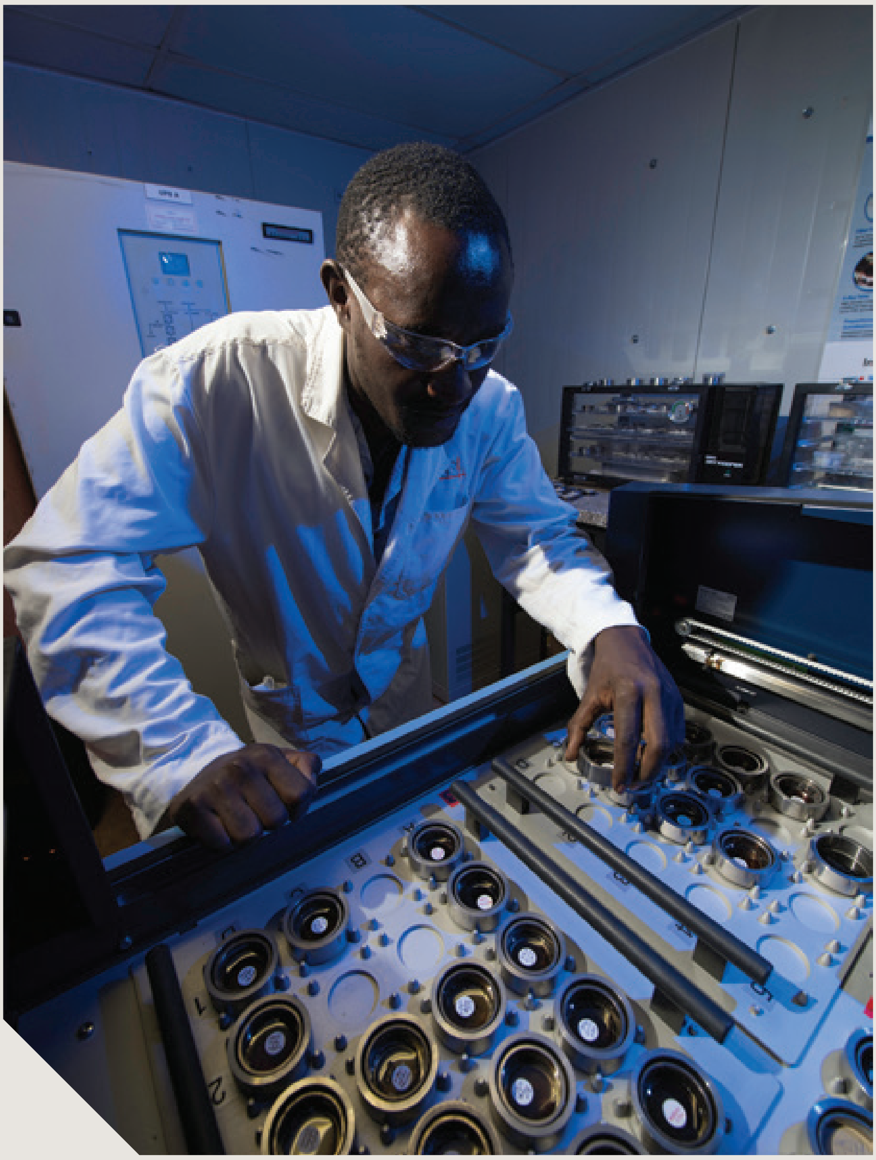
Following the transition to operations, Base has been active in its rehabilitation of construction areas following contractor demobilisation. This has included successful revegetation and indigenous tree planting, and the stabilisation of slopes. The indigenous nursery Base has established is the largest of its kind in Kenya in terms of both plant numbers and diversity of species with over 27,000 plants across 250 species propagated to date.

Base is committed to complying with Kenyan legislation and international best practice, specifically the International Finance Corporation's Performance Standards, the Equator Principles, World Bank Group's Environmental, Health and Safety Guidelines and International Labour Organisation's core labour standards. Base aims to set the benchmark for responsible mineral industry development in Kenya.

CORPORATE & FINANCE

In December, Base announced it had extended its existing Kwale Project Finance Facility (Debt Facility) by a further US$25 million. The additional extension provided an increased working capital buffer available during the ramp up phase of the Kwale Project. The finance extension took the total debt facility to US$215 million. The drawdown of the full US$25 million available was completed in January.

Base is currently in the process of rescheduling the US$215 million Debt Facility. The rescheduling has the primary effect of realigning the Debt Facility repayment schedule to reflect the delay in commencement of sales from the Kwale Project to February 2014 from the original expectation of October 2013 when the facility was arranged in 2011. Confirmations of credit approval for the restructure have been received from all lenders with finalisation subject to the agreement and execution of final documentation, which is expected to be concluded over the next two months.



Once completed, all principal repayments will be deferred by six months and re-profiled to decrease initial repayments. In addition, Base commits to contribute up to US$15 million in additional liquidity by 30 June 2015 (Liquidity Injection), if required by any Lender. The Liquidity Injection may be provided by way of subordinated debt on terms satisfactory to all lenders, an equity injection or some combination thereof, at the Company's discretion.

Disappointingly, in June, Base received an invoice from the Kwale County Government, purporting to apply a KES 5,000 (approximately US$57) per tonne levy on exports of ilmenite and rutile from the Kwale Mineral Sands Project.

Base disputes the constitutional validity of the levy and has received unqualified legal advice that the Kwale County Government does not have legislative authority under the Kenyan Constitution to impose such a levy. Base is currently working with the Kwale County Government and the Kenyan National Government to rectify this matter by having the invoice withdrawn and the levy repealed, and expects to have this resolved in the near future.

MARKETING & SALES

Base has secured seven off-take agreements across its three product streams, which run for the first three to six years of production from Kwale. The agreements are with some of the world's largest consumers of titanium dioxide and zircon products, including a cornerstone agreement with DuPont Titanium Technologies.

The agreements provide off-take security for Kwale containing firm minimum annual off-take volumes subject to annual production forecasts by Base.

Pricing is derived from prevailing market values, based on agreed price indices or periodic price negotiations. A minor portion of the Base production volume over the first three to six years of operation has been left available for spot sales.

To the end of the 2013/14 financial year, Base had exported more than 150,000 tonnes of product from Kwale, delivering into all of its off-take agreements in addition to some spot contracts.

MINERAL SANDS MARKET OUTLOOK

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

Despite volatility in recent years, global consumption of titanium dioxide pigment has maintained a long-term average growth rate of approximately three per cent per annum. Following a period of reduced demand and high stocks over the past two years, the short to medium term outlook for the global pigment industry has been showing signs of improvement through most of 2014. Recovery in the feedstock sector (including ilmenite and rutile) is expected to follow, but timing is dependent on surplus inventories returning to normal levels. In recent months, the pricing of both ilmenite and rutile appears to have stabilised, indicating that the inventory destocking phase may be drawing to an end.

Prices for ilmenite and rutile are expected to be steady for the remainder of 2014, with price improvement expected in the first half of 2015 on the back of stronger demand for pigment.

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

Demand growth for zircon is closely linked to growth in global construction and by increasing urbanisation in the developing world. After a sharp downturn in 2012, there are increasing signs that the zircon market has reached the bottom of its cycle and is turning towards a firm recovery. Zircon demand has been increasing steadily, and global stocks of zircon held by producers continued to be run down towards the end of the year under review. Prices have held relatively steady since the early stages of 2014, with the more positive demand outlook expected to support zircon price improvement in the first half of 2015.

MINERAL RESOURCES & ORE RESERVES

MINERAL RESOURCES

The 2014 Mineral Resources for the Kwale Project are based on updated resource estimation studies replacing the previous 2013 resource estimates. New drilling, assaying and mineralogical testwork, bulk density testwork and updated resource estimation work has led to an increase of 7% in HM, before allowing for mining depletion during the year, in the Mineral Resource estimate for the Kwale Project. The Central Dune Mineral Resources presented in the table account for mining depletion during the year.

The total Kwale Mineral Resources at 30 June 2014 is shown in the table.

							HM Assemblage		
Deposit	Mineral Resource Category	Material	In Situ HM	HM	SL	OS	Ilm	Rut	Zir
		(Mt)	(Mt)	(%)	(%)	(%)	(%)	(%)	(%)
Central	Measured	63.6	4.20	6.6	25	0	55	14	6
	Indicated	15.6	0.42	2.7	29	2	52	13	6
	Total	**79.1**	**4.62**	**5.8**	**26**	**1**	**54**	**13**	**6**
South	Measured	60.3	2.18	3.6	28	4	46	13	6
	Indicated	13.3	0.45	3.4	26	4	47	13	6
	Total	**73.6**	**2.63**	**3.6**	**27**	**4**	**46**	**13**	**6**
Total	Measured	123.9	6.38	5.2	26	2	52	14	6
	Indicated	28.9	0.87	3.0	27	3	49	13	6
Grand Total		**152.7**	**7.25**	**4.7**	**26**	**2**	**51**	**13**	**6**

NB: The Mineral Resource estimates for the Kwale Project are reported in accordance with the JORC Code (2012). 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 the Table above. All tonnes and grade information have been rounded, hence small differences may be present in the totals. All Mineral Resources are inclusive of Ore Reserves. The mineral assemblage is reported as a percentage of HM.

Competent Persons Statement – Mineral Resources
Information in this annual report that relates to Mineral Resources is based on information compiled by Mr. Greg Jones who is a Member of The Australasian Institute of Mining and Metallurgy. Mr. Jones is the Principal for GNJ Consulting and has been retained by Base to conduct Mineral Resource estimation for the Kwale Project. Mr. Jones has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). Mr. Jones consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

ORE RESERVES

At the time of producing this report, the work required to prepare new Ore Reserves from the new Mineral Resources had not been completed. Other than accounting for mining depletion, there has been no change to the 2013 Ore Reserves for the Central Dune. The South Dune Ore Reserve did not change from that as reported in 2013.

The total Kwale Ore Reserves at 30 June 2014 is shown in the table .

