1 March 2016

The Manager
Company Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

Base Resources – 2015 Interim Financial Report and Appendix 4D

Attached is a copy of the Base Resources Interim Financial Report for the six month period ended 31 December 2015 (the **Interim Report**), together with relevant information provided in accordance with ASX Listing Rule 4.2A.3 and Appendix 4D (**Appendix 4D information**) which is required following Base Resources' transition during the reporting period to a mining producing entity.

Other than inclusion of the Appendix 4D information on page 3, the Interim Report is unchanged from the version released to ASX yesterday, 29 February 2016.

Yours faithfully

Chadwick Poletti
Company Secretary

BASE RESOURCES LIMITED ABN 88 125 546 910
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BASE RESOURCES LIMITED

ABN 88 125 546 910

Interim Financial Report
For the six month period ended
31 December 2015

TABLE OF CONTENTS

APPENDIX 4D
RESULTS FOR ANNOUNCEMENT TO THE MARKET

Provided below are the Results for Announcement to the Market in accordance with Australian Securities Exchange (‘ASX’) Listing Rule 4.2A.3 and Appendix 4D for Base Resources Limited and its controlled entities for the half-year ended 31 December 2015 (the ‘reporting period’ or 'half-year') compared with the half-year ended 31 December 2014 (‘the comparative period').

Consolidated results	Movement	$000s
Sales revenue	up 32% to	$81,721
Net profit/(loss) before tax	down 10% to	($11,219)
Net profit/(loss) after tax attributable to members of Base Resources Limited	down 10% to	($11,266)

Net tangible asset backing	Unit	31 December 2015	31 December 2014
Net tangible assets	$000s	$218,296	$220,086
Shares on issue	number	563,902,771	563,902,771
Net tangible asset per share	$/share	$0.39	$0.39

Capitalised exploration and evaluation assets have been treated as intangible assets and therefore excluded from the calculation of net tangible assets.

Dividends

No interim dividend has been declared.

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

None.

Independent auditor’s review report

The Financial Statements upon which this Appendix 4D is based have been reviewed and the Independent Auditor’s Review Report to the members of Base Resources Limited is included in the attached Interim Financial Report.

Commentary

Commentary on the results for the reporting period is contained within the financial statements that accompany this announcement. It is recommended that the half-year report be read in conjunction with the Company’s Annual Financial Report for the year ended 30 June 2015 and any public announcements made by Base Resources during and after the half-year year ended 31 December 2015 in accordance with the continuous disclosure obligations under the Corporations Act 2001 and ASX Listing Rules.

CORPORATE DIRECTORY

DIRECTORS

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

COMPANY SECRETARY

Mr Chadwick Poletti

PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

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LONDON EC4M 8AL

DIRECTORS REPORT

Your directors submit the interim financial report of the Group, being the Company, Base Resources Limited, and its controlled entities for the half-year ended 31 December 2015.

Directors

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

Mr Keith Spence

Mr Tim Carstens

Mr Colin Bwye

Mr Samuel Willis

Mr Michael Anderson

Mr Malcolm Macpherson

Mr Michael *Stirzaker*

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

Company Secretary

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

Principal Activities and Significant Changes in Nature of Activities

The principal activity of the Group is the operation of the 100% owned Kwale Mineral Sands Project in Kenya. There were no significant changes in the nature of the Group's principal activities during the period.

Operating Results

The loss for the Group for the half-year after providing for income tax amounted to $11,266,168 (2014: $10,243,803).

Dividends Paid or Recommended

There were no dividends paid or declared for payment during the period ended 31 December 2015.

Review of Operations

Kwale Operations 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.

In the period under review, mining volumes were marginally lower than the six months to 30 June 2015 ("prior period"), due to maintenance downtime reducing the availability of the wet concentrator plant ("WCP"). After mining in high grade blocks for much of calendar 2015, there was a planned progression through to adjacent lower grade perimeter blocks on the eastern edge of the Central Dune in the last months of the period. This resulted in an average ore grade for the period of 7.12% heavy mineral ("HM"), lower than the prior period.

