ASX, AIM and Media Release

22 September 2015

Annual Financial Results for FY2015

Highlights

- First full year of production delivers strong operating results:
    - Revenue of $145.5 million ($29.1 million in FY2014)
    - Average revenue per tonne of ilmenite, rutile and zircon sold of $309 (US$256)
    - Operating costs per tonne of ilmenite, rutile and zircon produced of $124 (US$103 per tonne)
    - Average cost per tonne of ilmenite, rutile and zircon sold of $155 (US$130 per tonne).
    - Kwale Operations EBITDA[1] of $62.6 million ($7.1 million in FY2014) and Group EBITDA of $54.8 million ($0.5 million loss in FY2014).
- Net loss of $16.0 million or 2.85 cents per share (loss of $14.1 million or 2.50 cents per share in FY2014).
- Cash flow from operations of $38.2 million (outflows of $3.6 million in FY2014).
- Closing unrestricted cash of $40.9 million and restricted cash of $6.5 million at 30 June 2015 ($20.9 million unrestricted cash and $5.4 million restricted cash at 30 June 2014).
- Base continues to progress the refinancing of the Kwale Project Debt Facility with the objective of securing a repayment profile more appropriate to the prevailing product price environment, and to ensure a robust financial footing from which to grow the business. Confirmations of credit approval have been received from the majority of lenders, with remaining lender's credit approval processes still in progress. Completion of the refinancing is subject to the agreement of final terms and execution of documentation.
- Under the terms of the existing Kwale Project Debt Facility, "Project Completion" was required to be achieved by 30 September 2015. This has now been extended by the Lenders to the earlier of completion of the refinancing or 31 December 2015.
- All operational requirements for achieving Project Completion were successfully passed in June 2015, including physical and economic tests conducted over a continuous 90 day test period.

ENDS

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

DIRECTORS

Keith Spence	Non-Executive Chairman
Tim Carstens	Managing Director
Colin Bwye	Executive Director
Sam Willis	Non-Executive Director
Michael Anderson	Non-Executive Director
Michael Stirzaker	Non-Executive Director
Malcolm Macpherson	Non-Executive Director

COMPANY SECRETARY

Chadwick Poletti

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BASE RESOURCES

ABN 88 125 546 910

Base Resources Limited
Annual Financial Report
For the Year ended
30 June 2015

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CORPORATE DIRECTORY

DIRECTORS

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

COMPANY SECRETARY

Mr Chadwick Poletti

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DIRECTORS REPORT

Your directors present their report, together with the financial statements of the Group, being the Company, Base Resources Limited, and its controlled entities for the financial year ended 30 June 2015.

Directors

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

Mr Andrew King – retired 19 May 2015
Mr Keith Spence – appointed 20 February 2015
Mr Tim Carstens
Mr Colin Bwye
Mr Samuel Willis
Mr Michael Anderson
Mr Malcolm Macpherson
Mr Trevor Schultz – retired 19 November 2014
Mr Mike Stirzaker – appointed 19 November 2014

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

Company Secretary

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

Mr Chadwick Poletti

Principal activities and significant changes in nature of activities

The principal activity of the Group during the financial year was the operation of the 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 $16,038,746 (2014: $14,069,196).

Dividends paid or recommended

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

Review of operations

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.

Kwale Operations is based on a mine life of 11 years, and features a high grade ore body with a high value mineral assemblage, comprised of the Central Dune and South Dune deposits. In October 2013, mining commenced at the higher-grade Central Dune deposit. 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.

In the year under review, mining rates have been sustained at the targeted design rates for this phase of the operation. Mining activity continued in the high grade regions of the Central Dune, closest to the processing plant, with ore grades averaging 8.6% heavy mineral (HM) for the year. Mining activities will remain focussed on the Central Dune deposit for the first seven years of the operation, before transitioning to the South Dune for the remainder of the mine life.

DIRECTORS REPORT

Kwale is designed to mine and 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 heavy mineral concentrate (HMC), containing 90% 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.

After consistently achieving design availability and throughput rates in the WCP, the focus shifted to debottlenecking the WCP. The resultant enhancements have enabled higher throughput to be sustained, producing a marked increase in HMC production in the second half of the year, with 412,447 tonnes of the annual HMC production of 751,285 tonnes achieved in this period. HMC production capability now exceeds design, allowing for the building of a HMC inventory to mitigate risk and optimise production.

Summary Physical Data	2015	2014
Ore mined (tonnes)	9,146,102	4,532,154
HM%	8.61%	7.01%
Heavy mineral concentrate produced (tonnes)	752,063	296,750
Heavy mineral concentrate consumed (tonnes)	658,816	273,378
Production (tonnes)		
Ilmenite	427,655	165,352
Rutile	71,537	24,216
Zircon	22,416	4,486
Sales (tonnes)		
Ilmenite	373,046	138,829
Rutile	76,801	14,005
Zircon	21,287	2,704

During the year, 658,816 tonnes of HMC was fed into the MSP to produce 427,655 tonnes of ilmenite, 71,537 tonnes of rutile and 22,416 tonnes of zircon. With the consistent achievement of design availabilities in the MSP, the focus has been firmly on driving product recovery and throughput increases in the past year. During the June quarter, an average MSP feed rate of 82tph was achieved, exceeding design levels of 80tph, and is expected to improve into the 2016 financial year, from further modifications underway.

Rutile production was ahead of planned ramp-up and approaching the design target of 80,000 tonnes per annum by year end. Rutile production for the June quarter was 19,499 tonnes, achieving average MSP recoveries of 96%, just short of the design target of 97%. Of this rutile production, 429 tonnes was attributable to the implementation of a programme to retreat an accumulated rutile oversize reject stockpile, which will continue into the early part of the next financial year. Further modest improvements in rutile recovery are anticipated from planned modifications to be progressively completed over the remainder of 2015 calendar year.

Ilmenite production continues at well above design capacity. With some altered ilmenite species that are not defined as “ilmenite” in the Resource being recovered to ilmenite production, ilmenite recoveries (or yields) of over 100% are now consistently being achieved.

Zircon production improved steadily throughout the year, in line with the planned ramp-up to design capacity, achieving average MSP recoveries of 62% in the last quarter. Upgrades to the wet zircon pumping systems, planned for later in 2015, are intended to increase MSP zircon recoveries by providing greater flow control and flexibility. Further improvements to primary magnet separation capacity and efficiencies are planned during the course of 2015, which, along with on-going optimisation work, is expected to further improve zircon recovery towards design levels of 78%.

Bulk loading at Base's Likoni port facility continued to perform well, dispatching more than 430,000 tonnes during the year. Containerised shipments of rutile and zircon proceeded according to plan from the nearby Mombasa container port.

Marketing & sales

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

The agreements provide off-take security for Kwale, and contain firm minimum annual offtake volumes subject to annual production forecasts by Base. Pricing is derived from prevailing market values, based on agreed price indices or periodic price negotiations.

In the past year, Base exported more than 471,000 tonnes of product from Kwale, delivering into all of its offtake agreements as well as making a number of spot sales.

The Company appointed Wogen Pacific Ltd as its exclusive distributor for ilmenite in China at the start of 2015. This has provided Base with options to store ilmenite in China for internal distribution and has further assisted service levels, communication and relationships with Chinese customers. Importantly the local warehousing facility in China allows immediate delivery, and in smaller volumes than would otherwise be justified for shipping from Kenya. By adopting this strategy, Base is tapping into smaller scale customers not able to commit to large shipment volumes and also able to offer prospective large new customers sample size volumes for testing. This has already paid dividends with two new offtake contracts of one and three year duration being secured with major Chinese customers in 2015.

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 wire. Pigment makes up over 90% of titanium minerals demand and is the main driver of pricing in the titanium mineral's industry. Titanium dioxide is the most widely used white pigment because of its non-toxicity, brightness and very high refractive index. It is an essential component of consumer products such as paint, plastics and paper.

Global consumption of pigment has maintained a long term average growth rate closely correlated to global GDP or approximately 3% per annum. However, volatility in the global economy in recent years has created significant fluctuations in this growth rate, manifesting in big swings in inventory levels throughout the entire pigment supply chain.

Large pigment stocks built through 2011 created a sharp correction in demand for pigment in 2012, with demand decreasing by around 15%. While demand for pigment has grown firmly since 2012 at around 6% per annum, the inventory overhang has taken considerable time to work down and this, together with increasing pigment plant utilisation and production since 2013, has restricted opportunities for pigment price improvement.

Pigment demand in 2015 and 2016 is currently expected to grow at a more modest rate of approximately 3%. Pricing outlook will depend on how producers manage their plant utilisation and inventory levels to suit the market conditions, and to what extent Chinese pigment producers maintain their trend of competing for market share outside of China.

Prices for ilmenite and rutile are expected to be largely dependent on developments within the pigment market. Ilmenite prices stabilised in the latter half of 2014 with reports of price increase being achieved by Chinese domestic ilmenite producers. However, increased pigment competition through late 2014 and into 2015 saw renewed pressure on ilmenite prices and is likely to see ilmenite prices remain at low levels through until at least the peak demand season in mid-2016.

Rutile prices have seen gradual erosion through the 2015 financial year and this pricing pressure is expected to also remain through until at least mid-2016.

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

Demand growth for zircon is closely linked to growth in global construction and increasing urbanisation in the developing world. After a sharp downturn in 2012, zircon demand has maintained a steady and gradual recovery. Major suppliers of zircon have managed their output to closely reflect market conditions which has resulted in overall zircon stocks being reduced in the supply chain, and zircon prices remaining relatively stable since late 2013.