							HM Assemblage		
Deposit	Ore Reserve Category	Ore	In Situ HM	HM	SL	OS	Ilm	Rut	Zir
		(Mt)	(Mt)	(%)	(%)	(%)	(%)	(%)	(%)
Central	Proved	42.6	2.94	6.9	24	0	56	13	6
	Probable	28.4	1.28	4.5	24	1	54	14	6
	Proved and Probable	**71.0**	**4.19**	**5.9**	**24**	**1**	**56**	**13**	**6**
South	Proved	39.9	1.47	3.7	27	2	51	14	6
	Probable	25.2	0.85	3.4	29	5	42	12	5
	Proved and Probable	**65.1**	**2.32**	**3.6**	**28**	**3**	**48**	**13**	**6**
Total	Proved	82.5	4.41	5.3	25	1	54	14	6
	Probable	53.6	2.13	4.0	27	3	48	13	5
	Proved and Probable	**136.1**	**6.51**	**4.8**	**26**	**2**	**52**	**13**	**6**

NB: This information was prepared and first disclosed under the 2004 JORC Code. It has not been updated since to comply with the 2012 JORC Code on the basis that the information has not materially changed since it was last reported.

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 HM.

Competent Persons Statement – Ore Reserves
Information in this annual report that relates to Ore Reserves is based on information compiled by Scott Carruthers for the Central Dune and Per Scrimshaw for the South Dune, both of whom are Members of The Australasian Institute of Mining and Metallurgy. Mr Carruthers is a full time employee of Base Titanium Limited (a wholly owned subsidiary of Base Resources 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.

MINERAL RESOURCES & ORE RESERVES GOVERNANCE

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

Mineral Resources

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

Ore Reserves

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

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 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 25 JULY 2013*
Mr Winton Willesee, *NON-EXECUTIVE DIRECTOR – RETIRED 26 NOVEMBER 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
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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

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The Pavilions
Bridgwater Road
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Enquiries: +44 (0) 870 702 0003
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AIM NOMINATED ADVISOR

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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 2014.

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 Samuel Willis

Mr Michael Anderson

Mr Trevor Schultz

Mr Mike Stirzaker
– alternate for Trevor Schultz

Mr Malcolm Macpherson
– appointed 25 July 2013

Mr Winton Willesee
– retired 26 November 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 and Mr Winton Willesee who retired on 26 November 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 activity of the Group during the financial year was the completion of development and ramp up of operations at 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 $14,069,196 (2013: $6,661,165).

DIVIDENDS PAID OR RECOMMENDED

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

REVIEW OF OPERATIONS

During 2014, the Group successfully completed development of the Kwale Mineral Sands Project at a cost of US$310 million. Mining and heavy mineral concentrate production commenced in October 2013 followed by the first ilmenite and rutile finished products in December 2013. Zircon production commenced in February 2014 at the same time as the first bulk shipment of 20,000 tonnes of ilmenite was exported from our owned and operated Likoni port and ship loading facility. Bulk rutile and containerised zircon sales began in April 2014.

Safety performance throughout the construction project was exemplary with 6.5 million manhours worked injury free and only two LTI's for the entire project. This achievement is even greater considering that at the peak there were up to 2,400 workers on site with 1,000 of these recruited from the local community, many of whom had never had a job before. Heading into production safety continued to be an area of intense focus with over 26,000 hours invested in operational readiness training prior to start up. The Lost Time Injury frequency rate for the 12 months to June 2014, covering both the construction project and commencement of operations, is 0.3 per million man hours, well below Australian mining industry averages.

Ilmenite production has reached design capacity and is exceeding expectations, whilst rutile and zircon production is consistent with a planned twelve month ramp-up to design capacity. Further plant modifications and optimisation are expected to increase rutile and zircon production to design output over the balance of the 2015 financial year.

The Group completed six bulk shipments of ilmenite, totalling more than 138,000 tonnes, and two bulk shipments of rutile of approximately 14,000 tonnes during the year. The Group completed 12 individual shipments of containerised zircon during the year, totalling approximately 2,700 tonnes. The first container shipment of rutile was made in July 2014 and this will be followed by a regular container shipping schedule.

All three products continue to be delivered to our off-take partners on a regular basis as well as the occasional sale on the spot market where surplus volume permits.

SUMMARY PHYSICAL DATA	2014
Ore mined (dmt)	4,532,154
Heavy mineral concentrate produced (dmt)	296,750
Production (dmt)	
Ilmenite	165,352
Rutile	24,216
Zircon	4,486
Sales (dmt)	
Ilmenite	138,829
Rutile	14,005
Zircon	2,704

The global titanium dioxide pigment industry continued to show signs of improvement through the latter part of the financial year. Recent feedback from China suggests that pigment demand had improved, and prices achieved by Chinese pigment producers commenced a gradual uplift during the final quarter. Inventories of titanium dioxide feedstock are being gradually worked down, but are likely to remain at elevated levels for the remainder of the 2014 calendar year. Pricing of high grade titanium dioxide feedstock appeared to stabilise through the latter half of the financial year and the Group now expects prices to remain relatively flat for the remainder of 2014. Ilmenite prices continued to be under pressure through the financial year, but recent reports of reduced output in some of the main ilmenite-producing regions may indicate that prices will stabilise at, or near, current levels.

Zircon trade activity continued to firm through the financial year. Stocks of zircon held by producers continued to be run down and prices have remained relatively flat since the early stages of the calendar year 2014. There are increasing signs that the zircon market has reached the bottom of the cycle and is turning towards a firm recovery. With this expected strength in the zircon market over the coming months there may be support for zircon price improvement towards the beginning of 2015.

On the corporate front, Malcolm Macpherson was appointed to the Board in July 2013, 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 decreased by $15 million from $218 million at 30 June 2013 to $203 million at 30 June 2014, due to the net loss incurred in the year.

In October 2013, a US$20 million extension of the existing cost overrun facility was drawn down. Additionally, the Group extended its existing project finance facility agreements by an additional US$25 million in order to increase the working capital buffer during the ramp up phase of the Kwale Mineral Sands Project. These funds were drawn down in January 2014. Total debt drawn at 30 June 2014 is US$215 million and the Group has cash reserves of $21 million.

The Group's working capital, being current assets less current liabilities, has decreased from $88 million at 30 June 2013 to $15 million at 30 June 2014, largely due to the use of funds to complete the development of the Kwale Project and scheduled project debt repayments commencing from December 2014.

The Group is currently seeking to restructure the Kwale Project Finance Facility to reflect the delay in first sales from the schedule originally contemplated when the facility was arranged in 2011. Proposed terms for the debt restructure have been commercially agreed with all Lenders and are progressing through Lender credit approval processes. Under the terms of the restructure, all principal repayments will be deferred by six months with some re-profiling to suit future cash flows. If the restructure is implemented as proposed, the first principal repayment will be deferred from December 2014 to June 2015 and the current portion of borrowings will be reduced from $50 million to $12 million.

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 Group during the year and to the date of this report were:

a. Completion of the Kwale Mineral Sands Project and commencement of operations;
b. Drawdown of further US$45 million in debt financing; and
c. Sales of ilmenite, rutile and zircon commencing.

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

AFTER BALANCE DATE EVENTS

Other than the proposed restructure of the Kwale Project Finance Facility, discussed above, there are no after balance date events.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Group's strategy is to continue operation of the Kwale Mineral Sands Mine whilst continuing to explore for other economic deposits and growth opportunities.

ENVIRONMENTAL ISSUES

The Group acknowledges 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 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

Mr Tim Carstens

Managing Director

Qualifications: BCom, ACA

Appointed: 5 May 2008

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

DIRECTORS' REPORT

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.

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 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.

Other current public company directorships: New Standard Energy Limited and Elixir Petroleum Limited

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 over 20 years' industry experience, largely in southern Africa and Australia. His career commenced as a geologist with Anglo American, followed by roles in the metallurgical and engineering industries with Mintek, Bateman and Kellogg Brown & Root. He subsequently held senior management positions including Corporate Development Manager at Gallery Gold Limited, and 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.

Interests in shares and options: Nil

Other current public company directorships: Hot Chili Limited

Past public company directorships held over the last three years: Ampella Mining Limited and PMI Gold 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

Other current public company directorships: Centamin Egypt Limited

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

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, Mr Stirzaker 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. Mr Macpherson spent 25 years from 1974 at Iluka Resources Limited, the world's largest mineral sands company, rising from mine manager to Managing Director and Chief Executive Officer. Mr Macpherson is currently a director of Bathurst Resources Limited and Bathurst Resources (New Zealand) Limited. He has previously held the position of Chairman with Azumah Resources Limited and Western Power Corporation and been a director of Portman Mining Limited and Minara Resources Limited. Mr Macpherson has also been the Senior Vice President of the Minerals Council of Australia, President of the Western Australian Chamber of Minerals & Energy, and a member of the Senate at Murdoch University.

Interests in shares and options: Nil

Other current public company directorships: Bathurst Resources Limited

Past public company directorships held over the last three years: Pluton Resources Limited (Chairman), Minara Resources Limited and Titanium Corporation Inc.

Mr Winton Willesee

Company Secretary (former Non-executive Director)

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

Appointed: 23 May 2007 (Resigned as Non-executive Director on 26 November 2013)

Experience: Mr Willesee is an experienced company director and company secretary. Mr Willesee brings a broad range of skills and experience in strategy, company development, corporate governance, company public listings, merger and acquisition transactions and corporate finance.

Mr Willesee holds a Master of Commerce, Post-Graduate Diploma in Business (Economics and Finance), a Graduate Diploma in Applied Corporate Governance, 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.

Whilst Mr Willesee continues to hold the office of Company Secretary, he ceased to be a Non-executive Director of the Company on 26 November 2013.

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

Other current public company directorships: Birimian Gold Limited (Chairman), Coretrack Limited (Chairman) Cove Resources Limited (Chairman), Metallum Limited (Chairman) and Otis Energy Limited

Past public company directorships held over the last three years: Base Resources Limited, Bioprospect Limited (Chairman), Newera Resources Limited and Torrens Energy 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	12	12	3	3	5	5
Tim Carstens	12	12	-	-	-	-
Colin Bwye	12	11	-	-	-	-
Samuel Willis	12	10	3	3	5	4
Michael Anderson	12	11	3	3	-	-
Trevor Schultz	12	11	-	-	5	2
Michael Stirzaker	12	10	-	-	5	5
Malcolm Macpherson(i)	12	12	3	3	2	2
Winton Willesee(ii)	6	6	2	2	2	2

(i) Appointed 25 July 2013

(ii) Resigned 26 November 2013

DIRECTORS' REPORT

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.

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 2014:

	2014 $	2013 $
Taxation services	193,209	151,359

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2014 has been received and can be found on page 46 of the Annual Report.

ROUNDING

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded to the nearest thousand dollars, unless otherwise stated.