As a result of the lower feed grade and availability, WCP production of heavy mineral concentrate ("HMC") was significantly lower than the prior period. The HMC stockpile, built up in prior periods to accommodate the planned mining sequence, was drawn down by 49kt as mineral separation plant ("MSP") throughput increased to above design levels following completion of upgrade projects. Mining will move back to higher grade sections of the Central Dune during the coming period, with a resultant increase in HMC production and the rebuilding of the HMC stockpile.

The successful completion of the remaining elements of the MSP upgrade projects during the period, together with ongoing process optimisation, has yielded benefits in both throughput and downstream recoveries of rutile and zircon. Consequently, the combined rutile and zircon production increased by 18% during the period, compared to the prior period. Ilmenite recorded a modest 3% increase over the prior period.

Summary Physical Data	Six months to Dec 2015	Six months to Jun 2015	Six months to Dec 2014
Ore mined (tonnes)	4,428,656	4,625,901	4,520,201
Heavy mineral (HM) %	7.12%	9.25%	7.96%
WCP Heavy mineral concentrate production (tonnes)	298,191	413,225	338,838
MSP Heavy mineral concentrate consumption (tonnes)	346,864	328,987	329,829
Production (tonnes)			
Ilmenite	225,770	219,229	208,426
Rutile	42,694	36,253	35,284
Zircon	14,053	11,898	10,518
Sales (tonnes)			
Ilmenite	233,642	203,123	169,923
Rutile	38,581	40,550	36,251
Zircon	13,917	12,803	8,484

Bulk loading operations at the Group's Likoni Port facility continue to run smoothly, dispatching more than 249,000 tonnes during the six month period. Sales continue to be made from the Group's China warehouse as part of the strategy for securing market share in China by offering product for immediate delivery and in smaller volumes than could be justified for a shipment direct from Kenya.

With no serious injuries occurring during the period under review, Kwale Operations lost time injury ("LTI") frequency rate remains at zero. Base employees and contractors have now worked 5.4 million man-hours LTI free, with the last LTI recorded in February 2014.

The global titanium dioxide pigment industry softened towards the end of year as the northern hemisphere entered its usual seasonal slowdown, with pigment sales volumes and prices declining, prompting reductions in pigment output from global producers and demand for feedstock. Base maintained solid sales for the period but experienced pressure on pricing for ilmenite in particular as competition for sales remained high.

A significant proportion of global ilmenite production is experiencing mounting financial pressure from unsustainably low market prices, and there is evidence this is now forcing some production to cease. During the period some major Chinese producers and a major Russian producer suspended production of ilmenite. A positive development at the end of 2015 was a series of pigment price increase announcements from most of the major global pigment producers to be made effective from 1 January 2016.

Zircon trade activity remained steady throughout the period. However, the continued stock over-hang in the market, combined with increasing competition for sales between the major zircon producers, resulted in further price erosion toward the end of the period.

DIRECTORS REPORT

Review of Financial Performance

	Six months to Dec 2015			Six months to Dec 2014		
	Kwale Operations	**Other operations**	**Total**	**Kwale Operations**	**Other operations**	**Total**
	$000s	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**
Sales Revenue	**81,721**	**-**	**81,721**	**61,836**	**-**	**61,836**
Cost of goods sold excluding depreciation & amortisation:						
Operating costs	(34,481)	-	(34,481)	(31,195)	-	(31,195)
Changes in inventories of concentrate and finished product	433	-	433	2,016	-	2,016
Royalties expense	(5,563)	-	(5,563)	(4,622)	-	(4,622)
Total cost of goods sold (i)	**(39,611)**	**-**	**(39,611)**	**(33,801)**	**-**	**(33,801)**
Corporate & external affairs	(1,485)	(3,535)	(5,020)	(1,512)	(3,190)	(4,702)
Community development	(2,046)	-	(2,046)	(1,950)	-	(1,950)
Selling & distribution costs	(2,051)	(425)	(2,476)	(15)	(406)	(421)
Other income / (expenses)	(6,877)	4,774	(2,103)	460	(494)	(34)
EBITDA (i)	**29,651**	**814**	**30,465**	**25,018**	**(4,090)**	**20,928**
Depreciation & amortisation	(21,258)	(2,365)	(23,623)	(17,087)	(2,350)	(19,437)
EBIT (i)	**8,393**	**(1,551)**	**6,842**	**7,931**	**(6,440)**	**1,491**
Net financing expenses	(14,010)	(4,051)	(18,061)	(10,146)	(1,589)	(11,735)
Income tax expense	(47)	-	(47)	-	-	-
NPAT (i)	**(5,664)**	**(5,602)**	**(11,266)**	**(2,215)**	**(8,029)**	**(10,244)**

(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/reviewed.

