DELIVERING RETURNS

ANNUAL REPORT 2020

BASE RESOURCES

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Forward Looking Statements

Certain statements made in or in connection with this Annual Report contain or comprise forward-looking statements, including but not limited to statements regarding capital cost, capacity, future production and grades, sales projections and financial performance of Kwale Operations and the Toliara Project, estimated mineral resources and ore reserves, trends in commodity prices and currency exchange rates, demand for commodities (in particular mineral sands), plans, strategies and objectives of management, operating costs, anticipated production life of Kwale Operations, provisions and contingent liabilities and tax and regulatory developments. Such statements may be (but are not necessarily) identified by the use of phrases such as "will", "expect", "anticipate", "believe" and "envisage".

Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that are beyond Base Resources' control.

No representation, warranty, assurance or guarantee can be given that such forward-looking statements will in fact be achieved or prove to be correct. Results or outcomes could differ materially from those expressed or implied by the forward-looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives and strategies, changes in the regulatory environment and other government actions, fluctuations in product prices and exchange rates and business and operational risk management. To the maximum extent permitted by law, Base Resources and its related bodies corporate and affiliates, and their respective directors, officers, employees, agents and advisers, disclaim any liability (including, without limitation, any liability arising from fault, negligence or negligent misstatement) for any direct or indirect loss or damage arising from any use or reliance on this Annual Report or its contents, including any error or omission from, or otherwise in connection with it.

Subject to any continuing obligations under applicable law or relevant stock exchange listing rules, Base Resources does not undertake to publicly update, review or release any revisions to these forward-looking statements to reflect new information or future events or circumstances.

INTRODUCING BASE RESOURCES

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

The Company's Kwale Operations in Kenya is a consistent and efficient high margin operation. With mine life extension and wider Kenyan mine exploration options being pursued, there is opportunity for further value creation. The Toliara Project in Madagascar continued to progress, with the Company's definitive feasibility study confirming its status as one of the best mineral sands development opportunities in the world.

Benefiting from consistent Kwale Operations production and an ongoing strong price environment, the Company has achieved strong financial results despite the turbulent global environment. This has enabled Base Resources to continue to build a robust financial platform from which to grow the business and create a truly unique mineral sands company.

Consistent with Base Resources' growth strategy, the Company seeks to provide returns to shareholders through both long-term growth in the Company's share price and appropriate cash distributions. Cash not required to meet the Company's near-term growth and development requirements, or to maintain requisite balance sheet strength in light of prevailing circumstances, could be expected to be returned to shareholders.

OUR APPROACH

Base Resources exists to enrich our people, our communities in which we operate and our shareholders through the creative development of mineral resources.

Our approach and business practices are founded on a set of core principles that together form the “Base Way” which permeates every aspect of our business.

The Base Way is based on our belief in:

- The potential of our people
- The power of the team
- The value of resources
- Absolute integrity

From project development through to operating mines, we have adopted world-class, inclusive business practices that seek to minimise any negative impacts and maximise positive outcomes of our operations.

This includes a commitment to safety and operational performance, the recruitment and training of local people, a preference to work with local suppliers, extensive and effective community programs and a commitment to operating in a sustainable and environmentally responsible manner.

With this approach, Base Resources is recognised as a leader in the African resources industry with an enviable track record of excellence in safety, community engagement and environmental stewardship.

Building on this, our audacious goal is to be the pre-eminent African-focused mining company with a portfolio of exceptional operations and opportunities, fully valued by our stakeholders, by 2031.

- We will be the first thought of company when considering truly successful resource development in Africa.
- We will be leveraging the expertise developed and honed in Africa and successfully applying it elsewhere.
- Our opportunities will emerge from clever exploration, acquisition and collaboration. They will represent an optioned pathway to sustained performance.
- Governments and communities will invite us in and employees will seek us out.
- Shareholders will fully value our sustained, predictable and growing earnings.

FY20 HIGHLIGHTS & ACHIEVEMENTS

3.5 CENTS PER SHARE (AUD)

MAIDEN DIVIDEND

US$ **108.7** M

EBITDA

466kt

PRODUCT PRODUCED

US$ **87.6** M

NET CASH

US$ **3.4** M

INVESTED IN COMMUNITY & ENVIRONMENT PROGRAMS

US$ **1.2** M

FURTHER INVESTMENT TO SUPPORT OUR COMMUNITIES TO NAVIGATE THE IMPACT OF COVID-19

Dear Shareholders

In an unprecedented year globally, Base Resources has continued to deliver results with our Kwale Operations in Kenya exceeding expectations in its first full year mining in the South Dune and good progress being made with the world class Toliara development project in Madagascar. With this high-quality asset portfolio and a track record of excellence in safety, operations, project development, community engagement and environmental stewardship, we continue to build a truly unique and resilient mineral sands company.

Base Resources adapted quickly to the COVID-19 pandemic, altering workplace conditions as required to maintain a safe environment for our people and the communities in which we operate. The fact that Kwale Operations maintained full production and met shipping schedules throughout the reporting period is a testament to the commitment and flexibility of the whole Base Resources team. The ongoing COVID-19 pandemic, and its impacts on the Company's business, people and stakeholders, is the subject of ongoing close monitoring and response development by management and the Board.

Kwale Operations continued to perform strongly with the Company completing its first full year of mining the South Dune. As mining progressed, the consistency of higher levels of rutile encountered in the mineral assemblage and greater zircon separation efficiency resulted in an increase to production guidance in January 2020, with production for the year coming in at the higher end of that guidance.

Despite uncertainty caused by COVID-19, our markets remained robust throughout the reporting period and supported a strong price environment. However, it is expected that demand will become more subdued in the near term. In the longer term, forecast structural supply shortfalls will require new projects to be developed in the coming years and present exciting strategic opportunities for Base Resources as an established and experienced mineral sands producer.

Our strong operational performance, combined with a healthy pricing environment, allowed the Company to record revenue of US$208.0 million. This result, along with a continued focus on efficiency drove EBITDA of US$108.7 million and a net profit after tax of US$39.6 million. Strong underlying cashflow enabled the Company to end the year with US$87.6 million net cash.

Following another year of strong operational performance and cash generation, the Board was pleased to determine its maiden dividend of AUD3.5 cents per share, which will be payable in early October.

On site, the Company maintained its uncompromising focus on safety, health and wellbeing with no workplace lost time injuries during the reporting period, resulting in a lost time injury frequency rate of zero. Base Resources' employees and contractors have now worked 20.9 million man-hours lost time injury free, with the last lost time injury recorded in early 2014. One medical treatment injury was recorded in the reporting period resulting in a total recordable injury frequency rate of 0.24 per one million hours.

However, in January 2020, an incident involving Kwale Operations' haulage contractor tragically resulted in a fatal injury to another road user on a public road. An internal investigation was immediately launched into the incident resulting in changes implemented to improve oversight of maintenance and safety practices across all contractors. With Base Resources' fundamental commitment to conducting operations in a manner that is safe for its people and the communities in which we operate, the Board considered it appropriate to exercise its discretion pursuant to the Company's Short Term Incentive Plan to reduce this year's award by 25%.

Through the COVID-19 pandemic, we continued to play an important role in our host communities with an extensive and considered program to support vulnerable Kenyan and Malagasy communities. This has included the distribution of food, construction of hygiene facilities and donation of medical supplies and equipment.

Kwale Operations also continued to set a benchmark for sustainability in mining project implementation and operation with a wide range of activities focused on our people, community and environment. Highlights from these activities include the delivery of over 240,000 training hours to employees and community members, 53% of the Kwale tailings storage facility external walls now being fully rehabilitated, 670 full scholarships being awarded in the reporting period and participation in the Kwale Cotton Project now reaching 3,000 small-holder farmers. The outcomes of ongoing internal training, apprenticeships and graduate programs all contributed to the workforce at Kwale Operations now being 98% Kenyan nationals with 69% drawn from the local Kwale County.