REMUNERATION REPORT – AUDITED

This remuneration report sets out the remuneration arrangements for Base Resources Limited for year ended 30 June 2014. 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	CHANGES DURING THE YEAR
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	
NON-EXECUTIVE DIRECTORS		
A King	Chairman	
S Willis	Director	
M Anderson	Director	
T Schultz	Director	
M Macpherson	Director	Appointed 25 July 2013
W Willesee	Director and Company Secretary	Resigned 26 November 2013

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

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 ("STI")	
What is the STI?	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.

STI (CONTINUED)

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.

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 target corporate performance (50% STI component) criteria for Senior Executives and relative weightings for 2014 comprised:

- Budgeted group EBITDA, assuming fixed product sales prices.

Due to the delayed start-up of the Kwale Mineral Sands Project, the 2014 corporate performance threshold was not achieved and no incentives were paid in relation to this component.

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 <u>any</u> 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.

REMUNERATION REPORT – AUDITED

STI (CONTINUED)	
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.

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 2014?	Performance Rights were granted to eligible participants in the LTIP for the cycle commencing 1 October 2013. 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 $0.3697 per share.

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 2013 by reference to the 20 day VWAP of $0.3697 per share ($0.4936 for cycle commencing 1 October 2012 and $0.4085 for cycle commencing 1 October 2011). In order to achieve 100% vesting would require a share price of $0.7394 or greater ($0.9872 for cycle commencing 1 October 2012 and $0.8170 for cycle commencing 1 October 2011) at the conclusion of the 3 year performance period.

REMUNERATION REPORT – AUDITED

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:

	LTIP CYCLE COMMENCING 1 OCTOBER		
COMPANIES	2013	2012	2011
ABM Resources NL		✔	
Adamus Resources Limited			✔
Aditya Birla Minerals Limited	✔		
Alkane Resources Limited	✔	✔	✔
Ampella Mining Limited			✔
Aquarius Platinum Limited	✔	✔	
Astron Corporation Limited	✔		
Atrum Coal NL	✔		
Azimuth Resources Limited		✔	
Bandanna Energy Limited	✔		✔
Bathurst Resources Limited	✔	✔	✔
BC Iron Limited	✔	✔	
Beadell Resources Limited		✔	✔
Blackgold International Holdings Ltd	✔		
Bougainville Copper Limited	✔	✔	✔
Cape Lambert Resources Limited		✔	
CGA Mining Limited		✔	✔
Coalspur Mines Limited	✔	✔	✔
Cockatoo Coal Limited			✔
CuDeco Limited	✔	✔	
Discovery Metals Limited		✔	✔
Elemental Minerals Limited	✔		
Energy Resources of Australia Limited		✔	✔
Equatorial Resources Limited		✔	
FerrAus Limited			✔
Focus Minerals Limited	✔		
Galaxy Resources Limited		✔	
Gindalbie Metals Limited	✔	✔	✔
Gold One International Limited	✔	✔	✔
Grange Resources Limited	✔	✔	✔
Greenland Minerals and Energy Ltd	✔		
Gryphon Minerals Limited		✔	✔
Guildford Coal Limited		✔	✔
Gujarat NRE Coking Coal Limited	✔		
Hot Chili Limited	✔		
Hunnu Coal Limited			✔
Independence Group NL			✔
Indophil Resources NL	✔	✔	✔
Inova Resources Limited	✔		
Integra Mining Limited		✔	✔
Intrepid Mines Limited	✔	✔	✔
Iron Ore Holdings Limited	✔		
Iron Road Limited	✔		
Ivanhoe Australia Limited		✔	✔
Jupiter Mines Limited	✔	✔	✔
Kagara Limited			✔
Kangaroo Resources Limited			✔
Kingrose Mining Limited	✔	✔	✔
Kingsgate Consolidated Limited	✔	✔	✔
Medusa Mining 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	✔	✔	
Norton Gold Fields Limited	✔		
OM Holdings Limited	✔	✔	✔
Orocobre Limited	✔	✔	
Paladin Energy Limited	✔		✔
Papillion Resources Limited	✔	✔	
Perilya Limited	✔	✔	
Perseus Mining 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	✔	✔	✔
Sundance Resources Limited	✔		
Syrah Resources Limited	✔	✔	
Tanami Gold NL		✔	
Tiger Resources Limited	✔	✔	✔
Tribune Resources Limited	✔		
Troy Resources NL	✔	✔	✔
Western Areas NL		✔	✔
Western Desert Resources Limited	✔	✔	
White Energy Company Limited			✔
WPG Resources Ltd			✔

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?	Shares allocated to the participants in the LTIP upon vesting of performance rights may be satisfied by the Company issuing shares to the plan trustee or 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.

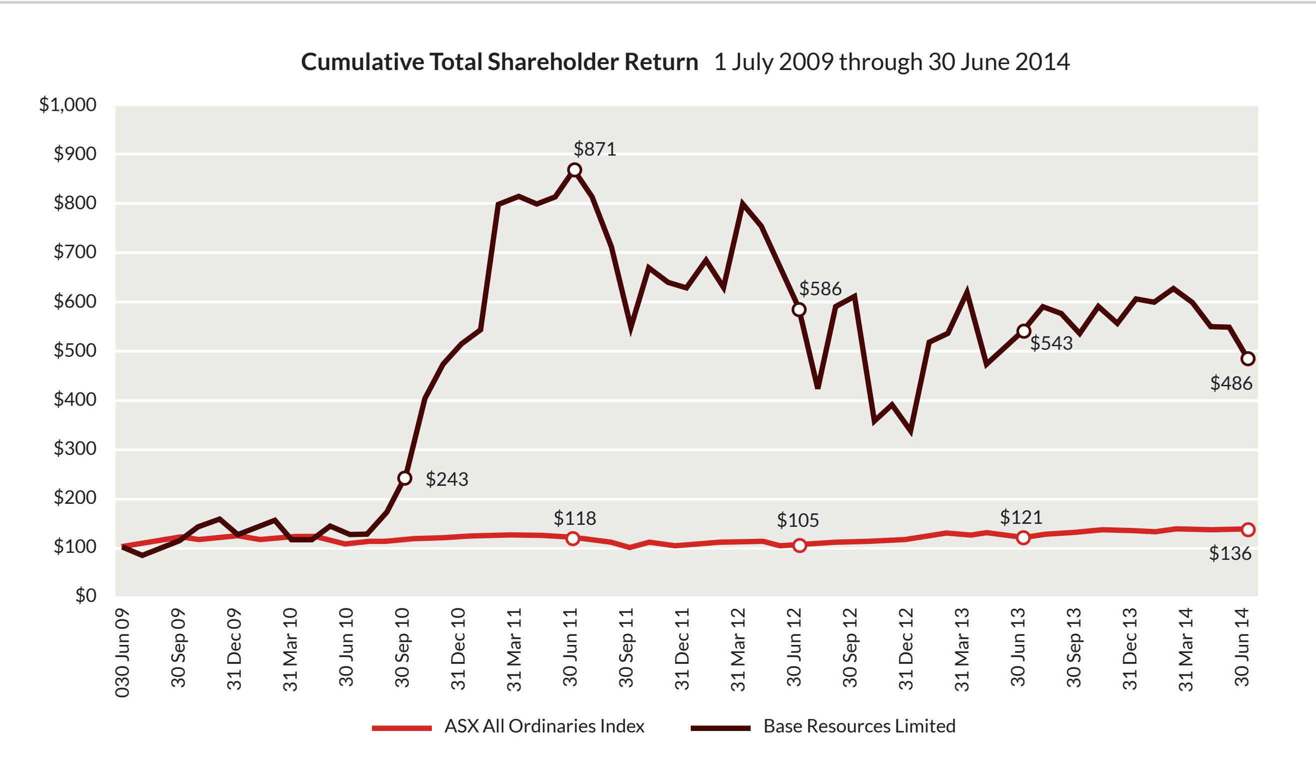
REMUNERATION REPORT – AUDITED

COMPANY PERFORMANCE AND ITS LINK TO SHAREHOLDER RETURN

The following graph compares the yearly change in the cumulative TSR on the Base Resources shares during the period 1 July 2009 to 30 June 2014, against the cumulative total return of the ASX All Ordinaries Index over the same period. The graph illustrates the cumulative return from Base Resources over the past five years, assuming $100 was invested. No dividends have been declared during this period.

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 was 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 2014

Short Term Incentives

At the end of the 2014 financial year, a review of the performance of each executive was undertaken against each of their 2014 individual performance measures as explained above. STI entitlements earned for 2014 performance are paid in the 2015 financial year.

The following table outlines the STI that was earned in comparison with the target STI for the 2014 financial year:

	TARGET STI		STI AWARDED	
NAME	INDIVIDUAL PERFORMANCE	CORPORATE PERFORMANCE	INDIVIDUAL PERFORMANCE	CORPORATE PERFORMANCE
T Carstens	30%	30%	36%	0%
C Bwye	30%	30%	32%	0%
K Balloch	15%	15%	22%	0%
D Vickers	15%	15%	20%	0%
J Schwarz	15%	15%	19%	0%
C Forbes	15%	15%	15%	0%
S Hay	15%	15%	20%	0%

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 each year. Accordingly, performance rights issued in the year ending 30 June 2014 under the LTIP are subject to a 3 year performance period ending on 30 September 2016. 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 2014 and none vested.

REMUNERATION REPORT – AUDITED

The remuneration for each executive of the Company for the years ending 30 June 2014 and 2013 was as follows:

KEY MANAGEMENT PERSON	SHORT TERM EMPLOYMENT BENEFITS			POST EMPLOY-MENT BENEFITS	SHARE BASED PAYMENT TOTAL		TOTAL	VALUE OF OPTIONS AS PROPORTION OF REMUN-ERATION	PROPORTION PERFOR-MANCE RELATED
	Salary $	Current year STI bonus[i] $	Prior year STI bonus[ii] $	Superan-nuation $	Options[iii] $	Performance Rights[iv] $	$	%	%
2014									
Executive Directors									
T Carstens	411,800	157,248	-	25,000	-	219,610	813,658	-	46.3
C Bwye	411,800	139,776	-	25,000	-	219,610	796,186	-	45.1
Other Key Management Personnel									
K Balloch	308,000	72,428	-	25,000	n/a	64,606	470,034	-	29.2
D Vickers	469,417	74,517	-	n/a	n/a	81,185	625,119	-	24.9
J Schwarz	356,953	66,413	-	n/a	n/a	83,900	507,266	-	29.6
C Forbes	416,846	63,674	-	n/a	n/a	72,910	553,430	-	24.7
S Hay	365,000	78,975	-	25,000	n/a	53,820	522,795	-	25.4
Total	2,739,816	653,031	-	100,000	-	795,641	4,288,488	-	-
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	-	-

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

(ii) In 2013, prior year STI bonuses were accrued in the financial year following the performance year to which the bonus related.