Base recorded a loss after tax of $11.3 million for the six month period ended 31 December 2015, compared with $10.2 million in 2014.

Sales revenue increased to $81.7 million for the six months to December 2015, compared to $61.8 million in the December 2014 period ("last year"), on the back of a 33% increase in sales volumes. The average sale price of product sold (rutile, ilmenite and zircon) was steady at A$286 per tonne (US$207 per tonne) compared with A$288 per tonne (US$256 per tonne) last year. The decline in US dollar sales prices, which reflects a softening of the titanium feedstock market in particular, has been offset in Australian dollar terms by the depreciation of the Australian dollar against the US dollar.

Total cost of goods sold was $39.6 million for the six months to December 2015, compared to $33.8 million in the same period last year. The increased sales volume over the comparable 2014 period delivered a reduction in average cost from A$157 per tonne of sold to A$138 per tonne this period. The weakening Australian dollar has contributed to the higher reported costs, despite a reduction in the underlying US dollar cost of goods sold in the current period to US$100 per tonne, compared with US$142 per tonne last year. With an achieved revenue to cost of sales ratio of 2:1, Base remains well positioned in the upper quartile of mineral sands producers.

The high value mineral assemblage and low cost of production of the Kwale Operations has delivered a Kwale Operations EBITDA of $29.7 million ($25.0 million in the six months to December 2014) and a Group EBITDA of $30.5 million ($20.9 million in the six months to December 2014). A net loss after tax of $5.7 million was recorded by Kwale Operations and a net loss of $11.3 million by the Group.

Cash flow from operations was $26.8 million for six months to 31 December 2015 was higher than the comparable prior year period ($4.2 million), due to increased sales receipts for the period. Cash flow from operations were lower than Group EBITDA due to the increase in working capital requirements of $16.7 million, predominately driven by an increase in inventories of $2.1 million and a decrease in accounts payable of $1.5 million during the period.

In December 2015, the Kwale Project Debt Facility was rescheduled in order to establish a repayment profile more appropriate to the current commodity price environment. Under the terms of the reschedule, US$14 million of the Debt Facility was paid down on execution, reducing the outstanding debt to US$190 million. In addition, Base also fully funded the debt service reserve account with $24.2 million (US$17.6 million), being the principal repayment and debt service costs for the next six months. All tranches of the Kwale Project Debt Facility have been rescheduled over a remaining tenor of 4.5 years.

Total debt at 31 December 2015 was $288.1 million (US$210 million) compared with $292.6 million (US$224 million) at 30 June 2015. 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.

The Group's working capital, being current assets less current liabilities, has increased from $37 million at 30 June 2015 to $48 million at 31 December 2015, primarily due to the rescheduling of the Kwale Project Debt Facility, offset by the reclassification of the Taurus debt facility from non-current to current borrowings, reflecting the final repayment date of 31 December 2016.

The Taurus debt facility is held at the parent entity, and, under the terms of the facility, repayments prior to the final maturity date are only made from the permitted distributions from the Kwale Project. Permitted distributions from the Kwale Project, to the parent, will commence every six months from June 2016, subject to available surplus cash. While some level of permitted distributions are expected to be available in the period to 31 December 2016, in the current commodity price environment, it is likely that, in isolation, the quantum will not be sufficient to fully repay the Taurus debt facility prior to final maturity without additional funding.

The Company is currently assessing its options to address any outstanding balance of the Taurus debt facility at maturity, which include seeking an extension of the facility maturity date, refinancing the facility with another party, raising equity or a combination of these options. The size and nature of the required funding solution is entirely dependent on the available permitted distributions from the Kwale Operations, which are reliant on mineral sands prices, meeting forecast production output, costs, sales volumes and the receipt of VAT refunds as expected. However, the Directors are confident a suitable funding solution can be secured in the required timeframe.