The Company remains focused on Kwale mine life extension to maximise value creation from the Kwale development for shareholders, employees, the community and the nation of Kenya. A number of mine life extension and near mine exploration options continue to be pursued and a pre-feasibility study on mining the North Dune deposit was commenced in January 2020.

The Toliara Project in Madagascar represents a significant and attractive growth opportunity for the Company. The definitive feasibility study released in December 2019 reinforced our view that we have secured one of the best undeveloped mineral sands assets in the world. Subsequently, front end engineering design was advanced and lenders due diligence commenced. This was all achieved while complying with a temporary suspension of on-the-ground activity required by the Government of Madagascar in November 2019 pending the outcome of discussions on fiscal terms. Discussion on these terms progressed positively during the second half of the year, but slowed more recently while the government focused on its COVID-19 response. We remain confident that acceptable terms should be able to be secured and, on this basis, the Company remains committed to development of the Toliara Project.

The last 12 months have brought many challenges, but they have also highlighted the resilience of Base Resources. Kwale Operations remains a high cash generating asset with an enviable revenue to cost of sales ratio and extensional opportunities. We have a very strong balance sheet with enhanced liquidity. Markets are proving relatively stable and we enjoy sound long term relationships with our customers. We have the flexibility to manage the progression of the Toliara Project to suit timing of securing attractive fiscal terms and its development to suit emerging market demand and we have an outstanding team with a recognised reputation for successful mineral sands development and operations. We are well positioned to deliver shareholder value while weathering future global uncertainty. The commencement of dividend flows to shareholders is both a statement and a major milestone on this journey.

I'd like to thank the Board, our employees, suppliers, local communities and host governments for their steadfast support and commitment.

Finally, thank you to you, our shareholders, for your confidence, and patience. We appreciate your ongoing support as we continue to build a truly unique mineral sands company.

Keith Spence
Chair

YEAR AT A GLANCE

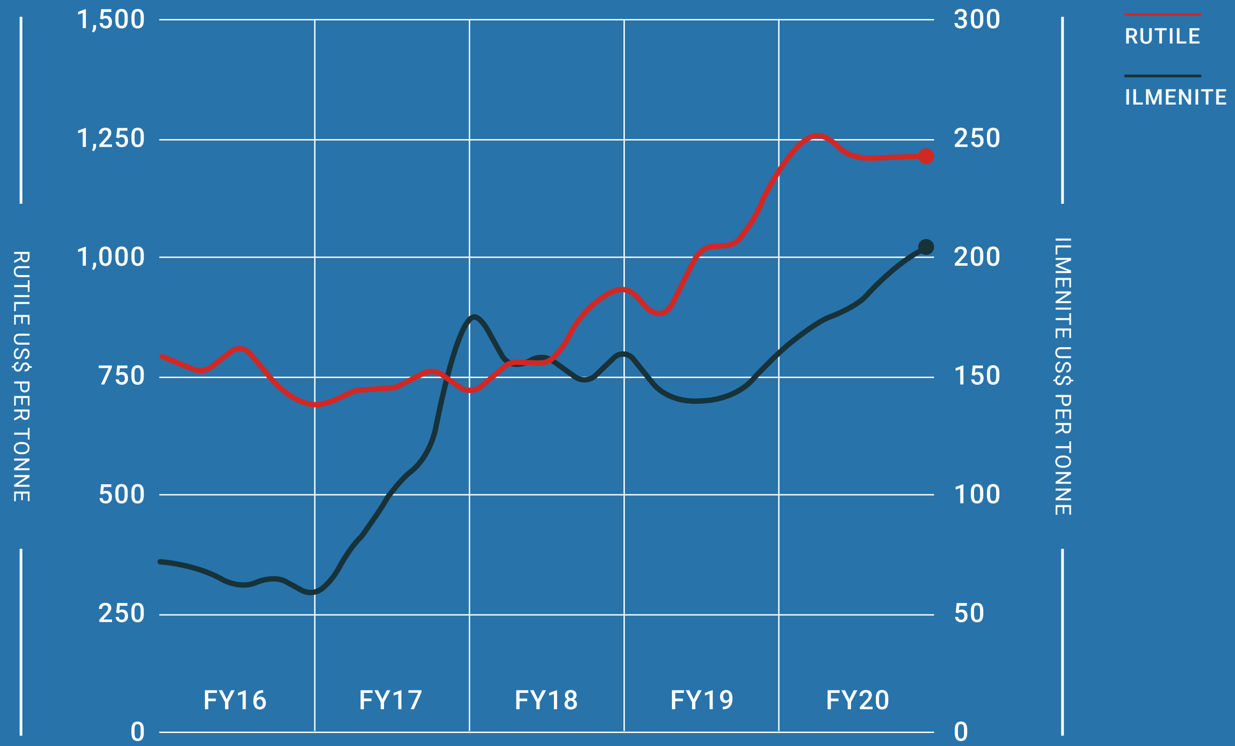
Production

355,093	78,920	31,657
TONNES OF ILMENITE PRODUCED	TONNES OF RUTILE PRODUCED	TONNES OF ZIRCON PRODUCED

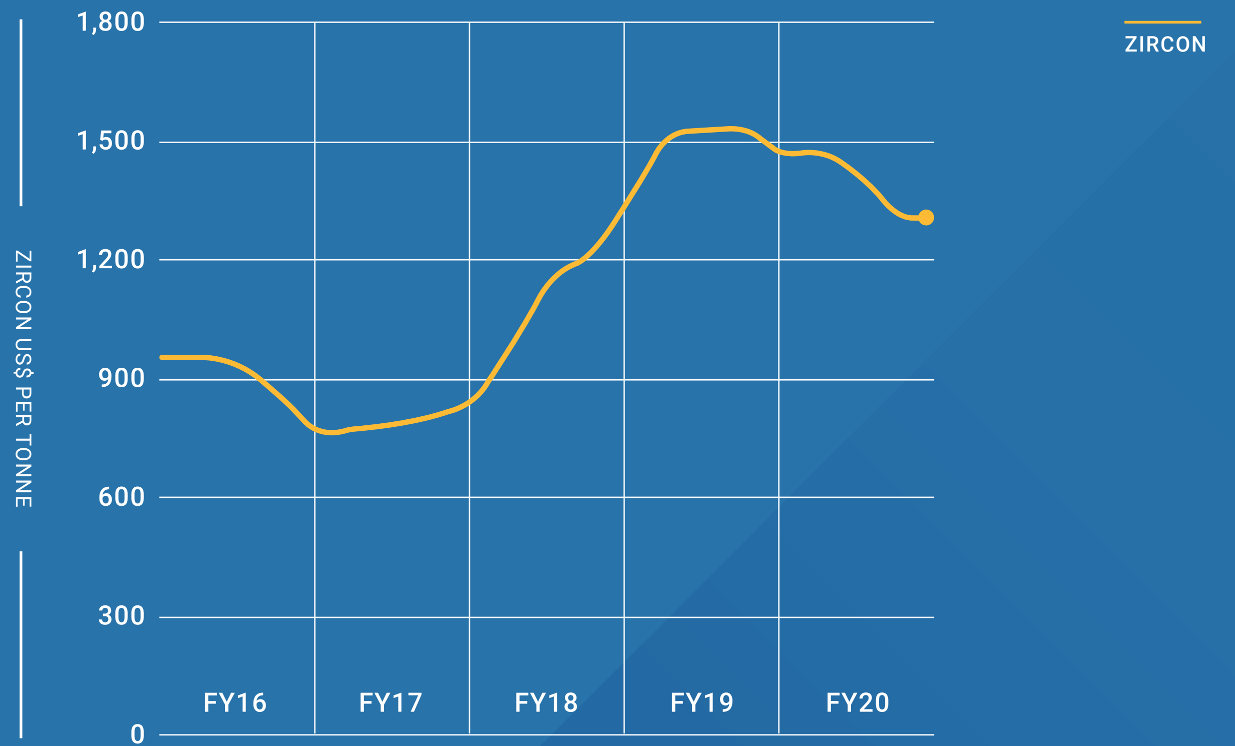
Full year results financial summary

US$M	FY20	FY19
REVENUE	208.0	209.5
EBITDA	108.7	113.5
NET DEPRECIATION	(57.2)	(52.1)
EBIT	51.5	61.4
NET FINANCE EXPENSE	(5.9)	(11.6)
INCOME TAX EXPENSE	(6.0)	(10.7)
NPAT	39.6	39.2
EARNINGS PER SHARE (US CENTS)	3.38	3.39
REVENUE/COST OF SALES	2.5	2.6
DIVIDEND DETERMINED – CENTS PER SHARE (AUD)	3.5	N/A