(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). 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 a Monte Carlo Simulation model and recognised over the period in which the minimum service conditions are fulfilled (the vesting period). The value disclosed is the portion of the fair value of the performance rights recognised in the reporting period. The amount included as remuneration is not necessarily related to or indicative of the benefit (if any) that individual KMP may ultimately receive.

(v) Appointed 14 January 2013.

(vi) No KMPs received any non-cash benefits during the year.

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:

	2014 **$**	2013 $
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

REMUNERATION REPORT – AUDITED

Non-executive remuneration for the year ended 30 June 2014 and comparative 2013 remuneration:

	SALARY AND FEES	NON-CASH BENEFIT	OPTIONS(iii)	TOTAL	VALUE OF OPTIONS AS PROPORTION OF REMUNERATION
	$	$	$	$	%
2014					
A King	127,500	-	-	127,500	-
S Willis	89,250	-	-	89,250	-
M Anderson	77,000	-	-	77,000	-
T Schultz	70,000	-	-	70,000	-
M Macpherson(i)	72,512	-	-	72,512	-
W Willesee(ii)	55,620	-	-	55,620	-
Total	491,882	-	-	491,882	-
2013					
A King	127,500	-	8,420	135,920	6.2
S Willis	89,250	-	6,315	95,565	6.6
M Anderson	77,000	-	-	77,000	-
T Schultz	70,000	-	-	70,000	-
W Willesee(ii)	136,250	-	6,315	142,565	4.4
Total	500,000	-	21,050	521,050	-

(i) Mr Macpherson appointed on 25 July 2013.

(ii) Mr Willesee resigned as a Director on 26 November 2013. Included in salary and fees for Mr Willesee is $22,044 for company secretarial services provided for the 2014 financial year whilst a director of the Company (2013: $54,000).

(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 2014 or 2013 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 2014 and the balance held by each director at 30 June 2014:

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	400,000	-	400,000
	30 June 2010	400,000	$0.06	$0.25	9 July 2015	400,000	-	400,000
T Carstens	30 June 2010	2,500,000	$0.07	$0.09	9 July 2015	2,500,000	-	2,500,000
	30 June 2010	2,500,000	$0.06	$0.25	9 July 2015	2,500,000	-	2,500,000
C Bwye	30 June 2010	5,000,000	$0.07	$0.09	9 July 2015	5,000,000	-	3,600,000
	30 June 2010	5,000,000	$0.06	$0.25	9 July 2015	5,000,000	-	5,000,000
S Willis	30 June 2010	300,000	$0.07	$0.09	9 July 2015	300,000	-	300,000
	30 June 2010	300,000	$0.06	$0.25	9 July 2015	300,000	-	300,000
W Willesee	30 June 2010	300,000	$0.07	$0.09	9 July 2015	300,000	-	300,000
	30 June 2010	300,000	$0.06	$0.25	9 July 2015	300,000	-	300,000
Total		17,000,000				17,000,000	-	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 2012; and the remaining 50% vested on 19 March 2014, being the date the Board agreed that the first production of all products from the Kwale Project had been achieved.

Once vested, the options cannot be exercised until a 30 day volume weighted average share price hurdle has been achieved of $0.15 and $0.35 for options with an exercise price of $0.09 and $0.25 respectively. Subsequent to vesting, both of these hurdles have been met and options are fully exercisable.

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 2014 financial year, performance rights were granted to executives as part of their 2014 remuneration packages.

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

REMUNERATION REPORT – AUDITED

The table below outlines movements in performance rights during 2014 and the balance held by each executive at 30 June 2014:

NAME	GRANT DATE(i)	NUMBER OF PERFORMANCE RIGHTS	FAIR VALUE OF EACH PERFORMANCE RIGHT	VESTING DATE(ii)	NUMBER VESTED DURING YEAR	NUMBER LAPSED DURING YEAR	BALANCE AT END OF YEAR
T Carstens	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
	1 October 2013	1,413,914	$0.2300	1 October 2016	-	-	1,413,914
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
	1 October 2013	1,413,914	$0.2300	1 October 2016	-	-	1,413,914
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
	1 October 2013	538,958	$0.2300	1 October 2016	-	-	538,958
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
	1 October 2013	591,172	$0.2300	1 October 2016	-	-	591,172
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
	1 October 2013	569,026	$0.2300	1 October 2016	-	-	569,026
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
	1 October 2013	660,763	$0.2300	1 October 2016	-	-	660,763
S Hay	14 January 2013	323,456	$0.1490	1 October 2015	-	-	323,456
	1 October 2013	631,212	$0.2300	1 October 2016	-	-	631,212
		13,229,050			-	-	13,229,050

(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.

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
2014					
A King	820,000	-	-	-	820,000
T Carstens	641,006	-	-	-	641,006
C Bwye	1,251,223	-	-	-	1,251,223
S Willis	200,000	-	-	-	200,000
M Anderson	-	-	-	-	-
T Schultz	-	-	-	-	-
M Macpherson	-	-	-	-	-
K Balloch	-	-	-	-	-
D Vickers	295,000	-	-	(295,000)	-
J Schwarz	-	-	-	-	-
C Forbes	-	-	-	-	-
S Hay	-	-	-	-	-
	3,207,229	-	-	(295,000)	2,912,229
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 (i)	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

(i) Mr Willesee resigned as a Director on 26 November 2013.

REMUNERATION REPORT – AUDITED

EMPLOYMENT ARRANGEMENTS OF DIRECTORS AND SENIOR EXECUTIVES

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

NAME	TERM OF CONTRACT	NOTICE PERIOD BY EITHER PARTY	TERMINATION BENEFIT
T Carstens	Permanent – ongoing until notice has been given by either party	3 months notice 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 and Macpherson are engaged under formal contracts as employees. Messrs Willis, 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: 16th September 2014

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 2014.

The Company is currently undertaking a review of its corporate governance policies with the view to adopting the 3rd edition of ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations within the coming months.

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. There are currently seven people appointed to the Board of the Company, three of which are independent directors of the Company, being Mr King, Mr Willis and Mr Macpherson. 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. The Board is continuing to review its composition and seek suitable candidates.
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.**	Satisfied. The Nomination Committee consists of four members, being Messrs Stirzaker (Chairman), Anderson, Macpherson and Carstens. The committee was formalised in June 2014 and is yet to hold a formal meeting. The charter for the nomination processes is available at www.baseresources.com.au in the Corporate Governance Statement.

CORPORATE GOVERNANCE

RECOMMENDATION		BASE RESOURCES LIMITED CURRENT PRACTICE
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. During the 2013 financial year, the Board engaged an external consultant to conduct a formal board function and performance review. Having been satisfied with the results of that performance review the Board undertook the operations of the current year and were to seek suitable renewal opportunities of the Board.
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 and Mr Macpherson. 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. Whilst the Board is seeking renewal opportunities the Board considers the current mix of skills and experience of members of the Board and its senior management is sufficient to meet the current requirements of the Company. The Company's diversity policy is available at www.baseresources.com.au in the Corporate Governance Statement.
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.

RECOMMENDATION		BASE RESOURCES LIMITED CURRENT PRACTICE
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 seven board members are male. Senior management consists of 20 people of whom 2 are female. The balance of the organisations workforce consists of six hundred and forty two people of whom one hundred and nine 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 Macpherson.
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. The Audit Committee consists of four members, being Messrs Willis (Chairman), King, Anderson and Macpherson, all of whom are Non-executive Directors of the Company. Mr Anderson is the only director who is not considered independent under ASX guidelines by virtue of his relationship with a substantial shareholder of the Company.
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.

CORPORATE GOVERNANCE

RECOMMENDATION		BASE RESOURCES LIMITED CURRENT PRACTICE
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 regularly tabled as an agenda item at the Company's board meeting with a full review of the risk register undertaken on a quarterly basis where appropriate.
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 routinely consider risk management matters and seek external advice as appropriate. During the year, management has reported to the Board the effectiveness of the Company's management of its material business risks.
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 2014 financial year.

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, Macpherson 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. The majority of the members of the Remuneration Committee are independent directors of the Company.
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 in this Annual Report.
8.4	**Companies should provide the information indicated in the Guide to reporting on Principle 8.**	Satisfied. Full details of the remuneration of the Company's non-executive directors, executive directors and senior executives are set out in the Remuneration Report in this Annual Report. The 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.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

KPMG

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 2014 there have been:

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

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

KPMG

KPMG

Graham Hogg
Partner

Perth

16 September 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	**2014 $000s**	2013 $000s
Sales revenue		**29,115**	-
Cost of sales		**(14,831)**	-
Amortisation and depreciation		**(9,031)**	-
Royalties		**(1,875)**	-
Profit from operations		**3,378**	-
Corporate and external affairs		**(8,706)**	(7,058)
Community development costs		**(2,298)**	-
Product marketing		**(738)**	(400)
Other expenses		**(1,261)**	(217)
Loss before financing income and income tax		**(9,625)**	(7,675)
Financing (costs) / income	2	**(4,351)**	1,017
Loss before income tax		**(13,976)**	(6,658)
Income tax expense	5	**(94)**	(4)
Net loss for the year		**(14,070)**	(6,662)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences - foreign operations		**(2,031)**	16,462
Total other comprehensive (loss) / income for the year		**(2,031)**	16,462
Total comprehensive (loss) / income for the year		**(16,101)**	9,800
Net (Loss) / earnings per share		**Cents**	Cents
Basic (loss) / earnings per share (cents per share)	4	**(2.50)**	(1.25)
Diluted (loss) / earnings per share (cents per share)	4	**(2.50)**	(1.25)