Zircon prices remained flat throughout the 2015 financial year and this trend is expected to continue in the year ahead. An uplift in zircon prices would be dependent on firm economic growth in the major markets of China, USA and Europe, and on a controlled response from major zircon producers in managing their output.

Review of financial performance

	2015			2014		
	Kwale Operations	**Other operations**	**Total**	**Kwale Operations**	**Other operations**	**Total**
	$000s	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**
Sales Revenue	**145,501**	**-**	**145,501**	**29,115**	**-**	**29,115**
Cost of goods sold excluding depreciation & amortisation:						
Operating costs	(64,684)	-	(64,684)	(15,521)	-	(15,521)
Changes in inventories of concentrate and finished product	1,903	-	1,903	755	-	755
Royalties expense	(10,470)	-	(10,470)	(1,875)	-	(1,875)
Total cost of goods sold (i)	**(73,251)**	**-**	**(73,251)**	**(16,641)**	**-**	**(16,641)**
Corporate & external affairs	(3,473)	(7,359)	(10,832)	(2,636)	(6,070)	(8,706)
Community development	(3,945)	-	(3,945)	(2,298)	-	(2,298)
Selling & distribution costs	(1,415)	(976)	(2,391)	-	(738)	(738)
Other income / (expenses)	(805)	543	(262)	(448)	(813)	(1,261)
EBITDA (i)	**62,612**	**(7,792)**	**54,820**	**7,092**	**(7,621)**	**(529)**
Depreciation & amortisation	(36,771)	(4,703)	(41,474)	(7,862)	(1,170)	(9,032)
EBIT (i)	**25,841**	**(12,495)**	**13,346**	**(770)**	**(8,791)**	**(9,561)**
Net financing expenses	(26,825)	(2,480)	(29,305)	(4,397)	(18)	(4,415)
Income tax expense	(80)	-	(80)	(94)	-	(94)
NPAT (i)	**(1,064)**	**(14,975)**	**(16,039)**	**(5,261)**	**(8,809)**	**(14,070)**

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

DIRECTORS REPORT

Base recorded a loss after tax of $16.0 million for the year ended 30 June 2015, compared with $14.1 million in 2014. Due to the Kwale Operations commencing commercial production in April 2014, the operating results for the 2014 financial year include only three months of production and sales. Like for like comparisons of operating results between the 2014 and 2015 financial years are not applicable and have therefore not been included in the discussion below.

Sales revenue was $145.5 million for 2015, achieving an average sale price of product sold (rutile, ilmenite and zircon) of A$309 per tonne (US$256 per tonne). Total cost of goods sold was $73.3 million for 2015, at an average cost of $155 per tonne (US130 per tonne) of product sold. Operating costs per tonne produced for 2015 was $124 per tonne (US$103 per tonne).

With an achieved revenue to cost of sales ratio of 2:1, Base is well positioned in the upper quarter of mineral sands industry producers. With further production upside as rutile and zircon ramp-up to achieve their design production targets in 2016, this should see production costs per tonne drop and revenue per tonne increase as the proportion of high value products (rutile and zircon) increases in the sales mix.

The high value mineral assemblage and low cost of production of the Kwale Operations has delivered a Kwale Operations EBITDA of $62.6 million and a Group EBITDA of $54.8 million for 2015.

A net loss after tax of $1.1 million was recorded by Kwale Operations and $15.0 million for the Group. Loss per share for the Group was 2.85 cents.

Cash flow from operations was $38.2 million for 2015, lower than Group EBITDA due to the increase in working capital requirements of $16.7 million, predominately driven by an increase in trade receivables of $14.9 million during the period, associated with increased sales volumes.

In November 2014, the Company rescheduled the Kwale Project Debt Facility, realigning the debt facility repayment schedule to reflect the commencement of sales from the Kwale Project to February 2014, from the original expectation of October 2013 at the time the facility was arranged in 2011.

As a result, all principal repayments and funding of the debt service reserve account were deferred by six months, with the first principal repayment deferred from December 2014 to June 2015. In addition, Base committed to contribute up to US$15 million in additional liquidity (“Liquidity Injection”) to the Kwale Project.

Base made the first principal repayment of US$11 million in respect of the debt facility in June 2015.

In December 2014, Base executed a US$20 million unsecured debt facility with one of its major shareholders, Taurus Funds Management, to provide the funds to satisfy the US$15 million Liquidity Injection required under the terms of the Kwale Project Debt Facility reschedule, and US$5 million in corporate funding. The facility was drawn down in two tranches during 2015.

Total debt at 30 June 2015 was $292.6 million (US$224 million) compared with $232.5 million (US$215 million) at 30 June 2014. Aside from the movements discussed above, the increase in the Australian dollar denominated value of debt has been driven by the fluctuations in the US dollar exchange rates.

Base is currently in the process of seeking to refinance the Kwale Project Debt Facility, which would deliver a repayment profile more appropriate to the cash flow forecast of the Kwale Project. Confirmations of credit approval have been received from the majority of lenders, with remaining lenders credit approval processes in progress. Completion of the refinancing is subject to the agreement and execution of final terms and documentation.

In accordance with the proposed refinancing of the Kwale Project Debt Facility, all tranches of the refinanced facility are to be repaid over a five year period, with repayments likely to commence from December 2015. The current repayment profile of the existing facility is expected to be replaced with lower initial repayments over the first two years. The Directors are confident the refinancing will be completed and that the lenders will collectively agree to acceptable terms.

DIRECTORS REPORT

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. Operational components of Project Completion successfully passed for Kwale Project Debt Facility;

b. Execution and drawdown of US$20 million in debt financing through Taurus Facility.

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

After balance date events

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

Future developments, prospects and business strategies

The Group's strategy is to continue operation of the Kwale Mineral Sands Mine whilst continuing to pursue growth opportunities.

Environmental issues

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

INFORMATION ON DIRECTORS

Mr Keith Spence *Non-Executive Chairman*

Qualifications: BSc (Geophysics) (Hons)

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

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

Interests in shares and options: Nil

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

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

Mr Andrew King *Non-Executive Chairman*

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

Appointed: 28 May 2008 (Resigned as Non-Executive Chairman on 19 May 2015)

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.

Current public company directorships: None

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

Mr Tim Carstens *Managing Director*

Qualifications: BCom, ACA

Appointed: 5 May 2008

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

Interests in shares and options: 1,228,522 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: 1,838,739 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 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 (since 2008) and Elixir Petroleum Limited (since 2013)

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

DIRECTORS REPORT

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 (since 2011)

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

Mr Trevor Schultz *Non-executive Director*

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

Appointed: 28 November 2011 (resigned as Non-Executive Director on 19 November 2014)

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 a Non-Executive Director of Centamin Egypt Limited, having previously held the role of Executive Director of Operations 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 (since 2014)

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

Mr Michael Stirzaker *Non-executive Director*

Qualifications: BCom, CA (Aust.)

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

Experience: Mr Stirzaker has over 30 years' commercial experience, mainly in mining finance and mining investment. He began his career in Sydney as a Chartered Accountant with KPMG, having obtained a 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: Nil

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. 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: Nil

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

DIRECTORS REPORT

Meetings of directors

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

	Directors' meetings		Audit committee		Remuneration Committee		Nominations 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	Number of meetings held while a committee member	Number of meetings attended
Andrew King (i)	12	12	2	2	5	5	-	-
Keith Spence (ii)	5	5	-	-	1	1	-	-
Tim Carstens	13	13	-	-	-	-	1	1
Colin Bwye	13	13	-	-	-	-	-	-
Samuel Willis	13	11	2	2	6	6	-	-
Michael Anderson	13	13	2	2	-	-	1	1
Malcolm Macpherson	13	13	2	2	6	6	1	1
Trevor Schultz (iii)	6	6	-	-	4	-	-	-
Michael Stirzaker (iv)	8	8	-	-	6	6	1	1

(i) Retired 19 May 2015
(ii) Appointed 20 February 2015
(iii) Retired 19 November 2014. Mr Schultz was represented by his alternate at meetings where he was unable to attend.
(iv) Appointed 19 November 2014, prior to which he acted as alternate for Mr Schultz

Indemnifying officers

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 and officers 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 July 2010	9 January 2016	$0.25	8,500,000
9 July 2010	9 January 2016	$0.09	7,100,000
30 July 2010	30 July 2015	$0.25	1,000,000
23 December 2014	31 December 2018	$0.40	30,712,531
19 June 2015	31 December 2018	$0.40	30,712,530
			78,025,061

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 22 for further details.

61,425,061 options were issued to Taurus Funds Management in accordance with the terms of the Taurus Facility, with half issued on execution and half on facility drawdown in June 2015. Refer to note 22 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 2015:

	2015	2014
	$	$
Taxation services	**282,030**	**193,209**
Other services	**10,000**	**-**

Auditor's independence declaration

The lead auditor's independence declaration for the year ended 30 June 2015 has been received and can be found on page 30 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 2015. This Remuneration Report forms part of the Directors' Report and has been audited in accordance with the *Corporations Act 2001.*

Details of key management personnel

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, and comprise the Directors (whether executive or otherwise) of the 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	
C Forbes	General Manager - Environment & Community Affairs	
A Greyling	General Manager – Project Development	Appointed 1 August 2015
S Hay	General Manager - Marketing	
J Schwarz	General Manager - External Affairs & Development	
D Vickers	General Manager - Operations	
Non-Executive Directors		
A King	Chairman	Retired 19 May 2015
K Spence	Chairman	Appointed 20 February 2015
S Willis	Director	
M Anderson	Director	
M Macpherson	Director	
T Schultz	Director	Retired 19 November 2014
M Stirzaker	Director	Appointed 19 November 2014

Changes since the end of the reporting date

Mr Andre Greyling was appointed on 1 August 2015, subsequent to the end of the reporting period.