Historical ilmenite / rutile prices



Historical zircon prices




LV59
BASE
TITANIUM

OPERATING & FINANCIAL REVIEW

OPERATIONS

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

Kwale Operations is designed to process ore to recover three main products: rutile, ilmenite and zircon. Base Resources employs a hydraulic mining method which has proven cost effective and well suited to the Kwale deposit and involves blasting the mining face directly with high pressure jets of water to create an ore slurry. The ore slurry is then pumped to the wet concentrator plant where slimes are removed before a number of gravity separation steps reject most of the non-valuable, lighter gangue minerals to produce a heavy mineral concentrate. The heavy mineral concentrate is then processed in the mineral separation plant which cleans and separates the rutile, ilmenite and zircon minerals into finished products for sale.

Mining

Following the transition of mining operations to the lower grade South Dune in July 2019, mining volume increased by 1% to 18.1 million tonnes in the reporting period (the year ended 30 June 2020) compared to the prior period (the year ended 30 June 2019). The average heavy mineral grade of ore mined was 3.63%, lower than the prior period (3.90%) due to the lower average ore grade in the South Dune compared with the Central Dune mined in prior years.

Mining and Wet Concentrator Plant (WCP)	2020	2019
Ore mined (tonnes)	18,056,841	17,822,324
Heavy mineral (HM) %	3.63	3.90
WCP heavy mineral concentrate production (tonnes)	606,553	644,180

606,553 tonnes of HMC was produced in the reporting period, lower than the prior period (644,180 tonnes) due to the lower grade of ore mined. With HMC now the primary constraint on production, all HMC produced was fed to the mineral separation plant (MSP) and HMC stocks closed the year at 16,450 tonnes (prior period: 20,100 tonnes).

Processing

Mineral Separation Plant Performance	2020	2019
MSP feed (tonnes of heavy mineral concentrate)	608,563	702,082
MSP feed rate (tph)	81	84
MSP recovery %		
Ilmenite	100	102
Rutile	100	101
Zircon	85	76
Production (tonnes)		
Ilmenite	355,093	402,698
Rutile	78,920	92,393
Zircon	31,657	31,941
Zircon low grade	2,370	1,960

As a consequence of MSP operations being constrained by available HMC, plant utilisation and feed rates were lower in this reporting period. As a result, production of all products was lower than the prior period:

- Ilmenite production was 355,093 tonnes in the reporting period (prior period: 402,698 tonnes).
- Rutile production was 78,920 tonnes in the reporting period (prior period: 92,393 tonnes) with higher contained rutile in the feed partially offsetting the reduced feed rate.
- Zircon production was 31,657 tonnes for the reporting period (prior period: 31,941 tonnes) with a higher proportion of contained zircon in the HMC and improved MSP recoveries offsetting the lower feed tonnes. The higher zircon recovery is a function of the mineral properties encountered in the South Dune, which contributed to improved separation efficiency, as well as lower MSP feed rates enabling further optimisation of the zircon wet circuit.
- Production of a low-grade zircon product continued with a contained 2,370 tonnes produced during the year (prior period: 519 tonnes).

Sales

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

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

Product Sales	2020	2019
Sales (tonnes)		
Ilmenite	356,836	395,378
Rutile	79,644	94,070
Zircon	30,267	32,992
Zircon low grade	2,971	1,173

OPERATIONAL COVID-19 RESPONSE

As the COVID-19 pandemic developed in early 2020, its impacts on the Company's business, people and stakeholders was the subject of close monitoring and response development.

Kwale Operations have continued to be maintained, balancing the considerations of employee and community health, operational safety, community benefits, government regulation, customer demand and financial prudence. However, it must be acknowledged that a halt to, or curtailment of, operations remains possible if circumstances change and the balance of factors shifts as the pandemic runs its course.

Base Resources implemented a number of changes to operational workplaces in the reporting period to protect the health and safety of employees and neighbouring communities. These included:

- Substantially modifying workplace practices, such as reducing the number of personnel on site where possible and focusing on hygiene and social distancing measures to minimise the risk of COVID-19 transmission.
- Working with local authorities to adjust practices to ensure compliance with government COVID-19 transmission reduction measures while maintaining operational continuity. These included altering rosters to fit within curfews as well as modifying arrangements to comply with county border travel restrictions.
- Providing the option for fly-in-fly-out employees to return to their home country, as the practicalities of complying with isolation or quarantine restrictions in both Kenya and their home country have rendered roster travel impractical.
- Temporarily closing offices in Madagascar and Perth in alignment with applicable government measures.

The Company continues to monitor and manage the various risks associated with COVID-19, including the following specific to our Kwale Operations:

- **Community support** – Base Resources' operations in Kenya enjoy broad community and government support due to recognition of the benefits the mine brings to the region and nation. However, the Company's social licence to operate could be compromised by any mishandling of its COVID-19 response. Base Resources monitors community sentiment closely and, in addition, has instigated a wide-ranging community support program to assist local communities manage the impacts of COVID-19 (see page 19 for further details).
- **Employee health** – employee health is monitored closely and there were no recorded infections of COVID-19 in our workforce during the reporting period. However, subsequent to year end, a handful of cases were detected in the workforce. Isolation, contact tracing and testing measures have seen this effectively contained.
- **Market demand** – demand for Kwale Operations products remained firm in the reporting period and in the early months of FY21. However, signs are emerging of more subdued demand for the balance of the year. In the longer-term, robust demand for mineral sands products is expected to re-emerge.
- **Continued supply of inputs** (spares, fuel, etc.) – the Company is closely managing its supply chain which is supported by its close proximity to the port of Mombasa. No supply issues arose in the reporting period.
- **Security** - the Company closely monitors the security environment around Kwale Operations and has not registered any indications of concerning civil unrest emerging to date.
- **Government policy** – Base Resources worked closely with national and county governments to ensure compliance with any measures required and has the support of the government to continue operations.

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

Toliara Project

The Toliara Project is founded on the Ranobe deposit, located approximately 45 kilometres north of the regional town of Toliara in south west Madagascar. The Company acquired the Toliara Project in 2018 and is currently progressing the project towards development, with a definitive feasibility study (DFS) being completed in December 2019. The DFS outcomes confirm the Company's view that the Toliara Project is a world class mineral sands development opportunity, with estimated average annual production of 780 thousand tones (kt) of ilmenite, 53kt of zircon and 7kt of rutile over the assumed 33-year mine life[1].

Following completion of the DFS, work commenced on the front-end engineering design, including the equipment selection, tender evaluation and preferred contractor selection for a number of key packages including export facility marine works, bridge, power and fuel supply. Completion of the DFS also allowed the prospective lenders due diligence process to commence, with independent technical and environmental and social experts appointed.