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	NOTE	30 JUNE 2014 $000s	30 JUNE 2013 $000s
Current assets			
Cash and cash equivalents	6	**20,945**	98,123
Trade and other receivables	7	**33,265**	6,131
Inventories	8	**20,049**	60
Other current assets		**3,007**	2,159
Total current assets		**77,266**	106,473
Non-current assets			
Capitalised exploration and evaluation	9	**1,120**	1,981
Capitalised mine development	10	**-**	281,390
Property, plant and equipment	11	**386,153**	12,259
Inventories	8	**1,106**	-
Restricted cash	12	**5,406**	5,478
Other receivables	7	**-**	16,229
Total non-current assets		**393,785**	317,337
Total assets		**471,051**	423,810
Current liabilities			
Trade and other payables	13	**11,322**	17,396
Borrowings	14	**49,887**	-
Provisions	15	**1,180**	712
Total current liabilities		**62,389**	18,108
Non-current liabilities			
Other payables	13	**-**	1,089
Borrowings	14	**177,667**	178,851
Provisions	15	**21,696**	2,163
Deferred revenue	16	**5,181**	5,474
Other liability	17	**1,106**	-
Total non-current liabilities		**205,650**	187,577
Total liabilities		**268,039**	205,685
Net assets		**203,012**	218,125
Equity			
Issued capital	18	**213,669**	213,669
Reserves		**16,085**	17,128
Accumulated losses		**(26,742)**	(12,672)
Total equity		**203,012**	218,125

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

	ISSUED CAPITAL	ACCUMULATED LOSSES	SHARE BASED PAYMENT RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	TOTAL
	$000s	$000s	$000s	$000s	$000s
Balance at 1 July 2012	175,719	(6,010)	1,219	(1,098)	169,830
Loss for the year	-	(6,662)	-	-	(6,662)
Other comprehensive profit	-	-	-	16,462	16,462
Total comprehensive profit / (loss) for the year	-	(6,662)	-	16,462	9,800
Transactions with owners, recognised directly in equity					
Shares issued during the period, net of costs	37,726	-	-	-	37,726
Shares issued on exercise of options	224	-	-	-	224
Share based payments	-	-	545	-	545
Balance at 30 June 2013	213,669	(12,672)	1,764	15,364	218,125
Balance at 1 July 2013	213,669	(12,672)	1,764	15,364	218,125
Loss for the year	-	(14,070)	-	-	(14,070)
Other comprehensive loss	-	-	-	(2,031)	(2,031)
Total comprehensive loss for the year	-	(14,070)	-	(2,031)	(16,101)
Transactions with owners, recognised directly in equity					
Share based payments	-	-	988	-	988
Balance at 30 June 2014	213,669	(26,742)	2,752	13,333	203,012

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	2014 $000s	2013 $000s
Cash flows from operating activities			
Receipts from customers		**22,442**	-
Payments in the course of operations		**(26,087)**	(6,504)
Other		**12**	-
Net cash used in operating activities	21	**(3,633)**	(6,504)
Cash flows from investing activities			
Interest receipts		**355**	1,961
Payments for exploration and evaluation		**(199)**	(1,239)
Purchase of property, plant and equipment		**(5,137)**	(11,349)
Proceeds on disposal of property, plant and equipment		**-**	4
Payments for mine development		**(111,673)**	(219,044)
Research and development incentive claim received		**5,030**	-
Payments to restricted cash		**-**	(5,478)
Security deposits		**(348)**	47
Net cash used in investing activities		**(111,972)**	(235,098)
Cash flows from financing activities			
Proceeds from issue of shares		**-**	40,000
Payment of share issue costs		**-**	(2,274)
Proceeds from exercise of share options		**-**	126
Proceeds from debt financing		**48,654**	186,133
Debt finance service costs and facility fees		**(9,991)**	(1,873)
Net cash provided by financing activities		**38,663**	222,112
Net decrease in cash held		**(76,942)**	(19,490)
Cash at beginning of year		**98,123**	105,806
Effect of exchange fluctuations on cash held		**(236)**	11,807
Cash at end of year	6	**20,945**	98,123

The accompanying notes form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

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 2014 comprises the Company and its wholly owned subsidiaries (together referred to as the "Group"). The Group is a for-profit entity and primarily involved in the operation of the Kwale Mineral Sands Mine in Kenya.

BASIS OF PREPARATION

Statement of compliance

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

The consolidated financial statements were approved by the Board of Directors on 16th September 2014.

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

The Group held cash on hand as at 30 June 2014 of $20.9 million. As at 30 June 2014 the Group held net assets of $203.0 million and had a net working capital surplus of $14.9 million. This includes $49.6 million scheduled principal repayments for the Kwale Project Finance Facility in December 2014 and June 2015. Net cash outflows from operations and investing activities for the year ended 30 June 2014 was $115.6 million as a result of completing development of the Kwale Project.

The Directors consider the going concern basis of preparation to be appropriate based on forecast cash flows. The achievement of the cash flow forecast is dependent upon mineral sands prices, meeting production output and cost forecasts and successfully restructuring the Kwale Project Finance Facility.

Base is currently seeking to restructure the Kwale Project Finance Facility to reflect the delay in first sales from the schedule originally contemplated when the facility was arranged in 2011. Proposed terms for the debt restructure have been commercially agreed with all Lenders and are progressing through Lender credit approval processes. Under the proposed terms of the restructure, all principal repayments and funding of the debt service reserve account will be deferred by six months with some re-profiling to suit future cash flows. If the restructure is implemented as proposed, the first principal repayment will be deferred from December 2014 to June 2015 and the current portion of borrowings will be reduced from $49.6 million to $11.8 million.

In recognition of their support for the debt restructure, the Lenders require Base to commit to injecting up to US$15 million in additional liquidity by 30 June 2015, if required by any lender. The additional liquidity may be provided by way of a subordinated debt facility, the terms of which are subject to Lender approval, an equity injection or some combination thereof, at the Company's discretion.

Prior to achievement of "Project Completion" as defined in the Common Terms Agreement ("CTA") for the Kwale Project Finance Facility, Base Resources Limited is unable to withdraw funds from Base Titanium Limited, the subsidiary owning and operating the Kwale Project and the Borrower under the CTA. Project Completion requires a number of physical, economic and regulatory tests to be met, the final date for which is to be deferred by 6 months to 30 September 2015 under the proposed terms for the debt restructure. As a result, Base Resources will be required to secure additional funding in the next 12 months in order to meet corporate office expenditure. The Directors are confident additional funding can be secured.

Should the group not secure the restructure of the Kwale Project Finance Facility as contemplated, and not secure additional funding at the corporate level, there are material uncertainties as to whether the Group will be able to continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report. The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amount and classification of liabilities that might be necessary should the Group not continue as a going concern.

Functional and presentation currency

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

Critical accounting estimates and judgements

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PREPARATION (CONTINUED)

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 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 is 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 is measured on the historical cost basis. Costs include expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in the Statement of Comprehensive Income during the financial period in which they are incurred. The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income / other expenses in the Statement of Comprehensive Income.

Mine property and development assets include costs transferred from exploration and evaluation assets once technical feasibility and commercial viability of an area of interest are demonstrable, and also includes subsequent costs to develop the mine to the production phase. Any ongoing costs associated with mining which are considered to benefit mining operations in future periods are capitalised.

Depreciation

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

CLASS OF PLANT AND EQUIPMENT	DEPRECIATION METHOD
Buildings	Straight line at 5% per annum
Plant and equipment	Straight line at 10% to 30% per annum
Mine property and development	Straight line over remaining mine life

The assets' residual values and useful lives are reviewed, and adjusted 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 (refer (d)).

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

(g) Inventories

Inventories of heavy mineral concentrate and finished product are physically measured or estimated and valued at the lower of cost and net realisable value. Cost represents weighted average cost and includes direct costs and an appropriate portion of fixed and variable overhead expenditure, including depreciation and amortisation.

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

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

(h) Mine closure and rehabilitation obligations

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

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Mine closure and rehabilitation obligations (continued)

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

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

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

(i) Finance income and expenses

Financing income includes:

- Interest income on cash and cash equivalents.

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

Financing expenses include:

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

(j) Leases

Operating Leases

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

Leased assets

Assets held by the 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.

(k) Impairment of assets

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

(l) Revenue

The Group sells mineral sands under a range on International Commercial Terms ("Incoterms"). Product sales are recognised as revenue when the Group has transferred both the significant risks and rewards of ownership and control of the products sold and the amount of revenue can be measured reliably. The passing of risk to the customer is usually realised at the point that the physical control is transferred and is no longer under the physical control of the Group. The Incoterms set out the point at which the transfer of risk to the customer takes place and are the ultimate determinant.

Contract terms for some of the Group's sales allow for a price adjustment based on average market prices in the quarter that the product is shipped. Recognition of the sales revenue for these products is based on an agreed contract price with a subsequent adjustment made to revenue following the final determination of the quarterly average market price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Revenue (continued)

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.

(m) Provisions

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

(n) Financial instruments

Non-derivative financial assets

The Group initially recognises loans 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.

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.

(o) 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.

(p) Employee benefits

Short-term benefits payable

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

Defined contribution plans

Contributions are made by the 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.

(q) 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) 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.

(s) Comparative figures

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

(t) New accounting standards adopted in the current period

During the year the Group adopted IFRS 9 *Financial Instruments*, which became mandatory for the Group's 2014 consolidated financial statements. There has been no material impact on the Group's classification and measurement of financial assets.

NOTE 2: FINANCING (COSTS) / INCOME

	2014 $000s	2013 $000s
Gain / (loss) on foreign exchange transactions	**235**	(944)
Interest income	**351**	1,961
Interest expense on Kwale Project finance facility, inclusive of withholding tax	**(3,819)**	-
Lenders political risk insurance on the Kwale Project finance facility	**(288)**	-
Financing expenses	**(830)**	-
	(4,351)	1,017

NOTE 3: AUDITORS' REMUNERATION

	2014 $000s	2013 $000s
Auditing or reviewing financial reports	**245**	215
Taxation services	**193**	151
	438	366

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 4: EARNINGS / (LOSS) PER SHARE

	2014 $000s	2013 $000s
Loss used to calculate basic / diluted loss per share	**(14,030)**	(6,662)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings / (loss) per share	**561,840,029**	532,343,145
Weighted average number of ordinary shares on issue used in the calculation of diluted earnings / (loss) per share	**578,440,029**	540,443,145

NOTE 5: INCOME TAX

	2014 $000s	2013 $000s
A. MAJOR COMPONENTS OF INCOME TAX / (BENEFIT) FOR THE YEAR		
Current income tax		
Income tax (benefit) / expense	**94**	4
Income tax expense reported in comprehensive income	**94**	4
Items related to equity		
Deferred income tax related to items charged or credited directly to equity		
Share issue costs	**-**	676
Deferred tax asset not recognised	**-**	(676)
	-	-
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 before tax	**(13,976)**	(6,658)
Prima facie tax on operating loss at 30% (2013: 30%)	**(4,193)**	(1,997)
Add / (less) tax effect of:		
Unders and overs from prior year	**70**	(311)
Subsidiary losses not recognised	**1,560**	475
Share based payments	**173**	139
Deferred tax asset (brought) / not brought to account	**2,484**	1,698
Income tax attributable to operating loss	**94**	4

NOTE 5: INCOME TAX (CONTINUED)

	NOTE	2014 $000s	2013 $000s
C. DEFERRED TAX ASSETS			
Provisions and accruals		**123**	222
Share issue costs		**381**	676
		504	898
Set-off deferred tax liabilities	5(d)	**-**	-
Deferred tax asset not recognised		**(504)**	(898)
Net deferred tax assets		**-**	-
D. DEFERRED TAX LIABILITIES			
Interest receivable		**-**	-
Exploration expenditure		**-**	-
		-	-
Set-off deferred tax assets	5(c)	**-**	-
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 2014 and 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.