Role of the Remuneration Committee

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

The objective of the Remuneration Committee is to ensure that remuneration system and policies 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 REPORT - AUDITED

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.

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.
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 a 50% to 60% probability the executive will achieve or exceed this level of achievement. Stretch - A performance level that is clearly at the upper limit of what may be achievable. The STI Plan is designed such that there is a 10% to 20% probability the executive will achieve or exceed this level of achievement. The probabilities of achievement are set at these levels such that, over time, awards approximately equal to the target level would become payable, assuming performance to role. The achievement of this target level of award would support 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 2015 comprised: • 10% above budgeted group EBITDA, assuming fixed AUD:USD exchange rate and variances in actual prices sales price against budgeted prices limited to +/- 25%. The 2015 corporate performance target was achieved and incentives are payable in relation to this component.

STIP (continued)	
Is there an overriding financial performance or other conditions?	For each year, a "gate" or "gates" may be determined by the Board. The gate may be a minimum level of earnings for the Company or a safety performance threshold that must be achieved for any awards to become payable under the STI Plan. Irrespective of whether a gate is achieved, the Board retains discretion to increase or decrease awards in its absolute discretion. It is intended that the exercise of this discretion is used sparingly to take account of significant events and/or factors that were not anticipated when the year commenced and the performance criteria were set. The following gates were in place for 2015: • No workplace fatalities. • No major reputational or environmental events. • Minimum group EBITDA target, assuming fixed AUD:USD exchange rate.
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.

LTIP (continued)	
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 2015?	Performance Rights were granted to eligible participants in the LTIP for the cycle commencing 1 October 2014. 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 $0.2905 per share.
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).

LTIP (continued)

What are the LTIP performance conditions? (continued)

Absolute TSR performance rights

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

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

The number of performance rights granted for the cycle commencing 1 October 2014 is by reference to the 20 day VWAP of $0.2905 per share ($0.3697 for cycle commencing 1 October 2013 and $0.4936 for cycle commencing 1 October 2012). In order to achieve 100% vesting would require a share price of $0.5810 or greater ($0.7394 for cycle commencing 1 October 2013 and $0.9872 for cycle commencing 1 October 2012) at the conclusion of the 3 year performance period.

LTIP (continued)

What is the comparator group?

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

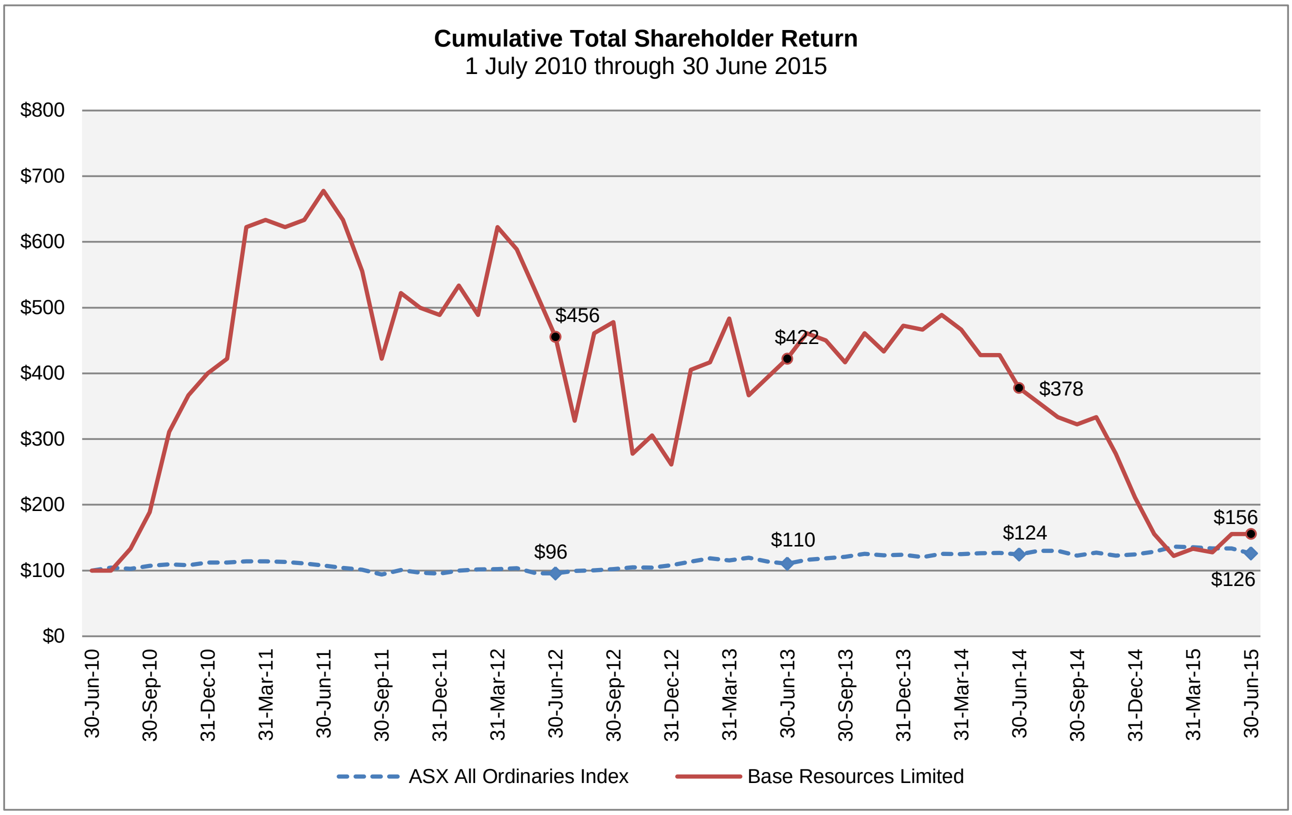
Companies	LTIP Cycle Commencing 1 October			Companies	LTIP Cycle Commencing 1 October		
	2014	2013	2012		2014	2013	2012
ABM Resources NL			✓	Kingsgate Consolidated Ltd	✓	✓	✓
Aditya Birla Minerals Limited		✓		Kingsrose Mining Limited	✓	✓	✓
Alkane Resources Limited		✓	✓	Lynas Corporation Limited	✓		
Altona Mining Limited	✓			Medusa Mining Limited	✓	✓	
Aquarius Platinum Limited		✓	✓	Metals X Limited	✓	✓	✓
Astron Corporation Limited		✓		Mincor Resources NL	✓		
Atlas Iron Limited	✓			Mineral Deposits Limited	✓	✓	✓
Atrum Coal NL	✓	✓		Mirabela Nickel Limited			✓
Aurelia Metals Limited	✓			Mount Gibson Iron Limited			✓
Avanco Resources Limited	✓			Newfield Resources Limited	✓		
Azimuth Resources Limited			✓	Northern Iron Limited			✓
Bandanna Energy Limited		✓		Northern Minerals Limited	✓		
Bathurst Resources Limited		✓	✓	Northern Star Resources Ltd		✓	✓
BC Iron Limited	✓	✓	✓	Norton Gold Fields Limited	✓	✓	
Beadell Resources Limited	✓		✓	OM Holdings Limited	✓	✓	✓
Blackgold International Holdings Ltd		✓		Orocobre Limited	✓	✓	✓
Bougainville Copper Limited	✓	✓	✓	Paladin Energy Limited		✓	
Cape Lambert Resources Limited			✓	Panoramic Resources Limited	✓		
CGA Mining Limited			✓	Papillion Resources Limited		✓	✓
Coalspur Mines Limited		✓	✓	Perilya Limited		✓	✓
CuDeco Limited	✓	✓	✓	Perseus Mining Limited	✓	✓	
Discovery Metals Limited			✓	Poseidon Nickel Limited	✓		
Elemental Minerals Limited		✓		Resolute Mining Limited	✓	✓	
Endeavour Mining Corporation	✓			Rocklands Richfield Limited			✓
Energy Resources of Australia Limited			✓	RTG Mining Inc	✓		
Equatorial Resources Limited			✓	Saracen Mineral Holdings Ltd	✓	✓	✓
Finders Resources Limited	✓			Sheffield Resources Limited	✓		
Focus Minerals Limited	✓	✓		Silver Lake Resources Ltd	✓	✓	✓
Galaxy Resources Limited			✓	Sirius Resources Limited			✓
Gindalbie Metals Limited		✓	✓	Sphere Minerals Limited			✓
Gold One International Limited		✓	✓	St Barbara Limited		✓	
Gold Road Resources Limited	✓			Stonewall Resources Limited	✓		
Grange Resources Limited	✓	✓	✓	Summit Resources Limited		✓	✓
Greenland Minerals and Energy Ltd		✓		Sundance Resources Limited	✓	✓	
Gryphon Minerals Limited			✓	Syrah Resources Limited		✓	✓
Guildford Coal Limited			✓	Tanami Gold NL			✓
Gujarat NRE Coking Coal Limited		✓		Teranga Gold Corporation	✓		
Highfield Resources Limited	✓			Terramin Australia Limited	✓		
Hot Chili Limited		✓		Tiger Resources Limited	✓	✓	✓
Indophil Resources NL	✓	✓	✓	Tigers Realm Coal Limited	✓		
Inova Resources Limited		✓		Tribune Resources Limited	✓	✓	
Integra Mining Limited			✓	Triton Minerals Limited	✓		
Intrepid Mines Limited	✓	✓	✓	Troy Resources NL	✓	✓	✓
Iron Ore Holdings Limited		✓		Valence Industries Limited	✓		
Iron Road Limited	✓	✓		Western Areas NL			✓
Ivanhoe Australia Limited			✓	Western Desert Resource Ltd		✓	✓
Jupiter Mines Limited		✓	✓	Wolf Minerals Limited	✓		
Kazakhstan Potash Corp. 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 of control event occurs then a test date arises on the date that the change of control event occurs with the Board to test the extent to which the performance criteria have been satisfied: On the basis of the offer price of the relevant transaction; and In the case of absolute TSR performance rights, reducing the percentage TSR performance hurdle pro rata to the unexpired portion of the performance period as at the date the change in control event occurs.
Do shares granted upon vesting of performance rights granted under the LTIP dilute existing shareholders' equity?	Shares allocated to the participants in the LTIP upon vesting of performance rights may be satisfied by the 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.
Did any performance rights vest in 2015?	The 4,125,484 performance rights granted under the LTIP for the cycle commencing 1 October 2011, completed the three year performance period on 30 September 2014 and vested as follows: • **Relative TSR performance rights** Base Resources TSR over the performance period placed it in 13th position relative to the TSR of the comparator group, a TSR performance in the 75th percentile, resulting in 100% of the 2,062,742 relative performance rights vesting. • **Absolute TSR performance rights** Base Resources TSR over the performance period, by reference to a final VWAP of $0.2905, equated to a TSR of -29%, resulting in none of the 2,062,742 absolute performance rights vesting. Shares issued to the participants in the LTIP upon the vesting of the above performance rights were satisfied through the Company issuing shares.