Given the parent entity’s limited ability to access surplus cash from the Kwale Project, and in order to ensure funding continuity for the parent entity, on 29 February 2016, Base launched a partially underwritten entitlement offer seeking to raise $10 million less costs. The capital raising aims to provide the necessary working capital for the parent to continue to provide corporate services to the Group and pursue its corporate and strategic objectives through to mid-2017, independent of any permitted distributions from the Kwale Project, and addressing the repayment of the Taurus facility separately through the options discussed above. Refer to Note 15 (events subsequent to reporting date) for further details. At the date of this report the capital

DIRECTORS REPORT

raising is not complete and the underwriting agreement is subject to customary termination clauses, however, the directors have a reasonable expectation that it will successfully close.

Rounding

The Group is of a kind referred to in ASIC Class Order 90/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the interim financial report and directors' report have been rounded to the nearest thousand dollars, unless otherwise stated.

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 9 for the half-year ended 31 December 2015.

This report is signed in accordance with a resolution of the Board of Directors.

Keith Spence

Director

Dated this 29th day of February 2016

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

To: the directors of Base Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2015 there have been:

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

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

KPMG.

KPMG

Rob Gambitta
Partner

Perth

29 February 2016

CONSOLIDATED CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

	Note	6 months to 31 December 2015 $000s	6 months to 31 December 2014 $000s
Sales revenue		81,721	61,836
Cost of sales	2	(63,234)	(53,238)
Profit from operations		18,487	8,598
Corporate and external affairs		(5,020)	(4,702)
Community development costs		(2,046)	(1,950)
Selling and distribution costs		(2,476)	(421)
Other expenses		(2,103)	(34)
Profit before financing income and income tax		6,842	1,491
Financing costs	3	(18,061)	(11,735)
Loss before income tax		(11,219)	(10,244)
Income tax expense		(47)	-
Net loss for the period		**(11,266)**	**(10,244)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences - foreign operations		8,833	18,654
Total other comprehensive income for the period		8,833	18,654
Total comprehensive (loss) / income for the period		**(2,433)**	**8,410**
Net Loss per share		**Cents**	**Cents**
Basic profit / (loss) per share (cents per share)		(2.00)	(1.82)
Diluted profit / (loss) per share (cents per share)		(2.00)	(1.82)

The accompanying notes form part of these condensed consolidated interim financial statements.

CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Note	31 December 2015 $000s	30 June 2015 $000s
Current assets			
Cash and cash equivalents		12,446	40,906
Restricted cash	4	24,239	-
Trade and other receivables	5	54,960	54,481
Inventories	6	33,720	31,584
Other current assets		5,917	5,853
Total current assets		**131,282**	**132,824**
Non-current assets			
Capitalised exploration and evaluation		1,510	1,432
Property, plant and equipment	7	418,556	420,983
Restricted cash	4	-	6,532
Total non-current assets		**420,066**	**428,947**
Total assets		**551,348**	**561,771**
Current liabilities			
Trade and other payables	8	21,404	21,866
Borrowings	9	58,880	70,057
Provisions		1,210	1,239
Deferred revenue		1,270	2,159
Other liability		221	636
Total current liabilities		**82,985**	**95,957**
Non-current liabilities			
Borrowings	9	214,671	211,812
Provisions		29,026	27,313
Deferred revenue		4,860	5,171
Total non-current liabilities		**248,557**	**244,296**
Total liabilities		**331,542**	**340,253**
Net assets		**219,806**	**221,518**
Equity			
Issued capital	10	214,131	214,131
Reserves		58,532	49,706
Accumulated losses		(52,857)	(42,319)
Total equity		**219,806**	**221,518**

The accompanying notes form part of these condensed consolidated interim financial statements.