	2014 $000s	2013 $000s
E. TAX LOSSES		
Unused tax losses for which no deferred tax asset has been recognised	**22,032**	11,583

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 6: CASH AND CASH EQUIVALENTS

	2014 $000s	2013 $000s
Cash at bank and in hand	20,945	88,123
Short-term bank deposits	-	10,000
	20,945	98,123

NOTE 7: TRADE AND OTHER RECEIVABLES

	2014 $000s	2013 $000s
Current		
Trade receivables	6,672	-
Other receivables	80	935
Income tax receivable	-	5,196
Value added tax claimable	26,513	-
	33,265	6,131
Non-current		
Value added tax claimable	-	16,229
	33,265	22,360

The Group has classified an amount related to Kenyan value-added tax ("VAT") claimable on Kwale Project development as current following the commencement of sales during the year.

NOTE 8: INVENTORIES

	2014 $000s	2013 $000s
Current		
Heavy mineral concentrate and other intermediate stockpiles – at cost	2,088	-
Finished goods stockpiles – at cost	13,027	-
Stores and consumables – at cost	4,934	60
Total current inventories	20,049	60
Non-current		
Stores and consumables – at cost	1,106	-
	21,155	60

NOTE 9: CAPITALISED EXPLORATION AND EVALUATION EXPENSES

	2014 $000s	2013 $000s
Exploration and evaluation (Kenya)	**1,120**	1,981
Movement in carrying value		
Opening Balance	**1,981**	654
Evaluation and exploration expenditure during the period	**199**	1,288
Adjustment for the effect of foreign exchange movements	**(20)**	39
Exploration written off during the year	**(1,040)**	-
	1,120	1,981

Capitalised exploration and evaluation cost relates to enhancing the Company's Kwale North Dune resource estimate. The North Dune is not currently included in the Kwale Project.

Following the completion of an economic and technical evaluation of the Kilifi, Mambrui and Vipingo exploration projects, the Company decided not to exercise its option to acquire these licenses. As a result all carried forward capitalised expenditure for these projects has been written off during the current year.

NOTE 10: CAPITALISED MINE DEVELOPMENT

	2014 $000s	2013 $000s
Mine Development - Kwale Project	**-**	281,390
Movement in carrying value		
Opening balance	**281,390**	62,132
Expenditure during the period	**101,300**	220,649
Adjustment for the effect of foreign exchange movements	**(2,960)**	4,255
Income tax benefit	**-**	(5,197)
Transfers to property, plant and equipment	**(379,730)**	(183)
Transfers to prepayments	**-**	(266)
	-	281,390

Mine development expenditure relates to the development of the Kwale Mineral Sands Project in Kenya. During the year all mine development expenditure has been transferred to property, plant and equipment following the commencement of commercial production.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	2014 $000s	2013 $000s
Plant and equipment		
At cost	**225,292**	11,833
Accumulated depreciation	**(9,917)**	(1,367)
	215,375	10,466
Mine property and development		
At cost	**165,911**	-
Accumulated depreciation	**(3,484)**	-
	162,427	-
Buildings		
At cost	**6,355**	1,806
Accumulated depreciation	**(499)**	(30)
	5,856	1,776
Capital work in progress		
At cost	**2,495**	17
Total Property, Plant and Equipment	**386,153**	12,259

	PLANT & EQUIPMENT	MINE PROPERTY AND DEVELOPMENT	BUILDINGS	CAPITAL WORK IN PROGRESS	TOTAL
	$000S	$000S	$000S	$000S	$000S
Balance at 1 July 2012	1,298	-	-	402	1,700
Additions	9,896	-	1,435	17	11,348
Disposals	(3)	-	-	-	(3)
Transfers (to)/from mine development	52	-	371	(239)	184
Transfers	197	-	-	(197)	-
Depreciation capitalised to mine development	(999)	-	(30)	-	(1,029)
Depreciation expense	(96)	-	-	-	(96)
Effects of movement in foreign exchange	121	-	-	34	155
Balance at 30 June 2013	10,466	-	1,776	17	12,259
Balance at 1 July 2013	10,466	-	1,776	17	12,259
Additions	2,443	-	-	4,386	6,829
Transfers from mine development	209,265	165,911	4,554	-	379,730
Transfers	1,891	-	17	(1,908)	-
Depreciation capitalised to mine development	(2,975)	-	(350)	-	(3,325)
Depreciation expense	(5,590)	(3,484)	(120)	-	(9,194)
Effects of movement in foreign exchange	(125)	-	(21)	-	(146)
Balance at 30 June 2014	215,375	162,427	5,856	2,495	386,153

NOTE 12: RESTRICTED CASH

	2014 $000s	2013 $000s
Restricted cash	**5,406**	5,478

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 13: TRADE AND OTHER PAYABLES

	2014 $000s	2013 $000s
Current		
Trade and other creditors	**5,925**	4,359
Accruals	**5,397**	13,037
	11,322	17,396
Non-current		
Trade payables	**-**	1,089
	11,322	18,485

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

NOTE 14: BORROWINGS

	2014 $000s	2013 $000s
Current		
Debt facility (a)	**49,589**	-
Finance lease liabilities (b)	**298**	-
Total current borrowings	**49,887**	-
Non-current		
Debt facility (a)	**182,869**	186,133
Capitalised borrowing costs (a)	**(10,548)**	(9,165)
Amortisation of capitalised borrowing costs (a)	**4,179**	1,883
Finance lease liabilities (b)	**1,167**	-
Total non-current borrowings	**177,667**	178,851
Total borrowings	**227,554**	178,851

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 14: BORROWINGS (CONTINUED)

A. DEBT FACILITY

In November 2012, the Group entered into project debt finance facility agreements for US$170 million for the completion of development and construction of the Kwale Mineral Sands Project. The facility was originally comprised of three tranches: US$80 million senior commercial tranche, US$70 million development finance institution tranche and a US$20 million cost overrun facility. In response to an increase in the capital cost of the Project, a US$20 million extension of the cost overrun facility was arranged in May 2013. In December 2013, the Group executed documentation to extend its existing Project finance facility agreements by a further US$25 million to be used as a working capital buffer during the ramp up phase of the Project.

The US$20 million extension of the cost overrun facility was drawn down in October 2013 and the US$25 million extension of the Project finance facility was drawn down in January 2014.

The different tranches of the Project debt facility carry interest rates of LIBOR plus a margin range of between 450 – 775 basis points during the construction period, then 400 – 775 basis points subsequent to the completion of construction pursuant to the relevant facility agreements. The debt facilities have a remaining tenor of between 4-6 years, with scheduled repayments that commence in December 2014.

The security for the above debt facilities is a fixed and floating charge over all the assets of Base Titanium Limited (BTL) and the shares in BTL held by Base Titanium (Mauritius) Limited (BTML) and the shares held in BTML by Base Resources Limited (BRL). In addition, a shareholder support agreement is in place that requires BRL to do all things necessary to cause the project to achieve Project completion by no later than 31 March 2015.

The weighted average effective interest rate on the facilities at 30 June 2014 is 5.68% (30 June 2013: 5.64%).

In accordance with International Financial Reporting 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.

B. FINANCE LEASE LIABILITY

During 2013 the Company entered into an agreement for the provision of laboratory assay services from September 2013. A portion of the contract relates to the provision of laboratory equipment, which has been deemed a finance lease. The above represents the present value of the future minimum lease payments.

NOTE 15: PROVISIONS

	2014 $000s	2013 $000s
Current		
Employee benefits	**1,143**	708
Income tax liability	**37**	4
	1,180	712
Non-current		
Mine closure and rehabilitation	**21,663**	2,145
Employee benefits	**33**	18
	21,696	2,163

Movement in mine closure and rehabilitation:

	2014 $000s	2013 $000s
Balance at 1 July	**2,145**	715
Effects of movement in foreign exchange	**(27)**	81
Recognition of new obligation	**19,451**	1,333
Unwinding of discount	**94**	16
Balance at 30 June	**21,663**	2,145

NOTE 15: PROVISIONS (CONTINUED)

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 2.81% as at 30 June 2014 (2013: 2.87%) and an inflation factor of 2.49% (2013: 2.45%). Although the ultimate amount to be incurred is uncertain, management has at 30 June 2014 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$ 20,561,153 (2013: US$ 2,019,691). Management's estimate of asset retirement costs has been independently reviewed by an external consultant for completeness.

NOTE 16: DEFERRED REVENUE

	2014 $000s	2013 $000s
Fee paid on execution of product sales agreement	**5,406**	5,474
Amortisation of deferred revenue	**(225)**	-
	5,181	5,474

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 has commenced amortisation over the six year contract term following the first sale to the buyer.

NOTE 17: OTHER LIABILITY

	2014 $000s	2013 $000s
Spare parts purchase agreement	**1,106**	-

Base Titanium Limited entered into an agreement with Mantrac Kenya Limited ("Mantrac") for the supply of mining equipment whereby Mantrac agree to maintain a stock of critical spare parts for the equipment for a period of 24 months after equipment commissioning at no charge. At the end of the 24 months, Base Titanium Limited has agreed to purchase the critical spare parts. During the year ended 30 June 2014 the mining equipment was commissioned and a liability of US$1,022,965 was established, being the agreed purchase price of the critical spare parts held in stock.