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 2010 to 30 June 2015, 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 prior to the 2012 financial year consisted of exploration and evaluation and development of its Kwale Mineral Sands Project in Kenya. As a result, 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 introduction of the LTIP. The LTIP explicitly links the long term variable component of Senior Executive remuneration with TSR.

Executive remuneration outcomes for 2015

Short Term Incentives

At the end of the 2015 financial year, a review of the performance of each executive was undertaken against each of their 2015 individual performance measures as explained above. STI entitlements earned for 2015 performance are paid in the 2016 financial year.

The following table outlines the STI that was earned in comparison with the target STI for the 2015 financial year:

	Target STI		**STI Awarded**	
Name	**Individual performance**	**Corporate performance**	**Individual performance**	**Corporate performance**
T Carstens	30%	30%	34%	43%
C Bwye	30%	30%	36%	43%
K Balloch	15%	15%	23%	25%
C Forbes	15%	15%	15%	25%
S Hay	15%	15%	22%	25%
J Schwarz	15%	15%	21%	25%
D Vickers	15%	15%	21%	25%

LTIP Performance Rights

The LTIP, introduced in 2012, operates on the basis of a series of 3 year performance cycles commencing on 1 October each year. Accordingly, performance rights issued in the year ending 30 June 2015 under the LTIP are subject to a 3 year performance period ending on 30 September 2017. Performance rights issued under the inaugural plan in the 2012 financial year, totalling 4,125,484, completed their 3 year performance period on 30 September 2014. Base Resources' absolute TSR over the performance period was less than 40.5%, which resulted in no Absolute TSR performance rights vesting. Base Resources' relative TSR over the performance period placed it in the 75th percentile which resulted in all of the 2,062,742 rights vesting.

The remunerations packages for all KMP's remain unchanged from 2014, in their base currency. Any changes in remuneration in the following table, excluding STI bonus, are the result of foreign exchange movements only, as detailed below. The remuneration for each executive of the Company for the years ending 30 June 2015 and 2014 was as follows:

Key Management Person	Short term employment benefits		Post-employment benefits	Other long term	Share based payments	Total	Proportion performance related
	Salary	Current year STI bonus(i)	Superannuation	Long service leave	Performance Rights(ii)		
	$	$	$	$	$	$	%
2015							
Executive Directors							
T Carstens	406,800	337,796	30,000	57,165	221,953	1,053,714	53.1
C Bwye	401,800	346,532	35,000	21,092	221,953	1,026,377	55.4
Other Key Management Personnel							
K Balloch	320,000	168,877	30,000	6,413	84,614	609,904	41.6
C Forbes (iii)	443,665	193,285	-	-	102,076	739,026	40.0
S Hay	360,000	182,328	30,000	3,881	94,034	670,243	41.2
J Schwarz (iv)	391,445	196,857	-	-	88,946	677,248	42.2
D Vickers (iv)	514,776	204,520	-	-	92,123	811,419	36.6
Total	**2,838,486**	**1,630,195**	**125,000**	**88,551**	**905,699**	**5,587,931**	**-**
2014							
Executive Directors							
T Carstens	411,800	157,248	25,000	10,331	219,610	823,989	45.7
C Bwye	411,800	139,776	25,000	2,834	219,610	799,020	45.0
Other Key Management Personnel							
K Balloch	308,000	72,428	25,000	989	64,606	471,023	29.1
C Forbes (iii)	416,846	63,674	-	-	72,910	553,430	24.7
S Hay	365,000	78,975	25,000	467	53,820	523,262	25.4
J Schwarz (iv)	356,953	66,413	-	-	83,900	507,266	29.6
D Vickers (iv)	469,417	74,517	-	-	81,185	625,119	24.9
Total	**2,739,816**	**653,031**	**100,000**	**14,621**	**795,641**	**4,303,109**	**-**

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

(ii) 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.

(iii) Total remuneration package denominated in Pounds sterling (GBP) and converted to Australian dollars (A$) for reporting purposes using the average exchange rate for the 2015 financial year of 0.5304 (2014: 0.5645).

(iv) Total remuneration package denominated in US dollars (US$) and converted to Australian dollars (A$) for reporting purposes using the average exchange rate for the 2015 financial year of 0.8369 (2014: 0.9178).

Non-executive director remuneration

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

REMUNERATION REPORT - AUDITED

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

	2015	2014
	$	$
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

Non-Executive remuneration for the year ended 30 June 2015 and comparative 2014 remuneration:

	Base fees	Audit committee	Remuneration committee	Other	Total
	$	$	$	$	$
2015					
A King (i)	97,644	6,214	9,320	-	113,178
K Spence (ii)	21,781	384	575	-	22,740
S Willis	70,000	14,000	5,250	-	89,250
M Anderson	70,000	7,000	-	-	77,000
M Macpherson	70,000	7,000	5,250	-	82,250
T Schultz (iii)	27,425	-	-	-	27,425
M Stirzaker (iv)	42,959	-	3,222	-	46,181
Total	399,809	34,598	23,617	-	458,024
2014					
A King	110,000	7,000	10,500	-	127,500
S Willis	70,000	14,000	5,250	-	89,250
M Anderson	70,000	7,000	-	-	77,000
M Macpherson (v)	65,397	4,066	3,049	-	72,512
T Schultz	70,000	-	-	-	70,000
W Willesee(vi)	33,576	-	-	22,044	55,620
Total	418,973	32,066	18,799	22,044	491,882

(i) Mr King retired on 19 May 2015
(ii) Mr Spence was appointed on 20 February 2015 and appointed Chairman on 19 May 2015
(iii) Mr Schultz retired on 19 November 2014
(iv) Mr Stirzaker was appointed on 19 November 2014
(v) Mr Macpherson was appointed on 25 July 2013
(vi) Mr Willesee retired 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.

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 2015 or 2014 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, whereby the existing terms were amended to provide that the options will vest immediately upon a change in the control of the Company.

In July 2015, a General Meeting of the Company extended the expiry date of the vested options granted to directors by 6 months to 9 January 2016.

The table below outlines movements in options during 2015 and the balance held by each director at 30 June 2015:

Name	Grant Date	Number Granted	Fair value per option at grant date	Exercise Price Per Option	Expiry Date	Balance 1 July 2014	Number vested during year	Number exercised during year	Balance 30 June 2015	Vested and exercisable at 30 June 2015
A King	30 June 2010	400,000	$0.07	$0.09	9 Jan 2016	400,000	-	-	400,000	400,000
	30 June 2010	400,000	$0.06	$0.25	9 Jan 2016	400,000	-	-	400,000	400,000
		800,000				**800,000**	**-**	**-**	**800,000**	**800,000**
T Carstens	30 June 2010	2,500,000	$0.07	$0.09	9 Jan 2016	2,500,000	-	-	2,500,000	2,500,000
	30 June 2010	2,500,000	$0.06	$0.25	9 Jan 2016	2,500,000	-	-	2,500,000	2,500,000
		5,000,000				**5,000,000**	**-**	**-**	**5,000,000**	**5,000,000**
C Bwye	30 June 2010	5,000,000	$0.07	$0.09	9 Jan 2016	3,600,000	-	-	3,600,000	3,600,000
	30 June 2010	5,000,000	$0.06	$0.25	9 Jan 2016	5,000,000	-	-	5,000,000	5,000,000
		10,000,000				**8,600,000**	**-**	**-**	**8,600,000**	**8,600,000**
S Willis	30 June 2010	300,000	$0.07	$0.09	9 Jan 2016	300,000	-	-	300,000	300,000
	30 June 2010	300,000	$0.06	$0.25	9 Jan 2016	300,000	-	-	300,000	300,000
		600,000				**600,000**	**-**	**-**	**600,000**	**600,000**
Total		**16,400,000**				**15,000,000**	**-**	**-**	**15,000,000**	**15,000,000**

All options were granted for nil consideration. Options have been valued using a Monte-Carlo Simulation model. Vesting conditions are such that 50% of each tranche vested upon the Company making a decision to commence construction at the Kwale Project following the securing of the required development financing on 22 November 2011; and the remaining 50% 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 2015 financial year, performance rights were granted to executives as part of their 2015 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.