In November 2019, the Government of Madagascar required the Company to temporarily suspend on-the-ground activity on the Toliara Project while discussions on fiscal terms applying to the project were progressed. Activity remains suspended as Base Resources continues to engage with the Government in relation to the fiscal terms applicable to the Toliara Project, with encouraging progress made.

The Toliara Project DFS anticipated a final investment decision (FID) being made in September 2020. However, with the effective shutdown of Government, international travel restrictions and broader COVID-19 measures and impacts both in Madagascar and globally, FID will be delayed. At this time, it is not considered appropriate to provide a revised FID date until there is greater clarity on the trajectory of resumption of global economic activity.

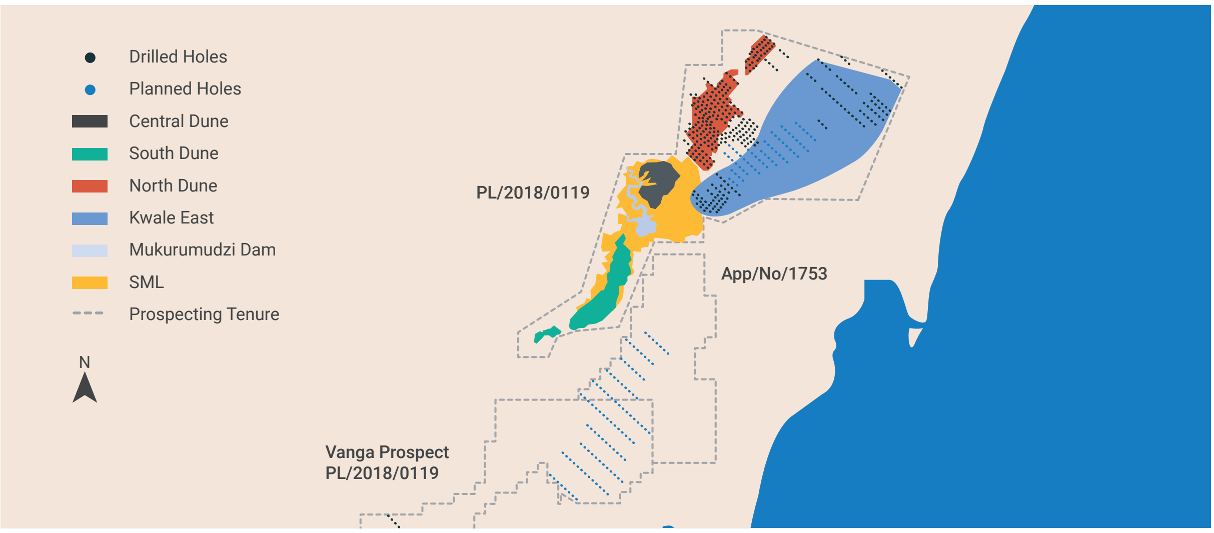
Over the course of 2018 and 2019, the Company completed 29,753m of drilling from 770 holes to test the extent of mineralisation to the west of the existing Ranobe Mineral Resources and at depth. While assaying is still ongoing, with only 67% of samples completed to date, results received have revealed significant additional high-grade mineralisation, particularly to the west of the current Ranobe Ore Reserves[2]. These results demonstrate the potential to extend the Toliara Project well beyond the current planned 33-year mine life.

Kwale Operations extensional exploration

Mining tenure arrangements continued to progress with the Kenyan Ministry of Petroleum and Mining as a precursor to an anticipated updated Ore Reserves estimate based on the expanded 2020 Kwale South Dune Mineral Resources. However, progress has slowed as the government focuses on combating the COVID-19 pandemic.

Following completion of a concept study for mining the Kwale North Dune deposit in early January 2020, a pre-feasibility study was commenced to assess its potential to offer mine life extension and is on target for completion in early 2021.

Completion of the remaining drilling program in the Kwale North-East Sector and the northern sections of the Vanga prospecting licence remain on hold pending community access being secured. A number of additional prospecting licences were applied for in the reporting period, including over an area in the Kuranze region of Kwale county about 70 km west of Kwale Operations, as well as over an area south of Lamu.



1. Excludes first and last partial operating years. For further information about the DFS, refer to Base Resources' announcement on 12 December 2019 "DFS reinforces Toliara Project's status as a world class mineral sands development" (DFS Announcement) available at https://baseresources.com.au/investors/announcements. Base Resources confirms that all material assumptions underpinning the production information disclosed in the DFS Announcement continue to apply and have not materially changed.
2. For further information in relation to the drill results, refer to Base Resources' announcement on 21 January 2020 "Toliara Project drill assays reveal significant high-grade mineralisation" available at https://baseresources.com.au/investors/announcements. Base Resources confirms that it is not aware of any new information or data that materially affects the information included that announcement.


FIXED PLANT MAINTENANCE
VALVE REBUILD WORKSHOP
BASE
TITANIUM

SUSTAINABILITY

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

These practices are based on the understanding that achieving our long-term goals is reliant on building beneficial relationships with the communities in which we operate and establishing a balanced flow of mutual benefit.

Through these mutual benefits we aim to maximise the positive outcomes of our operations for all our stakeholders. Many of our programs seek to extend these positive outcomes past the life of the mine, creating permanent positive change for our communities.

Base Resources focuses its sustainability activities in the following three interrelated areas:

1. Our people
2. Community
3. Environment

The programs, and initiatives within these areas, are developed taking into consideration international best practice and feedback from stakeholders, including our communities and host nations. Base Resources complies with national legislation and international best practice, specifically the International Finance Corporation's Performance Standards, the Equator Principles, World Bank Group's Environmental, Health and Safety Guidelines, International Labour Organisation's core labour standards, the Extractive Industries Transparency Initiative and the United Nations Voluntary Principles on Security and Human Rights.

The Board has ultimate oversight of the Company's sustainability strategy. In the reporting period, Base Resources commenced a process to elevate and deepen its sustainability reporting in the coming years.

Our People

Health and Safety

Base Resources is committed to safety and has established a best-practice safety culture across all of its operations. However, in January 2020, an incident involving Kwale Operations' haulage contractor tragically resulted in a fatal injury to another road user on a public road. The safety of Base Resources' activities for its people and the communities in which it operates is a fundamental commitment for the Company and the incident was addressed at the highest level. Consistent with the findings of the internal investigation into this incident, changes have been implemented to further improve oversight of maintenance and safety practices across all contractors.

There were no workplace lost time injuries during the reporting period. As such the lost time injury frequency rate remains at zero. Base Resources employees and contractors have now worked more than 20.9 million man-hours LTI free, with the last lost time injury recorded in February 2014. One medical treatment injury occurred in the reporting period and as such the total recordable injury frequency Rate at the end of the reporting period was 0.24 per 1 million hours.

Local employment and workforce development

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

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

Base Resources' employee fencing system has proved highly effective at Kwale Operations and, of the 1,147 people employed, 98% are Kenyan with 69% drawn from Kwale County.

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

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

In Madagascar, more than 7,400 men and women from communities surrounding the Toliara Project have registered to participate in Base Resources training programs across a range of skills and expertise with 570 commencing programs including brickmaking, bricklaying and heavy mobile equipment operation. 24 Malagasy apprentices have also commenced a two-year apprenticeship program in Kenya at the Company's Kwale Operations.

Reflecting the Company's continued commitment to skills transfer, Base Resources invested US$0.7 million in training and development across its operations during the reporting period, resulting in the delivery of over 243,000 hours of training to employees and members of the community.

Employee engagement

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

Additional key indicators of employee satisfaction and motivation, as well as sources of competitive cost advantage, are staff turnover and industrial action. The Group voluntary staff turnover rate for the year was 1.8%, an increase from the prior year's 1%, but still very low. Kwale Operations have not recorded any industrial action since commencement of operations.