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

	Issued capital $000s	Accumulated losses $000s	Share based payment reserve $000s	Foreign currency translation reserve $000s	Total $000s
Balance at 1 July 2014	213,669	(26,742)	2,752	13,333	203,012
Loss for the period	-	(10,244)	-	-	(10,244)
Other comprehensive income	-	-	-	18,654	18,654
Total comprehensive income / (loss) for the period	-	(10,244)	-	18,654	8,410
Transactions with owners, recognised directly in equity					
Share based payments	462	462	1,803	-	2,727
Balance at 31 December 2014	**214,131**	**(36,524)**	**4,555**	**31,987**	**211,999**
Balance at 1 July 2015	214,131	(42,319)	7,037	42,669	221,518
Loss for the period	-	(11,266)	-	-	(11,266)
Other comprehensive income	-	-	-	8,833	8,833
Total comprehensive income / (loss) for the period	-	(11,266)	-	8,833	(2,433)
Transactions with owners, recognised directly in equity					
Share based payments	-	728	(7)	-	721
Balance at 31 December 2015	**214,131**	**(52,857)**	**7,030**	**51,502**	**219,806**

The accompanying notes form part of these condensed consolidated interim financial statements.

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

	Note	6 months to 31 December 2015 $000s	6 months to 31 December 2014 $000s
Cash flows from operating activities			
Receipts from customers		76,217	53,560
Payments in the course of operations		(49,365)	(49,243)
Other		(95)	(69)
Net cash from operating activities	**14**	**26,757**	**4,248**
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,117)	(4,729)
Other		(323)	(9)
Net cash used in investing activities		**(3,440)**	**(4,738)**
Cash flows from financing activities			
Repayment of borrowings		(19,209)	-
Net payments to restricted cash		(17,379)	-
Payments for debt service costs and re-scheduling fees		(17,533)	(10,235)
Net cash used in financing activities		**(54,121)**	**(10,235)**
Net decrease in cash held		(30,804)	(10,725)
Cash at beginning of period		40,906	20,945
Effect of exchange fluctuations on cash held		2,344	2,495
Cash at end of period		**12,446**	**12,715**

The accompanying notes form part of these condensed consolidated interim financial statements.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION

Reporting entity

Base Resources Limited is a company domiciled in Australia. The condensed consolidated interim financial statements of the Group for the six-months ended 31 December 2015 comprises the Company and its controlled entities (together referred to as the "Group"). The Group is a for-profit entity and primarily is involved in the operation of the Kwale Mineral Sands Project in Kenya.

Statement of compliance

The consolidated interim financial report is a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 and International Accounting Standard IAS 34: Interim Financial Reporting.

The consolidated interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of the consolidated entity for the year ended 30 June 2015 and any public announcements made by Base Resources Limited during the interim financial reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The consolidated interim financial report was approved by the Board of Directors on 29 February 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 interim financial statements have 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 unrestricted cash on hand and on deposit as at 31 December 2015 of $12.4 million and a further $24.2 million of restricted cash set aside to meet the following six months debt service requirements. As at 31 December 2015, the Group held net assets of $219.8 million and had a net working capital surplus of $48.3 million, which includes $61.3 million of scheduled principal repayments, of which $33.9 million is due under the Kwale Project debt facility and $27.4 million under the Taurus debt facility. Net cash inflows from operating and investing activities for the six-months ended 31 December 2015 was $23.3 million. The Directors consider the going concern basis of preparation to be appropriate based on forecast cash flows. The achievement of the cash flow forecast is dependent upon mineral sands prices, meeting production output and cost forecasts, meeting sales forecasts, the receipt of VAT refunds as expected and securing a suitable funding option at the parent level, to repay the Taurus debt facility which matures on 31 December 2016.

The Taurus debt facility is held by the parent entity, and, under the terms of the facility, repayments prior to the final maturity date are only made from the permitted distributions of the Kwale Project. Permitted distributions from the Kwale Project, to the parent, will commence every six months from June 2016, subject to available surplus cash.

While some level of permitted distributions are expected to be available in the period to 31 December 2016, in the current commodity price environment, it is likely that, in isolation, the quantum will not be sufficient to fully repay the Taurus debt facility prior to final maturity without additional funding. The Company is currently assessing its options to address any outstanding balance at maturity, which include seeking an extension of the facility maturity date, refinancing the facility with another party, raising equity or a combination of these options.

The size and nature of the required funding solution is entirely dependent on the available permitted distributions from the Kwale Operations, which are reliant on mineral sands prices, meeting forecast production output, costs, sales volumes and the receipt of VAT refunds as expected. However, the Directors are confident a suitable funding solution can be secured in the required timeframe.