The table below outlines movements in performance rights during 2015 and the balance held by each executive at 30 June 2015:

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	30 September 2014	587,516	587,515	-
	1 October 2012	1,018,273	$0.1490	30 September 2015	-	-	1,018,273
	1 October 2013	1,413,914	$0.2300	30 September 2016	-	-	1,413,914
	1 October 2014	1,799,394	$0.1400	30 September 2017	-	-	1,799,394
		5,406,612			**587,516**	**587,515**	**4,231,581**
C Bwye	30 June 2012	1,175,031	$0.2240	30 September 2014	587,516	587,515	-
	1 October 2012	1,018,273	$0.1490	30 September 2015	-	-	1,018,273
	1 October 2013	1,413,914	$0.2300	30 September 2016	-	-	1,413,914
	1 October 2014	1,799,394	$0.1400	30 September 2017	-	-	1,799,394
		5,406,612			**587,516**	**587,515**	**4,231,581**
K Balloch	30 June 2012	167,805	$0.2240	30 September 2014	83,903	83,902	-
	1 October 2012	363,669	$0.1490	30 September 2015	-	-	363,669
	1 October 2013	538,958	$0.2300	30 September 2016	-	-	538,958
	1 October 2014	720,912	$0.1400	30 September 2017	-	-	720,912
		1,791,344			**83,903**	**83,902**	**1,623,539**
C Forbes	30 June 2012	201,226	$0.2240	30 September 2014	100,613	100,613	-
	1 October 2012	400,488	$0.1490	30 September 2015	-	-	400,488
	1 October 2013	660,763	$0.2300	30 September 2016	-	-	660,763
	1 October 2014	900,761	$0.1400	30 September 2017	-	-	900,761
		2,163,238			**100,613**	**100,613**	**1,962,012**
S Hay	14 January 2013	323,456	$0.1490	30 September 2015	-	-	323,456
	1 October 2013	631,212	$0.2300	30 September 2016	-	-	631,212
	1 October 2014	803,301	$0.1400	30 September 2017	-	-	803,301
		1,757,969			**-**	**-**	**1,757,969**
J Schwarz	30 June 2012	440,637	$0.2240	30 September 2014	220,319	220,318	-
	1 October 2012	368,051	$0.1490	30 September 2015	-	-	368,051
	1 October 2013	569,026	$0.2300	30 September 2016	-	-	569,026
	1 October 2014	772,582	$0.1400	30 September 2017	-	-	772,582
		2,150,296			**220,319**	**220,318**	**1,709,659**
D Vickers	30 June 2012	381,503	$0.2240	30 September 2014	190,752	190,751	-
	1 October 2012	376,648	$0.1490	30 September 2015	-	-	376,648
	1 October 2013	591,172	$0.2300	30 September 2016	-	-	591,172
	1 October 2014	802,650	$0.1400	30 September 2017	-	-	802,650
		2,151,973			**190,752**	**190,751**	**1,770,470**
		20,828,044			**1,770,619**	**1,770,614**	**17,286,811**

(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 vest.

Key Management Personnel performance rights movements

	Balance 1 July	Granted	Vested	Lapsed	Balance 30 June
2015					
T Carstens	3,607,218	1,799,394	587,516	587,515	4,231,581
C Bwye	3,607,218	1,799,394	587,516	587,515	4,231,581
K Balloch	1,070,432	720,912	83,903	83,902	1,623,539
C Forbes	1,262,477	900,761	100,613	100,613	1,962,012
S Hay	954,668	803,301	-	-	1,757,969
J Schwarz	1,377,714	772,582	220,319	220,318	1,709,659
D Vickers	1,349,323	802,650	190,752	190,751	1,770,470
	13,229,050	7,598,994	1,770,619	1,770,614	17,286,811

Key Management Personnel 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	Vesting of Performance Rights	Purchased	Sold	Balance 30 June
2015						
A King (i)	820,000	-	-	-	-	820,000
K Spence (ii)	-	-	-			
T Carstens	641,006	-	587,516	-	-	1,228,522
C Bwye	1,251,223	-	587,516	-	-	1,838,739
S Willis	200,000	-	-	-	-	200,000
M Anderson	-	-	-	-	-	-
M Macpherson	-	-	-	-	-	-
T Schultz (iii)	-	-	-	-	-	-
M Stirzaker (iv)	-	-	-	-	-	-
K Balloch	-	-	83,903	-	-	83,903
C Forbes	-	-	100,613	-	-	100,613
S Hay	-	-	-	-	-	-
J Schwarz	-	-	220,319	-	-	220,319
D Vickers	-	-	190,752	-	-	190,752
	2,912,229	-	1,770,619	-	-	4,682,848

(i) Mr King retired on 19 May 2015
(ii) Mr Spence was appointed on 20 February 2015
(iii) Mr Schultz retired on 19 November 2014
(iv) Mr Stirzaker was appointed on 19 November 2014

Executive Key Management Personnel employment arrangements

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

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

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

Keith Spence
Chairman
Dated: 22nd September 2015

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 2015 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

22 September 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 $000s	2014 $000s
Sales revenue		145,501	29,115
Cost of sales	2	(114,725)	(25,673)
Profit from operations		30,776	3,442
Corporate and external affairs		(10,832)	(8,706)
Community development costs		(3,945)	(2,298)
Selling and distribution costs		(2,391)	(738)
Other expenses		(262)	(1,261)
Profit / (loss) before financing income and income tax		13,346	(9,561)
Financing costs	3	(29,305)	(4,415)
Loss before income tax		(15,959)	(13,976)
Income tax expense	6	(80)	(94)
Net loss for the year		**(16,039)**	**(14,070)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences - foreign operations		29,336	(2,031)
Total other comprehensive income / (loss) for the year		29,336	(2,031)
Total comprehensive income / (loss) for the year		**13,297**	**(16,101)**
Net (Loss) / earnings per share		**Cents**	**Cents**
Basic (loss) / earnings per share (cents per share)	5	(2.85)	(2.50)
Diluted (loss) / earnings per share (cents per share)	5	(2.85)	(2.50)

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	Note	30 June 2015 $000s	30 June 2014 $000s
Current assets			
Cash and cash equivalents	7	40,906	20,945
Trade and other receivables	8	54,481	33,265
Inventories	9	31,584	20,049
Other current assets		5,853	3,007
Total current assets		**132,824**	**77,266**
Non-current assets			
Capitalised exploration and evaluation		1,432	1,120
Property, plant and equipment	10	420,983	386,153
Inventories	9	-	1,106
Restricted cash	11	6,532	5,406
Total non-current assets		**428,947**	**393,785**
Total assets		**561,771**	**471,051**
Current liabilities			
Trade and other payables	12	21,866	11,322
Borrowings	13	70,057	49,887
Provisions	14	1,239	1,180
Deferred revenue	15	2,159	-
Other liability		636	-
Total current liabilities		**95,957**	**62,389**
Non-current liabilities			
Borrowings	13	211,812	177,667
Provisions	14	27,313	21,696
Deferred revenue	15	5,171	5,181
Other liability		-	1,106
Total non-current liabilities		**244,296**	**205,650**
Total liabilities		**340,253**	**268,039**
Net assets		**221,518**	**203,012**
Equity			
Issued capital	16	214,131	213,669
Reserves		49,706	16,085
Accumulated losses		(42,319)	(26,742)
Total equity		**221,518**	**203,012**

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015

	Issued capital	Accumulated losses	Share based payment reserve	Foreign currency translation reserve	Total
	$000s	$000s	$000s	$000s	$000s
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**
Balance at 1 July 2014	213,669	(26,742)	2,752	13,333	203,012
Loss for the year	-	(16,039)	-	-	(16,039)
Other comprehensive income	-	-	-	29,336	29,336
Total comprehensive income for the year	-	(16,039)	-	29,336	13,297
Transactions with owners, recognised directly in equity					
Share based payments	462	462	4,285	-	5,209
Balance at 30 June 2015	**214,131**	**(42,319)**	**7,037**	**42,669**	**221,518**

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 $000s	2014 $000s
Cash flows from operating activities			
Receipts from customers		132,443	22,442
Payments in the course of operations		(94,131)	(26,087)
Other		(98)	12
Net cash from / (used in) operating activities	**19**	**38,214**	**(3,633)**
Cash flows from investing activities			
Interest receipts		271	355
Payments for exploration and evaluation		(96)	(199)
Purchase of property, plant and equipment		(9,129)	(5,137)
Proceeds on disposal of property, plant and equipment		2	-
Payments for mine development		-	(111,673)
Research and development incentive claim received		-	5,030
Security deposits		(113)	(348)
Net cash used in investing activities		**(9,065)**	**(111,972)**
Cash flows from financing activities			
Proceeds from debt financing		26,126	48,654
Repayment of borrowings		(14,369)	-
Debt finance service costs and facility fees		(25,210)	(9,991)
Net cash (used in) / from financing activities		**(13,453)**	**38,663**
Net increase / (decrease) in cash held		**15,696**	**(76,942)**
Cash at beginning of year		20,945	98,123
Effect of exchange fluctuations on cash held		4,265	(236)
Cash at end of year	**7**	**40,906**	**20,945**

The accompanying notes form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Base Resources Limited is a company domiciled in Australia. The registered address is located at Level 1, 50 Kings Park Road, West Perth, WA, 6005. The consolidated financial statements of the Company as at and for the year ended 30 June 2015 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.

The consolidated financial statements were approved by the Board of Directors on 22nd September 2015.