Diversity

Base Resources values and encourages a diverse workforce and provides a work environment in which everyone is treated fairly, with respect and can realise their full potential. While the primary focus to date has been on maximising local participation, workforce establishment and performance enhancement, the Company set measurable objectives for the reporting period for achieving gender diversity including an increase in the overall percentage of women employed by the Group, maintaining female representation in graduate and apprentice programs intakes at or above one third and increasing the number of women in management roles (Manager and above).

Base Resources met its objective to maintain female representation in the intake for graduate and apprentice programs at or above one third in the reporting period and maintained Board gender diversity. However, the Company did not meet its objectives of achieving an increase in the overall percentage of women employed or an increase in the percentage of women in management roles, with there being a slight reduction in both percentages compared to the prior period. However, in absolute terms, the number of women employed did increase and the number of women in management roles remained stable. Further details about the Company's diversity objectives are set out on page 67.

The Company's diversity performance for the reporting period and prior period is outlined below:

Objective	FY20	FY19	Change (%)
Overall percentage of women	17.7%	18.3%	(0.6)
Female representation in graduate and apprentice programs at or above one third	33.3%	33.3%	No change
Women in management roles (Manager and above)	16.7%	19.4%	(2.7)
Board gender diversity	14.3%	14.3%	No change

Community

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

Through close collaboration with these committees across Kenya and Madagascar community programs have been developed based around four key pillars, with the first supported by the latter three:

- Livelihood Improvement
- Community Health
- Education
- Community Infrastructure

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

COVID-19 and our communities

Throughout the COVID-19 pandemic, Base Resources continued to play an important role in its host communities. The Company worked with NGOs, and national and local governments, in both Kenya and Madagascar to identify areas of need and provide support to vulnerable communities.

These communities were affected by both health and economic related outcomes from the pandemic including lack of personal protective equipment, limited medical equipment, limited access to clean water and unemployment due to movement restrictions. Over a series of phased programs, the Company has donated US$1.2 million for supplies and other initiatives to combat COVID-19 in Kenya and Madagascar, including:

- 100 high flow oxygen ventilators
- 22,000 surgical masks
- 125 thermometer guns
- 12,000 food and sustenance packages provided to households in Kenya and over 45 tonnes of rice, vegetables and other staples donated in Madagascar
- 220 handwashing stations of various sizes, set up in high traffic areas or institutions
- Training and communication materials to raise awareness of COVID-19

In Kenya, Base Resources was recognised by President Kenyatta with a Madaraka (Independence) Day national award for the Company's contribution to the COVID-19 response.

Environment

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

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

Rehabilitation of the Kwale Operations tailings storage facility external walls continued throughout the reporting period with approximately 24.5 hectares (53%) now classified as fully rehabilitated while an additional area has been re-vegetated but is not yet considered fully rehabilitated. Seeds and topsoil erosion control materials for this rehabilitation work are sourced from local women's groups, thereby providing additional incomes for villages surrounding the mine site.

Across the Company's operations, work continued on several programs to rehabilitate impacted areas, improve local biodiversity, and promote conservation and sustainability including the rare and endangered flora propagation research program. Under this program, Base Resources targets species of conservation significance, particularly local and threatened indigenous plant species, for propagation in its nurseries.

The Kwale Operations nursery has 279 indigenous species represented, and over 126,000 plants have been grown to date. The nursery represents one of the largest of its kind in Africa, with a number of propagated rare species considered to be of high conservation value, of which 90 appear in the IUCN Red List of Threatened Species, as either critically endangered, endangered or vulnerable. The nursery, together with the arboretum established alongside it, function as a training and educational facility for local community projects and visitors.

For more information on other environmental programs such as biodiversity corridors, wetland restoration and recycling programs visit baseresources.com.au.

Livelihood improvement

Base Resources runs various livelihood programs to support small-holder farmers and community groups to establish new agricultural opportunities that will provide economic growth well beyond the life of mining activities.

The Kwale Cotton Project supports farmers in Kwale County to develop cotton as an economically sustainable cash crop through a cooperative which is focussed on securing greater returns for farmers through value addition in the sector. Run in partnership with CottonOn and Business for Development, the program has proved particularly successful to date growing from an initial 15 farmers in 2014 to over 3,000 participating farmers in the 2019 season.

Education

To support continued personal and social improvement through education, Base Resources provides a wide range of merit-based scholarships to secondary and tertiary students.

These scholarships fund all academic and school fees for the year. Base Resources has awarded over 470 secondary school and 200 tertiary scholarships to students living in communities around Kwale Operations in the reporting period. Since the scholarships program began, the Company has awarded over 2,700 scholarships.

Community infrastructure

Base Resources works with governments and communities to identify and provide infrastructure that will improve living standards, such as boreholes and the construction of education and health facilities.

In Madagascar, Base Resources commenced several projects in the reporting period, including construction of schools and health facilities, community bore holes and other public facilities. However, progression and completion of these projects was halted when on-the-ground activities were suspended by the Government of Madagascar in November 2019. With positive engagement since, we are optimistic that the suspension will be soon lifted and project momentum re-established.

Community health

Base Resources supports initiatives focused on the quality of, and access to, healthcare in collaboration with local and national government initiatives with the objective of improving key measurable health indicators.

Through Kwale County's community health units, more than 190 Community Health Volunteers were provided with training and resources to cover villages around Kwale Operations, Base Resources' Likoni port facility and the host resettlement site at Bwiti. The volunteers offer primary health care support to their communities by providing sanitation and hygiene information, family planning information, HIV and STI awareness and by promoting good health practices.

MARKETS

With ongoing supply constraints, and despite the emergence of COVID-19, Base Resources secured further price gains for rutile and ilmenite in the reporting period. Sluggish demand meant that zircon experienced a subdued first half of the reporting period before supply discipline, in response to COVID-19 related demand uncertainty, stabilised pricing.

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

Ilmenite and rutile

Ilmenite and rutile are different grades of titanium dioxide ($Ti0_2$) minerals and are used predominantly to produce pigments for paint, paper, plastics, textiles and inks. $Ti0_2$ pigment is prized for its opacity, brightness and whiteness and its ability to absorb and reflect ultraviolet radiation. It is also non-toxic and inert to most chemical reagents.

High grade $Ti0_2$ minerals (which include rutile) can also be used to produce titanium metal, which is corrosion resistant and has the highest strength to weight ratio of any metal. Titanium metal is used across aerospace and defence industries as well as in medical devices, sporting equipment and jewellery.

The global pigment industry experienced a steady start to the reporting period following a period of de-stocking between late 2018 through to mid-2019. Optimism was building through the first half of the reporting period with an expectation that pigment demand, fuelled by improved underlying consumption and some re-stocking, would increase through calendar year 2020. The pigment market was strong through the January to April 2020 period and production rates among Western producers increased. However, growing concerns around COVID-19 through March and April 2020 started to weigh on industry sentiment with COVID-19 related shutdowns and economic impacts taking effect from May 2020. Towards the end of the reporting period, pigment producers reported expectations for a drop in demand and, in response, began to scale back pigment production at some plants.

Conditions within the titanium metal sector strengthened through much of the reporting period. A significant and growing backlog of orders with the major aircraft manufacturers had led to strong demand for titanium metal from the aerospace industry. However, COVID-19 related shutdowns of aerospace manufacturing, followed by the emergence of aircraft order cancellations, have resulted in a much more subdued outlook for this sector.