Given the parent entity's limited ability to access surplus cash from the Kwale Project, and in order to ensure funding continuity for the parent entity, on 29 February 2016, Base launched a partially underwritten entitlement offer seeking to raise $10 million less costs. The capital raising aims to provide the necessary working capital for the parent to continue to provide corporate services to the Group and pursue its corporate and strategic objectives through to mid-2017, independent of any permitted distributions from the Kwale Project, and addressing the repayment of the Taurus facility separately through the options discussed above. Refer to Note 15 (events subsequent to reporting date) for further details. At the date of this report the capital raising is not complete and the underwriting agreement is subject to customary termination clauses, however, the directors have a reasonable expectation that it will successfully close.

Should the Group not secure a suitable funding solution to ensure full repayment of the Taurus debt facility by the final maturity date, and not successfully complete the capital raising, 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.

Functional and presentation currency

These consolidated interim 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.

Significant accounting policies

The accounting policies applied by the consolidated entity in this consolidated interim financial report are consistent with those applied by the consolidated entity in its annual financial report for the year ended 30 June 2015.

Critical accounting estimates and judgements

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

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the consolidated financial statements for the year ended 30 June 2015.

NOTE 2: COST OF SALES

	6 months to 31 Dec 15 $000s	6 months to 31 Dec 14 $000s
Operating costs	34,481	31,195
Changes in inventories of concentrate and finished goods	(433)	(2,016)
Royalties expense	5,563	4,622
Depreciation and amortisation	23,623	19,437
	63,234	**53,238**

NOTE 3: FINANCING COSTS

	6 months to 31 Dec 15 $000s	6 months to 31 Dec 14 $000s
Loss on foreign exchange transactions	(821)	(825)
Interest income	32	43
Interest expense, inclusive of withholding tax	(11,946)	(7,576)
Unwinding of discount on provision for rehabilitation	(388)	(789)
Amortisation of capitalised borrowing costs	(3,333)	(1,234)
Financing expenses	(1,605)	(1,354)
	(18,061)	**(11,735)**

NOTE 4: RESTRICTED CASH

	31 Dec 15 $000s	30 Jun 15 $000s
Current		
Restricted cash (a)	24,239	-
Non-current		
Restricted cash (b)	-	6,532

a. Current restricted cash

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

b. Non-current restricted cash

Following the rescheduling of the Kwale Project Debt Facility (refer to note 9) the funds placed on deposit, representing a customer performance guarantee, have been released.

NOTE 5: TRADE AND OTHER RECEIVABLES

	31 Dec 15	30 Jun 15
	$000s	$000s
Trade receivables	27,190	21,589
VAT receivables	27,770	32,892
	54,960	**54,481**

NOTE 6: INVENTORIES

	31 Dec 15	30 Jun 15
	$000s	$000s
Current		
Heavy mineral concentrate and other intermediate stockpiles – at cost	7,362	8,359
Finished goods stockpiles – at cost	14,205	11,860
Stores and consumables – at cost	12,153	11,365
	33,720	31,584

NOTE 7: PROPERTY, PLANT AND EQUIPMENT

	31 Dec 15	30 Jun 15
	$000s	$000s
Plant and equipment		
At cost	293,483	277,745
Accumulated depreciation	(54,865)	(38,687)
	238,618	**239,058**
Mine property and development		
At cost	201,612	195,139
Accumulated depreciation	(31,027)	(21,307)
	170,585	**173,832**
Buildings		
At cost	8,705	7,800
Accumulated depreciation	(1,567)	(1,194)
	7,138	**6,606**
Capital work in progress		
At cost	2,215	1,487
Total Property, Plant and Equipment	**418,556**	**420,983**

	Plant & equipment	Mine property and development	Buildings	Capital work in progress	Total
	$000s	$000s	$000s	$000s	$000s
Balance at 1 July 2014	215,375	162,427	5,856	2,495	386,153
Additions	292	4,741	-	1,451	6,484
Transfers	926	-	-	(926)	-
Depreciation expense	(12,503)	(8,218)	(273)	-	(20,994)
Effects of movement in foreign exchange	28,813	14,966	784	335	44,898
Balance at 31 December 2014	**232,903**	**173,916**	**6,367**	**3,355**	**416,541**
Balance at 1 July 2015	239,058	173,832	6,606	1,487	420,983
Additions	638	117	490	1,872	3,117
Transfers	1,198	-	22	(1,220)	-
Disposals	(46)	-	-	-	(46)
Reduction in mine rehabilitation asset	-	(829)	-	-	(829)
Depreciation expense	(14,260)	(8,943)	(313)	-	(23,516)
Effects of movement in foreign exchange	12,030	6,408	333	76	18,847
Balance at 31 December 2015	**238,618**	**170,585**	**7,138**	**2,215**	**418,556**