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 2015 of $40.9 million. As at 30 June 2015, the Group held net assets of $221.5 million and had a net working capital surplus of $36.9 million. This includes $69.7 million in scheduled principal repayments for the Kwale Project Finance Facility in December 2015 and June 2016. Net cash inflows from operating and investing activities for the year ended 30 June 2015 was $29.1 million. The financial position of the Group has been significantly impacted by the current challenging market conditions for mineral sands products.

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

The Group is currently in the process of seeking to refinance the Kwale Project Debt Facility, which would deliver a repayment profile more appropriate to the cash flow forecast of the Kwale Project. Confirmations of credit approval have been received from the majority of lenders, with remaining lenders credit approval processes remaining in progress. Completion of the refinancing is subject to the agreement and execution of final terms and documentation.

In accordance with the proposed refinancing of the Kwale Project Debt Facility, all tranches of the refinanced facility are to be repaid over a five year period, with repayments likely to commence from December 2015. The current repayment profile of the existing facility is expected to be replaced with lower initial repayments over the first two years. The Directors are confident the refinancing will be completed and that the lenders will collectively agree to acceptable terms.

Under the terms of the existing Kwale Project Debt Facility, “Project Completion” was required to be achieved by 30 September 2015, which, subsequent to year end, has been extended by the Lenders to the earlier of completion of the refinancing or 31 December 2015. Failure to achieve Project Completion by this date would, unless waived or extended further by the Lenders, trigger an event of default under the facility. In June 2015, all operational requirements for achieving Project Completion were successfully passed, including physical and economic tests conducted over a continuous 90 day test period. Outstanding regulatory and compliance components of Project Completion are proposed to be removed under the refinanced facility.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Until the refinancing is complete and the first repayment has occurred, Base Resources Limited, the Australian parent entity, will not be able to withdraw funds from Base Titanium Limited, the subsidiary owning and operating the Kwale Project and borrower under the debt facility. As a result, Base Resources Limited will be required to secure additional funding in the next 12 months in order to meet corporate expenditure. The Directors are confident additional funding can be secured.

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

<u>Functional and presentation currency</u>

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.

<u>Critical accounting estimates and judgements</u>

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

Exploration and evaluation expenditure

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

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates and judgements (continued)

Ore reserves and resources estimates

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

Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by a recognised valuation model, using the assumptions detailed in note 22.

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 6.

Significant accounting policies

(a) Principles of consolidation

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

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in note 21 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency

Foreign currency transactions

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

Foreign operations

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

(c) Income tax

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Income tax (continued)

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

(d) Property, plant and equipment

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

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

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

Depreciation

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

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

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

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 successful development and exploitation of an area of interest, or alternatively by its sale, and where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

General and administrative costs are allocated to, and included in, the cost of 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 Profit or Loss and Other Comprehensive Income in the year in which the decision to abandon the area is made.

Impairment testing of exploration and evaluation assets

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

(f) Mine development assets

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

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

Mine development expenditure includes:

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

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

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Inventories

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

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

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

(h) Mine closure and rehabilitation obligations

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

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

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

At each reporting date the rehabilitation liability is re-measured in line with changes in discount rates, and timing or amounts of the costs to be incurred. Mine closure and rehabilitation provisions are adjusted for changes in estimates. Adjustments to the estimated amount and timing of future closure and rehabilitation cash flows are a normal occurrence in light of the significant judgements and estimates involved. Changes in the liability relating to mine closure and rehabilitation obligations are added to or deducted from the related asset (where it is probable that future 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets

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

(l) Revenue

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

Contract terms for some of the Group's sales allow for a price adjustment based on average market prices in the quarter that the product is shipped. Sales revenue for these products is recognised at the estimated fair value of the total consideration received or receivable, which takes into account the latest available market data at the balance date and excludes taxes or duty.

(m) Provisions

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

(n) Financial instruments

Non-derivative financial assets

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

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially

all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

Loans and receivables

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Financial instruments (continued)

Cash and Cash Equivalents

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

Non derivative financial liabilities

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

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

Other financial liabilities comprise trade and other payables.

(o) Share capital

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

(p) Earnings per share

The Group presents basic and diluted earnings per share for its ordinary shares. Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders of the 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.

(q) Employee benefits

Short-term benefits payable

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

Defined contribution plans

Contributions are made by the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

(s) Segment reporting

Determination and presentation of operating segments

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

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

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

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

(t) New accounting standards adopted in the current period

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2015, however, the Group has not applied the new or amended standards in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

AASB 9 Financial Instruments includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 9.

AASB 15 Revenue from Contracts with Customers - AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 18 Revenue, AASB 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: COST OF SALES

	2015	2014
	$000s	**$000s**
Operating costs	64,684	15,521
Changes in inventories of ore and concentrate	(1,903)	(755)
Royalties expense	10,470	1,875
Depreciation and amortisation	41,474	9,032
	114,725	**25,673**

NOTE 3: FINANCING (COSTS) / INCOME

	2015	2014
	$000s	**$000s**
(Loss) / gain on foreign exchange transactions	(2,366)	235
Interest income	270	351
Interest expense, inclusive of interest withholding tax	(18,926)	(3,819)
Unwinding of discount on provision for rehabilitation	(2,117)	(64)
Amortisation of capitalised borrowing costs	(3,306)	-
Financing expenses	(2,860)	1,118
	(29,305)	**(4,415)**

NOTE 4: AUDITORS' REMUNERATION

	2015	2014
	$	**$**
Auditing or reviewing financial reports	259,206	244,523
Taxation services	282,030	193,209
Other services	10,000	-
	551,236	**437,732**

NOTE 5: EARNINGS / (LOSS) PER SHARE

	2015	2014
	$000s	**$000s**
Loss used to calculate basic / diluted loss per share	**(16,039)**	**(14,070)**

Weighted average number of ordinary shares on issue used in the calculation of basic earnings / (loss) per share	563,224,609	561,840,029
Weighted average number of ordinary shares on issue used in the calculation of diluted earnings / (loss) per share	563,224,609	561,840,029

In 2015, 78,025,062 (2014: 16,600,000) additional weighted average shares were not included in the calculation of diluted earnings per share as they are anti-dilutive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6: INCOME TAX

	2015	2014
	$000s	**$000s**
a. Major components of income tax / (benefit) for the year		
Current income tax		
Income tax (benefit) / expense	80	94
Income tax expense reported in comprehensive income	**80**	**94**
Items related to equity		
Deferred income tax related to items charged or credited directly to equity		
Share issue costs	109	132
Deferred tax asset not recognised	(109)	(132)
	-	**-**

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:

	2015	2014
Accounting loss before tax	(15,959)	(13,976)
Prima facie tax on operating loss at 30% (2014: 30%)	(4,788)	(4,193)
Add / (less) tax effect of:		
Non-deductible items	2,439	1,193
Unders and overs from prior year	-	70
Share based payments	212	173
Tax losses not recognised	1,150	1,215
Other deferred tax assets not brought to account as realisation not considered probable	1,646	427
Tax losses utilised	(5,267)	-
Other changes in recognised deductible temporary differences	4,540	(41,034)
Recognition of tax effect of previously unrecognised losses	-	40,893
Effect of tax rates in foreign jurisdictions	148	1,350
Income tax attributable to operating loss	**80**	**94**

	2015	2014
c. Deferred tax assets recognised		
Tax losses Kenya	43,646	40,233
Other	1,611	210
	45,257	40,443
Deferred tax liabilities recognised		
Property, plant and equipment	(45,257)	(40,443)
Net deferred tax asset recognised	-	-

NOTE 6: INCOME TAX (CONTINUED)

	2015	2014
	$000s	**$000s**
d. Deferred tax assets unrecognised		
Deductible temporary differences	483	973
Tax losses Australia	4,782	3,604
Tax losses other	67	43
	5,332	4,620

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward have not been brought to account at 30 June 2015 and 2014 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.

NOTE 7: CASH AND CASH EQUIVALENTS

	2015	2014
	$000s	**$000s**
Cash at bank and in hand	**40,906**	**20,945**

NOTE 8: TRADE AND OTHER RECEIVABLES

	2015	2014
	$000s	**$000s**
Current		
Trade receivables	21,573	6,672
VAT receivables	32,892	26,513
Other receivables	16	80
	54,481	**33,265**

NOTE 9: INVENTORIES

	2015 $000s	2014 $000s
Current		
Heavy mineral concentrate and other intermediate stockpiles – at cost	8,359	2,088
Finished goods stockpiles – at cost	11,860	13,027
Stores and consumables – at cost	11,365	4,934
Total current inventories	**31,584**	**20,049**
Non-current		
Stores and consumables – at cost	-	1,106
	31,584	**21,155**

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

	2015 $000s	2014 $000s
Plant and equipment		
At cost	277,745	225,292
Accumulated depreciation	(38,687)	(9,917)
	239,058	**215,375**
Mine property and development		
At cost	195,139	165,911
Accumulated depreciation	(21,307)	(3,484)
	173,832	**162,427**
Buildings		
At cost	7,800	6,355
Accumulated depreciation	(1,194)	(499)
	6,606	**5,856**
Capital work in progress		
At cost	1,487	2,495
Total Property, Plant and Equipment	**420,983**	**386,153**

NOTE 10: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Plant & equipment	Mine property and development	Buildings	Capital work in progress	Total
	$000s	$000s	$000s	$000s	$000s
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**
Balance at 1 July 2014	215,375	162,427	5,856	2,495	386,153
Additions	3,441	6,644	122	1,486	11,693
Transfers	2,306	707	-	(3,013)	-
Disposals	(14)	-	-	-	(14)
Reduction in mine rehabilitation asset	-	(1,854)	-	-	(1,854)
Depreciation expense	(26,812)	(17,341)	(591)	-	(44,744)
Effects of movement in foreign exchange	44,762	23,249	1,219	519	69,749
Balance at 30 June 2015	**239,058**	**173,832**	**6,606**	**1,487**	**420,983**