NOTE 18: ISSUED CAPITAL

	2014 $000s	2013 $000s
Ordinary share capital:		
Issued and fully paid	**213,669**	213,669

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 18: ISSUED CAPITAL (CONTINUED)

DATE	NUMBER	$000s
1 July 2012	**460,440,029**	175,719
Issue of shares	**100,000,000**	40,000
Share issue costs	**-**	(2,274)
Share options exercised	**1,400,000**	224
30 June 2013	**561,840,029**	213,669
1 July 2013	**561,840,029**	213,669
30 June 2014	**561,840,029**	213,669

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

	2014 $000s	2013 $000s
A. EXPLORATION EXPENDITURE COMMITMENTS		
The Group has rental and expenditure commitments in respect of its exploration licenses of:		
Payable not later than 12 months	**6**	182

Following the completion of an economic and technical evaluation of the Kilifi, Mambrui and Vipingo exploration projects, the Company has decided not to exercise its option to acquire these licenses.

B. OPERATING LEASE COMMITMENTS

	2014 $000s	2013 $000s
Payable not later than 12 months	**311**	292
Payable between 12 months and 5 years	**629**	899
	940	1,191

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)

	2014 $000s	2013 $000s
C. FINANCE LEASE COMMITMENTS		
Payable not later than 12 months	**431**	400
Payable between 12 months and 5 years	**1,366**	1,748
More than 5 years	**-**	36
	1,797	2,184

The Company entered into an agreement for the provision of laboratory assay services from 1 September 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.

D. KWALE PROJECT MINE DEVELOPMENT COMMITMENTS

The outstanding capital commitments of the Group relating to the construction of the Kwale Project are as follows:

	2014 $000s	2013 $000s
Payable not later than 12 months	**-**	62,104
Payable between 12 months and 5 years	**-**	-
	-	62,104

E. KWALE PROJECT OPERATING EXPENDITURE COMMITMENTS

The outstanding operating expenditure commitments of the Group relating to the Kwale Mine are as follows:

	2014 $000s	2013 $000s
Payable not later than 12 months	**3,995**	-
	3,995	-

NOTE 20: CONTINGENT LIABILITIES

The Company is defending an action brought by an engineering contractor following the completion of construction of the Kwale Mineral Sands Project. The directors have not disclosed an estimation of the amount or timing of possible cash outflows related to the action as they do not want to prejudice the position of the Company in this dispute. Based on legal advice, the directors do not expect the outcome of the action to have a material effect on the Group's financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 21: RECONCILIATION OF (LOSS) / PROFIT AFTER INCOME TAX TO CASH FLOW FROM OPERATIONS

	2014 $000s	2013 $000s
(Loss) / profit for the year	**(14,070)**	(6,662)
Depreciation and amortisation	**9,031**	96
Share based payments	**699**	462
Exploration valuation write down	**1,040**	-
Stockpile adjustment	**(755)**	-
Financing costs classified as financing activity	**4,351**	(1,017)
Profit on disposal of property, plant and equipment	**-**	(1)
Amortisation of deferred revenue	**(225)**	-
Movement in provision for income tax expense	**33**	4
Changes in assets and liabilities:		
Increase in receivables and other assets	**(6,672)**	(22)
Increase in trade and other payables	**2,901**	622
Increase in employee provisions	**34**	14
Cash flow from operations	**(3,633)**	(6,504)

NOTE 22: SEGMENT REPORTING

IDENTIFICATION OF REPORTABLE SEGMENTS

The Group operates the Kwale mineral sands mine in Kenya, approximately 50 kilometres south from the deep water port of Mombasa. October 2013 saw the commencement of mining, followed by first product shipments in February 2014.

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.

REPORTABLE SEGMENT	**2014**			2013		
	KWALE MINE	**OTHER OPERATIONS**	**TOTAL**	KWALE MINE	OTHER OPERATIONS	TOTAL
	$000S	**$000S**	**$000S**	$000S	$000S	$000S
Sales revenue	29,115	-	29,115	-	-	-
Reportable(loss) / profit	(5,261)	(8,809)	(14,070)	(1,545)	(5,117)	(6,662)
Capital Expenditure	116,810	199	117,009	229,621	1,523	231,144
	AS AT 30 JUNE 2014			AS AT 30 JUNE 2013		
Total assets	464,723	6,328	471,051	406,998	16,812	423,810
Total liabilities	266,187	1,852	268,039	203,365	2,320	205,685

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 2014.

KMP COMPENSATION:

	2014 $000s	2013 $000s
Short-term employment benefits	**3,883**	3,857
Post-employment benefits	**100**	75
Share-based payments	**796**	587
	4,779	4,519

KMP PERFORMANCE RIGHTS AND MOVEMENTS

	BALANCE 1 JULY	GRANTED	EXERCISED	VESTED	BALANCE 30 JUNE
2014					
T Carstens	2,193,304	1,413,914	-	-	3,607,218
C Bwye	2,193,304	1,413,914	-	-	3,607,218
K Balloch	531,474	538,958	-	-	1,070,432
D Vickers	758,151	591,172	-	-	1,349,323
J Schwarz	808,688	569,026	-	-	1,377,714
C Forbes	601,714	660,763	-	-	1,262,477
S Hay	323,456	631,212	-	-	954,668
	7,410,091	5,818,959	-	-	13,229,050
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

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

FOR THE YEAR ENDED 30 JUNE 2014

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
2014						
A King	800,000	-	-	800,000	400,000	800,000
T Carstens	5,000,000	-	-	5,000,000	2,500,000	5,000,000
C Bwye	8,600,000	-	-	8,600,000	5,000,000	8,600,000
S Willis	600,000	-	-	600,000	300,000	600,000
M Anderson	-	-	-	-	-	-
T Schultz	-	-	-	-	-	-
M Macpherson	-	-	-	-	-	-
K Balloch	-	-	-	-	-	-
D Vickers	-	-	-	-	-	-
J Schwarz	-	-	-	-	-	-
C Forbes	-	-	-	-	-	-
S Hay	-	-	-	-	-	-
	15,000,000	-	-	15,000,000	8,200,000	15,000,000
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 (i)	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

(i) Mr Willesee resigned as a Director on 26 November 2013.

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
2014					
A King	820,000	-	-	-	820,000
T Carstens	641,006	-	-	-	641,006
C Bwye	1,251,223	-	-	-	1,251,223
S Willis	200,000	-	-	-	200,000
M Anderson	-	-	-	-	-
T Schultz	-	-	-	-	-
M Macpherson	-	-	-	-	-
K Balloch	-	-	-	-	-
D Vickers	295,000	-	-	(295,000)	-
J Schwarz	-	-	-	-	-
C Forbes	-	-	-	-	-
S Hay	-	-	-	-	-
	3,207,229	-	-	(295,000)	2,912,229
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 (i)	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

(i) Mr Willesee resigned as a director on 26 November 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 23: RELATED PARTIES (CONTINUED)

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.

OTHER RELATED PARTY TRANSACTIONS

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

	2014 $000s	2013 $000s
Base Titanium Limited	**(78)**	6,357
Base Titanium (Mauritius) Limited	**140**	104
	62	6,461
Investments in subsidiaries are as follows:		
Base Titanium Limited	**132,456**	122,755
Base Titanium (Mauritius) Limited	**3,448**	3,448
	135,904	126,203

The loan from Base Resources Limited to Base Titanium Limited attracts interest at 6% per annum. The interest outstanding at 30 June 2014 is $725,551 (2013: $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% vested on 19 March 2014, being the date the Board agreed that the first production of all products from the Kwale Project had been achieved.

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)

A. SHARE OPTIONS (CONTINUED)

Summary of shares under option are as follows:

	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
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
Options outstanding as at 1 July 2013	16,600,000	$0.18
Granted	-	-
Exercised	-	-
Options outstanding as at 30 June 2014	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.

	NUMBER	EXERCISE PRICE
Options exercisable as at 30 June 2013	5,250,000	$0.25
Options exercisable as at 30 June 2013	2,850,000	$0.09
Options exercisable as at 30 June 2014	9,500,000	$0.25
Options exercisable as at 30 June 2014	7,100,000	$0.09

B. PERFORMANCE RIGHTS

Granted performance rights are as follows:

PERFORMANCE CYCLE DATE	KMP	OTHER EMPLOYEES	TOTAL
1 October 2011	3,541,233	584,251	4,125,484
1 October 2012	3,868,858	1,001,473	4,870,331
1 October 2013	5,818,959	1,699,906	7,518,865

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%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 24: SHARE-BASED PAYMENTS (CONTINUED)

B. PERFORMANCE RIGHTS (CONTINUED)

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 2014 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 3.1%; no dividend yield; volatility factor of the expected market price of the Company's shares of 55%; 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 1 October 2013.

NOTE 25: PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ended 30 June 2014, the parent entity of the consolidated group was Base Resources Limited.

FINANCIAL PERFORMANCE OF THE PARENT ENTITY

	2014 $000s	2013 $000s
Loss for the year	**(9,181)**	(5,190)
Total comprehensive loss for the year	**(9,181)**	(5,190)

FINANCIAL POSITION OF THE PARENT ENTITY

	2014 $000s	2013 $000s
Current assets	**5,863**	21,100
Non-current assets	**191,515**	184,885
Total assets	**197,378**	205,985
Current liabilities	**1,726**	2,020
Non-current liabilities	**34**	155
Total liabilities	**1,760**	2,175
Net assets	**195,618**	203,810
Issued capital	**213,669**	213,669
Share-based payment reserve	**2,752**	1,764
Retained losses	**(20,803)**	(11,623)
Total equity	**195,618**	203,810

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

NOTE 25: PARENT ENTITY DISCLOSURES (CONTINUED)

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 14 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 commodity price risk, interest rate risk and currency exchange risk;
- Credit risk; and
- Liquidity risk.

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

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

	NOTE	**2014 $000s**	2013 $000s
Financial assets			
Cash and cash equivalents	6	**20,945**	98,123
Trade and other receivables	7	**33,265**	22,360
		54,210	120,483
Financial liabilities			
Trade and other payables	13	**11,322**	18,485
Debt facility	14	**232,458**	186,133
		243,780	204,618

FINANCIAL RISK MANAGEMENT POLICIES

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

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

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

COMMODITY PRICE RISK

The Group is exposed to commodity price volatility on rutile sales made under contract terms which allow for a price adjustment based on average market prices in the quarter that the product is shipped. Sales revenues under these contract terms for the financial year ended 30 June 2014 total $14.0 million. If commodity prices increased / decreased by 10%, with all other variables held constant, the Group's after tax loss would have decreased / increased by $1.4 million.