NOTE 8: TRADE AND OTHER PAYABLES

	31 Dec 15 $000s	30 Jun 15 $000s
Trade payables and accruals	14,050	16,625
Provision for increase in Government of Kenya royalty (a)	7,354	4,964
	21,404	**21,866**

a. Government of Kenya ("GoK") Royalty

The Company is in ongoing discussions with the GoK with respect to the royalty rate payable for Kwale Operations in the context of resolution of a number of outstanding issues, including receipt of $23.4 million (US$17.1 million) VAT receivables related to the construction of the project. Royalty costs are provided for, and expensed, on the basis of a 5% royalty rate being payable to the GoK, whereas the royalty rate applicable under the terms of the special mining lease is 2.5%.

NOTE 9: BORROWINGS

	31 Dec 15 $000s	30 Jun 15 $000s
Current		
Kwale Project Debt Facility (a)	33,891	69,659
Taurus Facility (b)	27,442	-
Capitalised borrowing costs (b)	(4,560)	-
Amortisation of capitalised borrowing costs (b)	1,667	-
Finance lease liabilities	440	398
Total current borrowings	58,880	70,057
Non-current		
Kwale Project Debt Facility (a)	226,808	196,826
Taurus Facility (b)	-	26,126
Capitalised borrowing costs (a)	(22,428)	(19,838)
Amortisation of capitalised borrowing costs (a)	9,454	7,686
Finance lease liabilities	837	1,012
Total non-current borrowings	214,671	211,812
Total borrowings	273,551	281,869

a. Kwale Project Debt Facility

In December 2015, the Kwale Project Debt Facility ("Debt Facility") was rescheduled in order to establish a repayment profile more appropriate to the current commodity price environment. Under the terms of the reschedule, US$14 million of the Debt Facility was paid down on execution, which reduced the outstanding debt to US$190 million. All tranches of the Debt Facility carry interest rates of LIBOR plus 630 basis points, inclusive of political risk insurance.

The Base Resources parent guarantee remains in place until June 2017, subject to perfecting the applicable lender security package and finalising a long term operating licence for the Company's port operations. An additional margin of 25 basis points is applicable until the earlier of the time that the lender security package is perfected and when the outstanding loan is reduced to US$170 million, currently expected to occur following the scheduled repayment in December 2016. The remaining tenor of all loan tranches has been extended to 4.5 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.

The weighted average effective interest rate on the facilities at 31 December 2015 is 7.30% (30 June 2015: 6.65%), with the increase primarily due to a higher LIBOR rate.

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

b. Taurus Facility

The Taurus Facility has been reclassified from non-current to current borrowings due to the final repayment date of 31 December 2016. In accordance with International Financial Reporting Standards, all transaction costs directly attributable to securing the Taurus Facility are offset against drawn loan amounts. Capitalised borrowing costs are amortised over the life of the loan using the effective interest rate method.

NOTE 10: ISSUED CAPITAL

	31 Dec 15 $000s	30 Jun 15 $000s
Ordinary share capital:		
Issued and fully paid	214,131	214,131

Date	Number	$000s
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
1 July 2015	563,902,771	214,131
31 December 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.

NOTE 11: SEGMENT REPORTING

Identification of reportable segments

The Group's primary activity is the operation of the Kwale Mineral Sands Project in Kenya.