NOTE 11: RESTRICTED CASH

	2015	2014
	$000s	$000s
Restricted cash	**6,532**	**5,406**

As a condition of the Kwale Project Debt Facility, 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 12: TRADE AND OTHER PAYABLES

	2015	2014
	$000s	$000s
Trade and other creditors	11,982	5,925
Accruals	9,884	5,397
	21,866	**11,322**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13: BORROWINGS

	2015 $000s	2014 $000s
Current		
Kwale Project Debt Facility (a)	69,659	49,589
Finance lease liabilities	398	298
Total current borrowings	**70,057**	**49,887**
Non-current		
Kwale Project Debt Facility (a)	196,826	182,869
Taurus Facility (b)	26,126	-
Capitalised borrowing costs (a)	(19,838)	(10,548)
Amortisation of capitalised borrowing costs (a)	7,686	4,179
Finance lease liabilities	1,012	1,167
Total non-current borrowings	211,812	177,667
Total borrowings	**281,869**	**227,554**

a. Kwale Project Debt Facility

In November 2011, the Group entered into project debt finance agreements for the development and construction of the Kwale Mineral Sands Project (“Kwale Project Debt Facility”). In November 2014, the Kwale Project Debt Facility was rescheduled in order to realign the 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 initially arranged. The Kwale Project Debt Facility consists of three tranches totalling US$215 million.

The different tranches of the Kwale Project Debt Facility carry interest rates of LIBOR plus a margin range of between 510 – 835 basis points during the construction and ramp-up period, then 420 – 795 basis points subsequent to Project Completion pursuant to the relevant facility agreements. An additional margin of 20 basis points is applicable following the restructured Kwale Project Debt Facility. The debt facilities have a remaining tenor of between 3 and 5 years.

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 Base Resources Limited (“BRL”) and the shares held in BTML by 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 30 September 2015.

The weighted average effective interest rate on the facilities at 30 June 2015 is 6.65% (30 June 2014: 5.92%).

In accordance with International Financial Reporting Standards, all transaction costs directly attributable to securing the debt facilities are capitalised and offset against drawn loan amounts. Capitalised borrowing costs are amortised over the life of the loan using the effective interest rate method.

NOTE 13: BORROWINGS (CONTINUED)

b. Taurus Facility

In December 2014, the Group executed a US$20 million unsecured debt facility with one of its major shareholders, Taurus Funds Management ("Taurus Facility"), in order to provide corporate working capital and a means to satisfy the Liquidity Injection. Interest is payable at 10% with a loan maturity of 31 December 2016. Principal repayments commence from 31 December 2015, with 50% of all cashflows available to be swept to the Parent entity from the Kwale Project to be utilised in repaying the Taurus Facility. In addition, Taurus is entitled to 61,425,061 unlisted share options over unissued fully paid shares, for nil consideration and exercisable at $0.40, with half being issued at execution and half pro-rata on facility drawdown above US$5 million.

In January 2015, an initial drawdown of US$3 million was made to provide funds for corporate working capital and in June 2015 the remaining US$17 million was drawn down in order to provide the funds to satisfy the Liquidity Injection and provide further corporate working capital.

NOTE 14: PROVISIONS

	2015	2014
	$000s	$000s
Current		
Employee benefits	1,212	1,143
Income tax liability	27	37
	1,239	**1,180**
Non-current		
Mine closure and rehabilitation	27,270	21,663
Employee benefits	43	33
	27,313	**21,696**

Movement in mine closure and rehabilitation:	2015	2014
	$000s	$000s
Balance at 1 July	21,663	2,145
Effects of movement in foreign exchange	4,510	(27)
(Decrease) / increase in rehabilitation estimate	(1,132)	19,451
Unwinding of discount	2,229	94
Balance at 30 June	**27,270**	**21,663**

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 2015 (2014: 2.81%) and an inflation factor of 2.35% (2014: 2.49%). Although the ultimate amount to be incurred is uncertain, management has, at 30 June 2015, estimated the asset retirement cost of work completed to date using an expected remaining mine life of 10 years and a total undiscounted estimated cash flow of US$ 20,730,593 (2014: US$ 20,561,153). Management's estimate of asset retirement costs has been independently reviewed by an external consultant for completeness, in 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15: DEFERRED REVENUE

	2015	2014
	$000s	$000s
Current		
Deferred revenue (a)	2,159	-
Non-current		
Fee paid on execution of product sales agreement	6,532	5,406
Amortisation of deferred revenue	(1,361)	(225)
	5,171	**5,181**

a. Deferred revenue

During the 2015 financial year, the Group entered into an agency agreement for the sale of product. Under the terms of the agency agreement, a portion of the estimated product revenue was payable in advance, after shipping the product but prior to final sale. The advance payment received is recorded as deferred revenue until the final sale has occurred, after which it will be reclassified as sales revenue.

NOTE 16: ISSUED CAPITAL

	2015	2014
	$000s	$000s
Ordinary share capital:		
Issued and fully paid	**214,131**	**213,669**

Date	Number	$000s
1 July 2013	561,840,029	213,669
30 June 2014	**561,840,029**	**213,669**
1 July 2014	561,840,029	213,669
Performance rights vested under the Company's LTIP	2,062,742	462
30 June 2015	**563,902,771**	**214,131**

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. Performance rights

For information relating to performance rights issued to key management personnel during the financial year, refer to note 22 share-based payments.

NOTE 17: COMMITMENTS

	2015 $000s	2014 $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	**98**	**6**

	2015 $000s	2014 $000s
b. Operating lease commitments		
Payable not later than 12 months	281	311
Payable between 12 months and 5 years	348	629
	629	**940**

The company entered into a non-cancellable lease agreement for its office premises which expires in September 2017. The above represents the present value of the future minimum lease payments.

	2015 $000s	2014 $000s
c. Finance lease commitments		
Payable not later than 12 months	521	431
Payable between 12 months and 5 years	1,129	1,366
More than 5 years	-	-
	1,650	**1,797**

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(j). The above represents the present value of the future minimum lease payments.

	2015 $000s	2014 $000s
d. Kwale Project operating expenditure commitments		
The outstanding operating expenditure commitments of the Group relating to Kwale mineral sands mine are as follows:		
Payable not later than 12 months	5,272	3,995
	5,272	**3,995**

NOTE 18: CONTINGENT LIABILITIES

The Group is currently in discussions with the Kenyan Revenue Authority regarding the assessment of taxes incurred throughout the construction and operation of the Kwale Mineral Sands Project. The directors have not disclosed an estimation of the final position as discussions are currently ongoing, however this is not expected to have a material effect on the Group's financial position.

NOTE 19: RECONCILIATION OF (LOSS) / PROFIT AFTER INCOME TAX TO CASH FLOW FROM OPERATIONS

	2015	2014
	$000s	**$000s**
Loss for the year	(16,039)	(14,070)
Depreciation and amortisation	41,474	9,031
Share based payments	1,209	699
Exploration valuation write down	-	1,040
Financing costs classified as financing activity	29,305	4,415
Amortisation of deferred revenue	(1,002)	(225)
Changes in assets and liabilities:		
Increase in receivables and other assets	(23,769)	(6,672)
Increase in inventories	(10,428)	(755)
Increase in trade and other payables	17,412	2,837
Increase in provisions	52	67
Cash flow from operations	**38,214**	**(3,633)**

NOTE 20: 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.

Other operations include the Group head office (which includes all corporate expenses that cannot be directly attributed to the Kwale mineral sands mine) and exploration in Kenya.

	2015			**2014**		
Reportable segment	**Kwale Operations**	**Other operations**	**Total**	**Kwale Operations**	**Other operations**	**Total**
	$000s	$000s	$000s	$000s	$000s	$000s
Sales revenue	145,501	-	145,501	29,115	-	29,115
Reportable (loss) / profit	(1,064)	(14,975)	(16,039)	(5,261)	(8,809)	(14,070)
Capital Expenditure	9,129	96	9,225	116,810	199	117,009
	As at 30 June 2015			**As at 30 June 2014**		
Total assets	538,362	23,409	561,771	464,723	6,328	471,051
Total liabilities	311,995	28,258	340,253	266,147	1,852	267,999

NOTE 21: 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.

KMP compensation:

	2015	2014
	$	$
Short-term employment benefits	4,926,705	3,884,729
Post-employment benefits	125,000	100,000
Share-based payments	905,699	795,641
Other long term	88,551	14,621
	6,045,955	**4,794,991**

Other related party transactions:

In December 2014, the Group executed an unsecured debt facility with one of its major shareholders, Taurus Funds Management. Refer to note 13 for information on the Taurus Facility.

NOTE 22: 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
RFC Corporate Limited	30 July 2010	1,000,000	13 August 2010
Taurus Funds Management	23 December 2014	30,712,531	23 December 2014
Taurus Funds Management	19 June 2015	30,712,530	19 June 2015

Terms of granted options:

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.

NOTE 22: SHARE-BASED PAYMENTS (CONTINUED)

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 and vested immediately.

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 a contractual life of options of 5 years.

2015

In December 2014, the Group executed the Taurus Facility, which entitles Taurus to 61,425,061 unlisted share options over unissued fully paid shares, for nil consideration and exercisable at $0.40, with half being issued at execution and half pro-rata on facility drawdown above US$5 million, which occurred in June 2015.