There were no outstanding trade receivables subject to commodity price risk at 30 June 2014. During 2014 $14.0 million of sales revenues were made under contract terms which allow for a price adjustment based on average market prices in the quarter that the product is shipped. The market pricing advice for these sales is expected to be provided by TZMI in November and an adjustment to sales revenue will be recorded in the 2015 year in accordance with the accounting policy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 26: FINANCIAL RISK MANAGEMENT (CONTINUED)

INTEREST RATE RISK

In November 2012, the Group entered into project debt finance facility agreements for US$170 million for the completion of development and construction of the Kwale Mineral Sands Project. The facility was originally comprised of three tranches: US$80 million senior commercial tranche; US$70 million development finance institution tranche and a US$20 million cost overrun facility. In response to an increase in the capital cost of the Project, a US$20 million extension of the cost overrun facility was arranged in May 2013. In December 2013, the Group executed documentation to extend its existing Project finance facility agreements by a further US$25 million to be used as a working capital buffer during the ramp up phase of the Project.

The US$20 million extension of the cost overrun facility was drawn down in October 2013 and the US$25 million extension of the Project finance facility was drawn down in January 2014.

The different tranches of the Project debt facility carry interest rates of LIBOR plus a margin range of between 450 – 775 basis points during the construction period, then 400 – 775 basis points subsequent to the completion of construction pursuant to the relevant facility agreements. The debt facilities have a current tenor of between 4-6 years, with scheduled repayments that commence in December 2014. The Group is currently seeking to restructure the Project debt facility; if successful the interest margin, loan tenor and first repayment is likely to change. Refer to note 27 for further details.

The security for the above debt facilities is a fixed and floating charge over the assets of BTL and the shares in BTL held by BTML and the shares held in BTML 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 March 2015.

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 to take advantage of interest rate changes.

	CARRYING AMOUNT		REALISABLE / PAYABLE WITHIN SIX MONTHS	
	2014 $000s	2013 $000s	**2014 $000s**	2013 $000s
Fixed rate instruments				
Financial assets	-	10,000	-	10,000
Financial liabilities	-	-	-	-
	-	10,000	-	10,000
Variable rate instruments				
Financial assets	20,945	88,123	20,945	88,123
Financial liabilities	(232,458)	(186,133)	(19,856)	-
	(211,513)	(98,010)	1,089	88,123

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.

	2014 $000s	**2014 $000s**	2013 $000s	2013 $000s
VARIABLE RATE INSTRUMENTS	100BP INCREASE	100BP DECREASE	100BP INCREASE	100BP DECREASE
Profit or loss	(2,115)	2,115	(980)	980
Equity	2,115	(2,115)	980	(980)

NOTE 26: FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2014

IN $000s:	AUD	USD	KES	OTHER	TOTAL A$
Cash and cash equivalents	3	69	953	-	1,025
Trade and other receivables	-	-	26,513	-	26,513
Other current assets	155	-	192	198	545
Trade and other payables	(77)	(158)	(4,035)	(455)	(4,725)
Net exposure	81	(89)	23,623	(257)	23,358

30 June 2013

IN $000s:	AUD	USD	KES	OTHER	TOTAL A$
Cash and cash equivalents	4,889	54	3,399	2	8,344
Trade and other receivables	-	-	16,229	-	16,229
Other current assets	86	-	27	23	136
Trade and other payables	(2,389)	-	(3,405)	(2,914)	(8,708)
Net exposure	2,586	54	16,250	(2,889)	16,001

The following significant exchange rates applied during the year:

	AVERAGE RATE		30 JUNE SPOT RATE	
	2014	2013	**2014**	2013
AUD:USD	0.9178	1.0269	0.9249	0.9133
AUD:KES	78.3308	86.1744	81.3008	77.0285

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 $2,335,822 higher / lower (2013: $1,600,050 higher / lower).

CREDIT RISK

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

The Group is exposed to counterparty credit risk through sales of mineral sands products under normal terms of trade. The total sales revenue for the year ended 30 June 2014 was $29.1 million. Major customers who individually accounted for more than 10% of sales revenue contributed approximately 72% of sales revenue. These customers also represent 63% of the trade receivables balance at 30 June 2014.

Credit risk arising from sales to customers is managed by the Group's policy to only trade with companies with a credit rating of A+, or where such a rating is not available, sales are backed by Letters of Credit held with internationally recognised banks, or by restricted cash placed on deposit with Nedbank representing a customer performance guarantee (Note 12).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 26: FINANCIAL RISK MANAGEMENT (CONTINUED)

CREDIT RISK (CONTINUED)

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:

	2014 $000s	2013 $000s
Financial assets – cash flow realisable		
Cash and cash equivalents	**20,945**	98,123
Trade and other receivables	**33,265**	22,360
Total anticipated inflows	**54,210**	120,483

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:

	2014 $000s	2013 $000s
Australia	**5,121**	20,788
Kenya	**49,086**	99,689
Mauritius	**3**	6
Total	**54,210**	120,483

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. The Group is currently seeking to restructure the Project debt facility; if successful the schedule of cash outflows shown in the table below is likely to change. Refer to note 27 for further details.

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
	$000S	$000S	$000S	$000S	$000S	$000S	$000S
30 June 2014							
Trade and other payables	11,322	11,322	11,322	-	-	-	-
Debt facility	232,458	266,450	2,371	60,396	69,414	130,772	3,497
	243,780	277,772	13,693	60,396	69,414	130,772	3,497
30 June 2013							
Trade and other payables	18,485	18,485	16,519	877	1,089	-	-
Debt facility	186,133	221,802	1,791	8,757	50,049	142,400	18,805
	204,618	240,287	18,310	9,634	51,138	142,400	18,805

NOTE 26: FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

	2014 $000s	2013 $000s
Cash and cash equivalents	**20,945**	98,123
Trade and other receivables	**33,265**	6,131
Inventories	**20,049**	60
Other current assets	**3,007**	2,159
Trade and other payables	**(11,322)**	(17,396)
Borrowings	**(49,887)**	-
Provisions	**(1,140)**	(712)
Working capital position	**14,917**	88,365

NOTE 27: EVENTS AFTER THE REPORTING DATE

The Group is currently seeking to restructure the Kwale Project Finance Facility to reflect the delay in first sales from the schedule originally contemplated when the facility was arranged in 2011. Proposed terms for the debt restructure have been commercially agreed with all Lenders and are progressing through Lender credit approval processes. Under the terms of the restructure, all principal repayments will be deferred by six months with some re-profiling to suit future cash flows. If the restructure is implemented as proposed, the first principal repayment will be deferred from December 2014 to June 2015 and the current portion of borrowings will be reduced from $50 million to $12 million.

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 47 to 79 and the Remuneration Report in pages 25 to 40 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 2014 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 2014.

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 16th day of September 2014

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 2014, 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*.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BASE RESOURCES LIMITED

KPMG

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 2014 and of its performance for the year ended on that date; and

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

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

Material uncertainty regarding continuation as a going concern

Without modification to our opinion expressed above, we draw attention to the following matter. As a result of the facts set out in the Financial position note in Note 1, there is a material uncertainty which may cast doubt regarding the ability of the Group to continue as a going concern and therefore whether it will be able to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. 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 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Graham Hogg
Partner

Perth

16 September 2014

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 5 September 2011 a substantial shareholder notice was received by the Company notifying the Company that Pacific Road Capital II Pty Limited was a substantial shareholder holding a relevant interest in shares representing 19.9% of the voting power.

b) On 4 June 2012 a substantial shareholder notice was received by the Company notifying the Company that Taurus SM Holdings Pty Limited was a substantial shareholder holding a relevant interest in shares representing 12.35% of the voting power.

c) On 14 October 2013 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 7.76% of the voting power.

d) On 23 September 2011 a substantial shareholder notice was received by the Company notifying the Company that Acorn Capital Limited was a substantial shareholder holding a relevant interest in shares representing 8.66% of the voting power.

e) On 16 January 2013 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 5.46% of the voting power.

f) On 9 July 2014 a substantial shareholder notice was received by the Company notifying the Company that Genesis Asset managers LLC was a substantial shareholder holding a relevant interest in shares representing 5.01% 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 11 September 2014, there were 147 holders of unmarketable parcels comprising a total of 66,074 ordinary shares.

OTHER INFORMATION

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

ADDITIONAL SHAREHOLDER INFORMATION

The top 20 largest registered holders of shares as at 11 September 2014 were:

	NAME	NUMBER OF SHARES	%
1.	HSBC Custody Nominees <Australia>	160,686,324	28.60
2.	J P Morgan Nominees Australia Limited	122,318,747	21.77
3.	Pacific Road Capital Management GP II Limited	98,184,512	17.48
4.	National Nominees Limited	53,356,618	9.50
5.	Citicorp Nominees Pty Limited	18,453,455	3.28
6.	UBS Nominees Pty Ltd	15,946,243	2.84
7.	Pacific Road Capital II Pty Ltd <Pacific Rd Res Fund II A/C>	12,433,348	2.21
8.	HSBC Custody Nominees <Australia>	4,868,549	0.87
9.	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	3,869,520	0.69
10.	Raptor Securities Pty Ltd	3,180,000	0.57
11.	Alchemy Securities Pty Ltd	3,150,000	0.56
12.	HSBC Custody Nominees <Australia>	2,987,339	0.53
13	RBC Investor Services Australia Nominees Pty Limited <Piselect>	2,479,120	0.44
14.	Pacific Road Capital Mgmnt Gp II Ltd	2,433,861	0.43
15.	Zero Nominees Pty Ltd	1,828,333	0.33
16.	Ms Rita Marian Brooks + Mr William Tobias Brooks <The Brooks Super Fund A/C>	1,761,000	0.31
17.	Pacific Road Capital II Pty Limited	1,648,165	0.29
18.	Shomron Pty Ltd <Lamm Fm Family A/C>	1,312,320	0.23
19.	Escor Investments Pty Ltd	1,300,872	0.23
20.	Raptor Securities Pty Ltd <Stephen Allen S/F A/C>	1,300,000	0.23
		513,498,326	**91.40**

SHARES RANGE	HOLDERS	UNITS	%
1 – 1000	114	20,253	0.00
1001 – 5000	172	515,933	0.09
5001 – 10000	148	1,259,052	0.23
10001 – 100000	472	17,347,722	3.09
100001 and over	118	542,697,069	96.59
	1,024	**561,840,029**	**100.00**

Options

At 11 September 2014 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 1: 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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