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

	6 months to December 2015			6 months to December 2014		
Reportable segment	**Kwale Mine**	**Other operations**	**Total**	**Kwale Mine**	**Other operations**	**Total**
	$000s	$000s	$000s	$000s	$000s	$000s
Sales revenue	81,721	-	81,721	61,836	-	61,836
Reportable loss	(5,664)	(5,602)	(11,266)	(4,653)	(5,591)	(10,244)
Capital Expenditure	3,117	11	3,128	4,729	75	4,804
	As at 31 December 2015			**As at 30 June 2015**		
Total assets	547,891	3,457	551,348	538,362	23,409	561,771
Total liabilities	303,522	28,020	331,542	311,995	28,258	340,253

NOTE 12: SHARE BASED PAYMENTS

a. Performance rights

On 1 October 2015, Base granted 45,233,105 performance rights to key management personnel and other senior staff under the terms of the Group's long term incentive plan ("LTIP"). The LTIP operates on a series of annual 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 performance rights granted on 1 October 2015 have performance conditions consistent with those issued under previous cycles of the plan and vest on 30 September 2018. The fair value of performance rights granted during the six month period to 31 December 2015 is $0.04 per right.

The 4,870,331 performance rights granted under the LTIP for the cycle commencing 1 October 2012 completed their three year performance period on 30 September 2015, with no rights vesting due to the performance conditions not being met and hence lapsed.

b. Options

In January 2016, 8,500,000 options with an exercise price of $0.25 and 7,100,000 options with an exercise price of $0.09 lapsed unexercised following their expiry.

NOTE 13: COMMITMENTS AND CONTINGENT LIABILITIES

The outstanding operating expenditure commitments of the Group relating to the Kwale Mine are $5.4 million at 31 December 2015 (2014: $5.3 million).

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

	6 months to 31 Dec 2015 $000s	6 months to 31 Dec 2014 $000s
Loss for the period	(11,266)	(10,244)
Depreciation and amortisation	23,623	19,437
Share based payments	719	578
Financing costs classified as financing activity	18,061	10,946
Amortisation of deferred revenue	(576)	(469)
Changes in assets and liabilities:		
Increase in receivables and other assets	(141)	(16,080)
Increase in inventories	(2,137)	(7,474)
(Decrease) / increase in trade and other payables	(1,477)	5,331
(Decrease) / increase in provisions	(49)	18
Increase in deferred revenue	-	2,205
Cash flow from operations	26,757	4,248

NOTE 15: EVENTS SUBSEQUENT TO REPORTING DATE

On 29 February 2016, the Company announced the launch of a partially underwritten accelerated pro rata renounceable entitlement offer to existing shareholders, offering 1 new fully paid ordinary share in the Company for every 3.35 shares held at the record date ("New Shares") at $0.06 per New Share to raise gross proceeds of approximately $10.1 million ("Entitlement Offer").

The proceeds from the Entitlement Offer will be used to provide the necessary working capital for the parent to continue to provide corporate services to the Group and pursue its corporate and strategic objectives through to mid-2017, independent of any permitted distributions from the Kwale Project, and addressing the repayment of the Taurus facility separately through the options discussed in Note 1.

New Shares issued under the Entitlement Offer will rank equally with existing fully paid ordinary shares in Base.

The Entitlement Offer is partially underwritten by RFC Ambrian Limited subject to the terms and conditions of an offer management and underwriting agreement to a cap of $7.0 million. The Company's largest shareholder, Pacific Road Capital (and its related entities) has committed to take up its full $2.0 million entitlement and sub-underwrite the remaining $5.0 million of RFC Ambrian Limited's commitment. Other major shareholders with combined holdings of 29% committed to subscribing for their full entitlements, representing approximately $2.9 of the Entitlement Offer.

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The interim financial statements and notes, as set out on pages 11 to 23, are in accordance with the Corporations Act 2001 including:

    a. giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the six month period ended on that date; and
    b. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

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

This declaration is made in accordance with a resolution of the Board of Directors.

Keith Spence
Director
Dated this 29th day of February 2016

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

Report on the financial report

We have reviewed the accompanying interim financial report of Base Resources Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2015, condensed consolidated statement of profit and loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 15 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 half-year's end or from time to time during the half-year.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim 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 interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Base Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Base Resources Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty regarding continuation as a going concern

Without modifying our conclusion expressed above, we draw attention to the following matter. As a result of the matters set out in the Financial Position note in note 1, there is a material uncertainty which may cast significant doubt 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.

KPMG.

KPMG

Rob Gambitta
Partner

Perth

29 February 2016