Supply constraints on high grade titanium feedstocks (which includes rutile) continued through the reporting period. This was the result of some rutile deposits coming to the end of their life and ongoing production issues at some major rutile operations, further exacerbated by COVID-19 related shutdowns in South Africa impacting chloride slag and rutile output. Despite reduced pigment production at the end of the reporting period, demand for high grade feedstocks from all three end-user segments (pigment, $Ti0_2$ metal and welding) exceeded supply through most of the reporting period which resulted in steady price gains. The average price for Base Resources' rutile in the reporting period was 18% higher than in the prior period.

Supply constraints on ilmenite also persisted through the course of the year as bans on all private mining of mineral sands deposits in India have remained in place and Vietnamese ilmenite exports continue to be constrained by the absence of export quota renewals. Ilmenite supply from Mozambique has been lower than expected during the second half of the reporting period and COVID-19 related shutdowns in India resulted in the suspension of ilmenite production from India's government-owned mineral sands producer.

Chinese pigment plants operated at high utilisation levels through most of the reporting period, delivering strong production. While COVID-19 related shutdowns in China

resulted in the temporary suspension of some pigment production, overall output was not significantly impacted. The Chinese domestic market for pigment softened through February and March 2020 but the loss in domestic pigment sales was offset by record exports during this period. From April 2020 onwards, an improvement in the Chinese domestic market for pigment has been offset by declining export demand. The overall impact has been a modest net decrease in demand which is expected to result in some production consolidation and an overall reduction of Chinese pigment production. Ilmenite demand remained firm for the reporting period and this, combined with the restrictions on ilmenite supply, resulted in ilmenite prices trending upwards through the year. The average price for Base Resources' ilmenite in the reporting period was 30% higher than in the prior period.

Expectations of declining pigment and titanium metal production are likely to see reduced demand for rutile through the initial part of the coming period, which could be expected to result in downward price pressure.

Ilmenite demand is expected to decline modestly at the start of the coming period but supply constraints are expected to offset this and keep pricing stable.

Zircon

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

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

Global trade tensions and economic uncertainties, combined with increased environmental inspections in some of the major zircon consuming regions in China, led to cautious buying behaviour from consumers and an overall dampening of demand through the first half of the reporting period. As some major suppliers pushed increased zircon volume into the market, prices experienced downward pressure at the end of 2019 and into the start of 2020. Sentiment in the zircon sector began to improve through January 2020 as consumers became increasingly optimistic on the back of progress being made on international trade issues and a general improvement in the economic outlook.

However, COVID-19 related manufacturing shutdowns in China during February 2020, followed by shutdowns in Italy and Spain, resulted in a drop in zircon demand and a renewed negative outlook. The reduced demand was partially offset by the impact of COVID-19 related shutdown of major zircon producers in South Africa, which subsequently led to a number of large zircon consumers becoming concerned over securing supply into the June quarter. Some major zircon suppliers have indicated an intent to manage supply to the market conditions to support market prices. As a result, zircon pricing remained very stable through the second half of the reporting period.

While zircon demand is expected to remain subdued into the coming year, zircon prices are likely to remain stable for as long as supply from major producers is managed to suit the conditions.

Demand for zircon from Base Resources' customers remains firm and continues to match the Company's production levels. Given the characteristics of zircon in the South Dune, Base Resources has amended its production profile from two grades of zircon to a single high quality grade zircon product, which has been very well received by the market. The average price for Base Resources' standard zircon in the reporting period was 9% lower than the prior period.

Base Resources achieved a profit after tax of US$39.6 million for the reporting period compared to US$39.2 million in the prior period with lower sales volumes offset by higher product pricing.

	2020				2019			
	Kwale Operations US$000s	Toliara Project US$000s	Other US$000s	Total US$000s	Kwale Operations US$000s	Toliara Project US$000s	Other US$000s	Total US$000s
Sales revenue	**208,016**	**-**	**-**	**208,016**	**209,456**	**-**	**-**	**209,456**
Cost of goods sold excluding depreciation & amortisation:								
Operating costs	(68,553)	-	-	(68,553)	(63,234)	-	-	(63,234)
Inventory movement	502	-	-	502	(2,075)	-	-	(2,075)
Royalties expense	(14,557)	-	-	(14,557)	(14,597)	-	-	(14,597)
Total cost of goods sold (i)	**(82,608)**	**-**	**-**	**(82,608)**	**(79,906)**	**-**	**-**	**(79,906)**
Corporate & external affairs	(3,340)	(85)	(6,581)	(10,006)	(4,024)	(249)	(5,859)	(10,132)
Community development	(3,559)	-	-	(3,559)	(3,607)	-	-	(3,607)
Selling & distribution costs	(2,388)	-	-	(2,388)	(2,501)	-	-	(2,501)
COVID-19 response costs	(1,082)	-	-	(1,082)	-	-	-	-
Other income	641	-	(327)	314	850	-	(649)	201
EBITDA (i)	**115,680**	**(85)**	**(6,908)**	**108,687**	**120,268**	**(249)**	**(6,508)**	**113,511**
Depreciation & amortisation	(56,725)	(186)	(273)	(57,184)	(51,885)	-	(183)	(52,068)
EBIT (i)	**58,955**	**(271)**	**(7,181)**	**51,503**	**68,383**	**(249)**	**(6,691)**	**61,443**
Net financing expenses	(5,524)	-	(349)	(5,873)	(9,729)	-	(1,826)	(11,555)
Income tax expense	(6,042)	-	-	(6,042)	(10,735)	-	-	(10,735)
NPAT (i)	**47,389**	**(271)**	**(7,530)**	**39,588**	**47,919**	**(249)**	**(8,517)**	**39,153**

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

Sales revenue decreased 1% to US$208.0 million for the reporting period (prior period: US$209.5 million), achieving an average price of product sold of US$445 per tonne (prior period: US$401 per tonne), with higher average realised prices for rutile and ilmenite, partially offset by lower prices for zircon. In addition, due to lower production as a consequence of lower ore grades, sales volumes decreased by 11% in comparison to the prior period, offsetting the increase in sale prices.

Total operating costs of US$68.6 million for the reporting period were 8% higher than the prior period (US$63.2 million) due to increased pumping costs associated with the mining operations being further from the wet concentrator plant following the transition to the South Dune, and non-cash movements in the rehabilitation and mine closure provision. Operating cost per tonne produced was 22% higher at US$146 per tonne for the reporting period (prior period: US$120 per tonne), due to the increase in operating costs and a 12% reduction in production as a result of lower ore grades.

Total cost of goods sold, excluding depreciation and amortisation, was US$82.6 million for the reporting period, 3% higher than the prior period (US$79.9 million) due to a combination of higher unit operating costs, lower sales volumes and stockpile inventory movements. The average unit cost was US$177 per tonne of product sold, 16% higher than the prior period (US$153 per tonne) due to the higher unit operating costs.

With a margin of US$268 per tonne sold for the reporting period (prior period: US$248 per tonne) and an achieved revenue to cost of sales ratio of 2.5 (prior period: 2.6), the Company remains well positioned amongst mineral sands producers.

The Company's COVID-19 response included providing assistance to the governments and communities in both Kenya and Madagascar through programs that included construction of hygiene facilities, distribution of food and provision of medical supplies and equipment. The cost of these programs was US$1.1 million in Kenya, which was expensed, and US$0.1 million in Madagascar, which was capitalised to the Toliara Project, consistent with our treatment of all community relations costs.

Higher operating costs together with marginally lower revenue and COVID-19 response costs have delivered a reduced Kwale Operations EBITDA for the reporting period of US$115.7 million (prior period: US$120.3 million) and a Group EBITDA of US$108.7 million (prior period US$113.5 million).