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

In July 2015, the expiry date of the vested options granted to directors was extended by 6 months to 9 January 2016.

Summary of shares under option are as follows:

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

The exercise price of outstanding options at reporting date was $0.25 for 9,500,000 options, $0.09 for 7,100,000 options and $0.40 for 61,425,061 options. The options hold no voting or dividend rights.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22: SHARE-BASED PAYMENTS (CONTINUED)

b. Performance rights

Granted performance rights are as follows:

Performance cycle date	KMP	Other employees	Total
1 October 2012	3,868,858	1,001,473	4,870,331
1 October 2013	5,818,959	1,445,153	7,264,112
1 October 2014	7,598,994	2,283,342	9,882,336

Terms of granted performance rights

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

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

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

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

All performance rights were granted for nil consideration.

The fair value of the performance rights granted during the 2015 financial year has been estimated at the date of grant using a Monte Carlo Simulation model using the following assumptions: risk-free interest rate of 2.5%; 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 2.87 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 2014.

NOTE 23: PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ended 30 June 2015, the parent entity of the consolidated group was Base Resources Limited.

Financial performance of the parent entity

	2015 $000s	2014 $000s
Loss for the year	(15,070)	(9,181)
Total comprehensive loss for the year	**(15,070)**	**(9,181)**

Financial position of the parent entity

	2015 $000s	2014 $000s
Current assets	23,074	5,863
Non-current assets	190,927	191,515
Total assets	**214,001**	**197,378**
Current liabilities	2,075	1,726
Non-current liabilities	26,169	34
Total liabilities	28,244	1,760
Net assets	**185,757**	**195,618**
Issued capital	214,131	213,669
Share-based payment reserve	7,037	2,752
Accumulated losses	(35,411)	(20,803)
Total equity	**185,757**	**195,618**

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 13 for further details.

NOTE 24: FINANCIAL RISK MANAGEMENT

The Groups 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	2015	2014
		$000s	$000s
Financial assets			
Cash and cash equivalents	7	40,906	20,945
Trade and other receivables	8	54,481	33,265
		95,387	**54,210**
Financial liabilities			
Trade and other payables	12	21,866	11,322
Kwale Project Debt Facility	13	266,485	232,458
Taurus Facility	13	26,126	-
Finance lease liabilities	13	1,410	1,465
		315,887	**245,245**

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. In accordance with the Group's accounting policy, sales made under these terms that have not yet been subject to a final price adjustment are recognised at the estimated fair value of the total consideration received or receivable, which takes into account the latest available market data at the balance date. Sales revenues under these contract terms for the financial year ended 30 June 2015 total $73.6 million (2014: $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 $7.4 million.

There are $10.2 million of outstanding trade receivables subject to commodity price risk at 30 June 2015. Final market pricing advice for these sales is expected to be provided in the first half of financial year 2016. An interim adjustment to sales revenue has been recorded at the reporting date to estimate the fair value of these receivables based on the latest available market data, in accordance with the accounting policy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 24: FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk

In November 2011, the Group entered into project debt finance agreements for the development and construction of the Kwale Mineral Sands Project ("Kwale Project Debt Facility"). In November 2014, the Kwale Project Debt Facility was rescheduled in order to realign the 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 initially arranged. The Kwale Project Debt Facility consists of three tranches totalling US$215 million.

The different tranches of the Kwale Project Debt Facility carry interest rates of LIBOR plus a margin range of between 510 – 835 basis points during the construction and ramp-up period, then 420 – 795 basis points subsequent to Project Completion pursuant to the relevant facility agreements. An additional margin of 20 basis points is applicable following the restructured Kwale Project Debt Facility. The debt facilities have a remaining tenor of between 3 and 5 years.

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 Base Resources Limited ("BRL") and the shares held in BTML by 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 30 September 2015.

In December 2014, the Group executed a US$20 million unsecured debt facility with one of its major shareholders, Taurus Funds Management ("Taurus Facility"), in order to provide corporate working capital and a means to satisfy the Liquidity Injection. Interest is payable at 10% with a loan maturity of 31 December 2016. In January 2015, an initial drawdown of US$3 million was made to provide funds for corporate working capital and in June 2015 the remaining US$17 million was drawn down in order to provide the funds to satisfy the Liquidity Injection and provide further corporate working capital.

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

	Carrying amount		Realisable / payable within six months	
	2015 \$000s	**2014 \$000s**	**2015 \$000s**	**2014 \$000s**
Fixed rate instruments				
Financial assets	-	-	-	-
Financial liabilities	(27,536)	(1,465)	-	-
	(27,536)	**(1,465)**	**-**	**-**
Variable rate instruments				
Financial assets	40,906	20,945	40,906	20,945
Financial liabilities	(266,485)	(232,458)	(32,788)	(19,856)
	(225,579)	**(211,513)**	**8,118**	**1,089**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 24: FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk (continued)

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.

	2015 $000s 100bp increase	2015 $000s 100bp decrease	2014 $000s 100bp increase	2014 $000s 100bp decrease
Variable rate instruments ($000s)				
Profit or loss	(2,256)	2,256	(2,115)	2,115
Equity	2,256	(2,256)	2,115	(2,115)

Currency risk

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

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

30 June 2015

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

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**

The following significant exchange rates applied during the year:

	Average rate		30 June spot rate	
	2015	**2014**	**2015**	**2014**
AUD:USD	0.8369	0.9178	0.7655	0.9249
AUD:KES	75.0812	78.3308	74.4678	81.3008

NOTE 24: FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency risk (continued)

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 $2.4 million higher / lower (2014: $2.3 million higher / lower).

Credit risk

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

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

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 11).

The Group is owed $32.9 million in VAT receivable by the Government of Kenya (Note 8).

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:

	2015 $000s	2014 $000s
Financial assets – cash flow realisable		
Cash and cash equivalents	40,906	20,945
Trade and other receivables	54,481	33,265
Total anticipated inflows	**95,387**	**54,210**

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:

	2015 $000s	2014 $000s
Australia	22,420	5,121
Kenya	72,965	49,086
Mauritius	2	3
Total	**95,387**	**54,210**

NOTE 24: FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

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

Financial liability maturity analysis

		Contractual cash flows					
	Carrying amount	**Total**	**2 months or less**	**2 – 12 months**	**1 – 2 years**	**2 – 5 years**	**More than 5 years**
30 June 2015	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**
Trade and other payables	21,866	21,866	21,866	-	-	-	-
Kwale Project Debt Facility	266,485	306,889	-	86,857	80,531	139,501	-
Taurus Facility	26,126	30,117	-	2,656	27,461	-	-
Finance lease liabilities	1,410	1,650	87	434	521	608	-
	315,887	**360,522**	**21,953**	**89,947**	**108,513**	**140,109**	**-**
30 June 2014							
Trade and other payables	11,322	11,322	11,322	-	-	-	-
Kwale Project Debt Facility	232,458	266,450	2,371	60,396	69,414	130,772	3,497
Finance lease liabilities	1,465	1,797	72	359	431	935	-
	245,245	**279,569**	**13,765**	**60,755**	**69,845**	**131,707**	**3,497**

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.

Base is currently in the process of refinancing the Kwale Project Debt Facility, which will deliver a repayment profile more appropriate to the cash flows in the current challenging market environment. Confirmations of credit approval have been received from the majority of lenders, with remaining lenders credit approval expected shortly. Completion of the refinancing is subject to the agreement and execution of final terms and documentation, which is expected to be concluded over the next two months.

Once completed, all tranches of the refinanced facility will be repayable over a five year period, with repayments likely to commence from December 2015. The currently front ended repayment profile of the existing facility will be replaced with lower initial repayments over the first two years.

Under the terms of the existing Kwale Project Debt Facility, "Project Completion" must be achieved by the backstop date, which has been extended by the Lenders to the earlier of completion of the refinancing or 31 December 2015. Failure to achieve Project Completion by this date would, unless waived or extended further by the Lenders, trigger an event of default under the facility. In June 2015, all operational requirements for achieving Project Completion were successfully passed, including physical and economic tests conducted over a continuous 90 day test period. Outstanding regulatory and compliance components of Project Completion will fall away under the refinanced facility.

NOTE 24: FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital Management (continued)

Until the refinancing is complete and the first repayment has occurred, no funds can be distributed from Base Titanium Limited, the subsidiary owning and operating the Kwale Project and borrower under the debt facility, to other companies within the Group.

	2015 $000s	2014 $000s
Cash and cash equivalents	40,906	20,945
Trade and other receivables	54,481	33,265
Inventories	31,584	20,049
Other current assets	5,853	3,007
Trade and other payables	(21,866)	(11,322)
Borrowings	(70,057)	(49,887)
Provisions	(1,239)	(1,140)
Deferred revenue	(2,159)	-
Other liability	(636)	-
Working capital position	**36,867**	**14,917**

NOTE 25: EVENTS AFTER THE REPORTING DATE

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

NOTE 26: COMPANY DETAILS

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

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

DIRECTORS' DECLARATION

1 In the opinion of the directors of Base Resources:

(a) the consolidated financial statements and notes that are set out on pages 31 to 65 and the Remuneration Report in pages 14 to 29 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 2015 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 2015.

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

Signed in accordance with a resolution of the directors:

Keith Spence
Chairman

DATED at PERTH this 22nd day of September 2015

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 2015, 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 26 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

Independence

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

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

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

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

Material uncertainty regarding continuation as a going concern

Without modification to our opinion expressed above, we draw attention to the following matter. As a result of the matters set out in the Financial Position note in note 1, there is a material uncertainty which may cast 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 2015. 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 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

G-T Hogg

Graham Hogg
Partner

Perth

22 September 2015