The majority of Kwale Operations assets are depreciated on a straight-line basis over the remaining mine life. Depreciation and amortisation has increased 10% in the reporting period to US$57.2 million (prior period: US$52.1 million) due to capital expenditure incurred on the transition of mining operations to the South Dune being depreciated over the short remaining period during which the existing estimated Ore Reserves will be mined. Mining tenure arrangements to extend the Kwale Special Mining Lease No.23 are progressing with the Kenyan Ministry of Petroleum and Mining. Should the extension be successful there is the potential to increase the estimated Ore Reserves and extend mine life, thereby spreading future depreciation and amortisation charges over a longer period.

A net profit after tax of US$47.4 million was recorded by Kwale Operations (prior period: US$47.9 million) and Group net profit after tax of US$39.6 million (prior period: US$39.2 million). Basic earnings per share for the Group was US3.38 cents per share (prior period: US3.39 cents per share).

Cash flow from operations was US$105.5 million for the reporting period (prior period: US$96.6 million), lower than Group EBITDA due to the payment of US$27.5 million in corporate income tax to the Kenya Revenue Authority during the reporting period, offset by a US$10.3 million reduction in trade receivables and other working capital movements. The operating cashflows were partially applied to the funding of capital expenditure at Kwale Operations, Toliara Project progression, as well as debt servicing.

Total capital expenditure for the Group was US$33.6 million in the reporting period (prior period: US$36.1 million), with US$10.6 million at Kwale Operations (prior period: US$18.5 million), primarily for pumping, piping and associated infrastructure required to progress mining operations further along the South Dune. US$22.8 million was spent on the progression of the Toliara Project (prior period: US$17.3 million), including the definitive feasibility study which was released in December 2019. A further US$0.2 million was spent on Corporate capital works (prior period: US$0.3 million).

Net cash

Having repaid the US$20.0 million outstanding balance of the Revolving Credit Facility (RCF) earlier in the reporting period, in March 2020, the Company drew down the full US$75.0 million available under the RCF to secure enhanced liquidity and provide flexibility as part of a prudent risk management strategy for navigating the rapidly evolving uncertainty associated with the COVID-19 pandemic. With a net cash position at 30 June 2020 of US$87.6 million (prior period: US$19.2 million), consisting of cash reserves of US$162.6 million and the fully drawn RCF balance of US$75.0 million, the Company is in a robust financial position.

Capital management

Consistent with Base Resources' growth strategy, the Company seeks to provide returns to shareholders through both long-term growth in the Company's share price and appropriate cash distributions. Cash not required to meet the Company's near-term growth and development requirements, or to maintain requisite balance sheet strength in light of prevailing circumstances, could be expected to be returned to shareholders.

Reflecting this approach, the Board determined a maiden dividend of A$0.035 per share, unfranked, with a record date of 21 September 2020 and payment date of 7 October 2020.

Kenyan VAT receivable

Base Resources has refund claims for VAT paid in Kenya, relating to both the construction of the Kwale Project and the period since operations commenced, totalling approximately US$17.9 million at 30 June 2020. These claims are proceeding through the Kenya Revenue Authority process, with a number of operational period claims, totalling approximately US$11.0 million, settled during the reporting period. Base Resources is continuing to engage with the Kenyan Treasury and the Kenya Revenue Authority to seek to expedite the remainder of the refunds.

The 2020 Mineral Resources and Ore Reserves estimates for Base Resources are summarised in the table below together with the 2019 Mineral Resources and Ore Reserves estimates for comparison.

	2020 as at 30 June 2020									2019 as at 30 June 2019							
Project	Tonnes	HM	HM	SL	OS	HM Assemblage				Tonnes	HM	HM	SL	OS	HM Assemblage		
						ILM	RUT	LEUC	ZIR						ILM	RUT	ZIR
	(Mt)	(Mt)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(Mt)	(Mt)	(%)	(%)	(%)	(%)	(%)	(%)
Mineral Resources (Measured + Indicated + Inferred, inclusive of Ore Reserves)																	
Kwale	246	4.9	2.0	34	2	51	13	-	5	285	6.0	2.1	33	2	52	13	6
Ranobe	1,293	66	5.1	6	0	72	2*	-	6	1,293	66	5.1	6	0	72	2	6
Ore Reserves (Proved + Probable)																	
Kwale	40	1.4	3.4	26	1.7	57	13	-	6	62	2.3	3.8	27	3	57	13	6
Ranobe	586	38	6.5	3.9	0.1	74	1.1	0.9^	5.9	-	-	-	-	-	-	-	-

Table subject to rounding differences
** Rutile reported is rutile + leucoxene mineral species.*
^ Recovered Leucoxene will be split between Rutile and Chloride Ilmenite products depending on product specification requirements.

Mineral Resources and Ore Reserves estimates in this statement are reported in accordance with the JORC Code (2012 edition). Accordingly, this statement should be read in conjunction with the respective explanatory Mineral Resources and Ore Reserves information included in the following announcements[3]:

Deposit		Announcement Title	Estimate date	Release date
Kwale South Dune	Mineral Resources & Ore Reserves	Updated Kwale South Dune Mineral Resources and Ore Reserves estimate	31 March 2020	27 July 2020
Kwale North Dune	Mineral Resources	Mineral Resource for Kwale North Dune deposit	1 May 2019	1 May 2019
Ranobe	Ore Reserves	Maiden Ranobe Ore Reserves Estimate	27 November 2019	6 December 2019
Ranobe	Mineral Resources	Updated Ranobe Deposit Mineral Resources (corrected)	23 January 2019	23 January 2019
2019 Comparatives	Mineral Resources & Ore Reserves	2019 Mineral Resources and Ore Reserves Statement	30 June 2019	21 August 2019

Kwale Deposits

The Company's 100% owned Kwale Operations in Kenya is located approximately 50 kilometres south of Mombasa and 10 kilometres inland from the Kenyan coast. The Company's wholly owned subsidiary, Base Titanium Limited, holds Prospecting Licence 2018/0119 (PL119) which hosts the Kwale South Dune and North Dune deposits. The majority of the Kwale South Dune deposit resides within Special Mining Lease No. 23 (SML23), which sits within PL119 and is currently being mined. A pre-feasibility study is currently underway to assess the potential to mine the North Dune deposit.

Mineral Resources

The 2020 Kwale Mineral Resources, as at 30 June 2020, are estimated to be 246 million tonnes (Mt) at an average heavy mineral (HM) grade of 2.0% for 4.9Mt of contained HM, at a 1% HM cut-off grade.

3. ASX announcements are available at https://baseresources.com.au/investors/announcements/.

2020 Kwale Mineral Resources estimate compared with the 2019 estimate at a 1% HM cut-off grade.

	2020 as at 30 June 2020								2019 as at 30 June 2019							
Category	Tonnes	HM	HM	SL	OS	HM Assemblage			Tonnes	HM	HM	SL	OS	HM Assemblage		
						ILM	RUT	ZIR						ILM	RUT	ZIR
	(Mt)	(Mt)	(%)	(%)	(%)	(%)	(%)	(%)	(Mt)	(Mt)	(%)	(%)	(%)	(%)	(%)	(%)
Kwale South Dune																
Measured	55	1.8	3.2	24	1	58	14	6	81	2.6	3.2	25	1	59	14	6
Indicated	20	0.6	2.9	26	7	52	12	6	33	0.8	2.5	26	7	52	12	6
Total	**76**	**2.3**	**3.1**	**25**	**3**	**57**	**13**	**6**	**114**	**3.5**	**3.0**	**25**	**3**	**56**	**13**	**6**
Kwale North Dune																
Indicated	136	2.1	1.5	38	2	45	12	5	136	2.1	1.5	38	2	45	12	5
Inferred	34	0.5	1.4	36	3	46	13	6	34	0.5	1.4	36	3	46	13	6
Total	**171**	**2.6**	**1.5**	**38**	**2**	**45**	**12**	**5**	**171**	**2.6**	**1.5**	**38**	**2**	**45**	**12**	**5**
Total Kwale Mineral Resources																
Measured	55	1.8	3.2	24	1	58	14	6	81	2.6	3.2	25	1	59	14	6
Indicated	157	2.7	1.7	37	2	47	12	5	169	2.9	1.7	36	3	47	12	5
Inferred	34	0.5	1.4	36	3	46	13	6	34	0.5	1.4	36	3	46	13	6
Total	**246**	**4.9**	**2.0**	**34**	**2**	**51**	**13**	**5**	**285**	**6.0**	**2.1**	**33**	**2**	**52**	**13**	**6**

Table subject to rounding differences. Mineral Resources are inclusive of Kwale South Dune Ore Reserves.

The 2020 Kwale Mineral Resources estimate represents a decrease of 13.5% in material tonnes and 18.5% in contained HM tonnes when compared with the 2019 Kwale Mineral Resources estimate.

The decrease was solely to the Kwale South Dune Mineral Resources which are estimated to be 76Mt at an average HM grade of 3.1% for 2.3Mt of contained HM as at 30 June 2020, a decrease of 38Mt containing 1.1Mt of HM to the 2019 estimate. The decrease was due to:

- Mining depletion, decreasing material by 18.5Mt containing 0.67Mt of HM.
- Mining sterilisation of 12.0Mt of material and 0.25Mt of contained HM comprising material that was not mined as it was not considered economic to do so.
- A 5% reduction in the estimated material bulk density, decreasing material by 5.7Mt containing 0.17Mt of HM compared to the 2019 estimate. As announced on 27 July 2020[4], the reduction in estimated material bulk density was the result of routine reconciliations undertaken between the resource model predictions and run-of-mine operating data gained for ore mined since mining commenced on the Kwale South Dune in July 2019.
- A prospecting licence area reduction, decreasing material by 2.2Mt containing 0.03Mt of HM. The previous prospecting tenure instrument, Special Prospecting Licence 173 (SPL173), which was granted under the previous Kenyan Mining Act, was converted to PL119 in May 2018, which was granted under the 2016 Kenyan Mining Act, requiring a 50% reduction in size. Material excluded by the reduction was not considered economic.

The Kwale North Dune Mineral Resources as at 30 June 2020 are unchanged from the 2019 estimate.

4. Refer to Base Resources' market announcement "Updated Kwale South Dune Mineral Resources and Ore Reserves estimate" released on 27 July 2020, which is available at https://baseresources.com.au/investors/announcements/.

Ore Reserves

Contained within the Kwale South Dune Mineral Resources are the Kwale Ore Reserves, estimated as at 30 June 2020 to be 40Mt at an average HM grade of 3.4% for 1.4Mt of contained HM.

The 2020 Kwale Ore Reserves estimate compared with the 2019 estimate.

	2020 as at 30 June 2020								2019 as at 30 June 2019							
Project	**Tonnes**	**HM**	**HM**	**SL**	**OS**	**HM Assemblage**			**Tonnes**	**HM**	**HM**	**SL**	**OS**	**HM Assemblage**		
						ILM	**RUT**	**ZIR**						**ILM**	**RUT**	**ZIR**
	(Mt)	**(Mt)**	**(%)**	**(%)**	**(%)**	**(%)**	**(%)**	**(%)**	**(Mt)**	**(Mt)**	**(%)**	**(%)**	**(%)**	**(%)**	**(%)**	**(%)**
Kwale South Dune																
Proved	35	1.2	3.5	26	0.8	58	14	6	39	1.6	4.0	27	1	59	14	6
Probable	5	0.2	2.9	27	7	51	12	5	23	0.8	3.3	26	5	53	13	6
Total	**40**	**1.4**	**3.4**	**26**	**1.7**	**57**	**13**	**6**	**62**	**2.3**	**3.8**	**27**	**3**	**57**	**13**	**6**

Table subject to rounding differences.

The 2020 Kwale Ore Reserves estimate represents a decrease of 35% in total ore tonnes and 41% in contained HM tonnes compared to the 2019 Kwale Ore Reserves estimate. This decrease was due to:

- Mining depletion, decreasing ore by 18.3Mt containing 0.68Mt of HM.
- A 5% reduction in the estimated material bulk density of the resource model, decreasing ore by 3.1Mt containing 0.11Mt of HM.
- Other minor changes, including updates to the resource model (other than for material bulk density), altering the mine design to reflect the switch from dozer mining to hydraulic mining and sterilisation of ore, resulting in total reduction in ore of 0.16Mt containing 0.16Mt of HM.

The estimated material and contained HM tonnes for the 2020 Kwale South Dune Mineral Resources are significantly higher than the 2020 Kwale South Dune Ore Reserves estimate because the Ore Reserves are constrained within SML23, whereas the Mineral Resources are constrained within the much larger PL119. Mining tenure arrangements are being progressed with the Kenyan Ministry of Petroleum and Mining to extend the SML23 boundary to incorporate some of these additional Mineral Resources as a precursor to an anticipated updated Ore Reserves estimate.

No Ore Reserves estimate has been completed for the Kwale North Dune deposit.

Ranobe Deposit

The Company's 100% owned Toliara Project is based on the Ranobe deposit, located approximately 45 kilometres north of the town of Toliara and 15km inland from the coast in south west Madagascar. The Ranobe deposit sits within *Permis d'Exploitation* 37242, which is a mining lease under Malagasy law. The Company is currently progressing the project towards development, with a definitive feasibility study completed in December 2019[5].

Mineral Resources

The 2020 Ranobe Mineral Resources are estimated to be 1,293Mt at an average HM grade of 5.1% for 66Mt of contained HM, based on a 1.5% HM cut-off grade. The Ranobe Mineral Resources at 30 June 2020 are unchanged from the 2019 estimate.

The 2020 Ranobe Mineral Resources estimate, compared with the 2019 estimate, at a 1.5% HM cut-off grade.

	2020 as at 30 June 2020								2019 as at 30 June 2019							
Category	**Material**	**In Situ HM**	**HM**	**SL**	**OS**	**HM Assemblage**			**Material**	**In Situ HM**	**HM**	**SL**	**OS**	**HM Assemblage**		
						ILM	**RUT***	**ZIR**						**ILM**	**RUT**	**ZIR**
	(Mt)	**(Mt)**	**(%)**	**(%)**	**(%)**	**(%)**	**(%)**	**(%)**	**(Mt)**	**(Mt)**	**(%)**	**(%)**	**(%)**	**(%)**	**(%)**	**(%)**
Ranobe Mineral Resources																
Measured	419	28	6.6	4	0	75	2	6	419	28	6.6	4	0	75	2	6
Indicated	375	18	4.9	8	1	72	2	6	375	*18*	*4.9*	*8*	*1*	*72*	*2*	*6*
Inferred	499	20	3.9	7	1	70	2	5	499	*20*	*3.9*	*7*	*1*	*70*	*2*	*5*
Total	**1,293**	**66**	**5.1**	**6**	**0**	**72**	**2**	**6**	**1,293**	**66**	**5.1**	**6**	**0**	**72**	**2**	**6**

Table subject to rounding differences. Mineral Resources are inclusive of Ranobe Ore Reserves.
**Rutile reported in the table is rutile + leucoxene mineral species.*

5. Refer to Base Resources' market announcement "DFS reinforces Toliara Project's status as a world class mineral sands development" released on 12 December 2019, which is available at https://baseresources.com.au/investors/announcements/.

Ore Reserves

Contained within the Ranobe Mineral Resources are the Ranobe Ore Reserves, estimated as at 30 June 2020 to be 586Mt at an average HM grade of 6.5% for 38Mt of contained HM. The Ranobe Ore Reserves estimate as at 30 June 2020 are unchanged from the maiden estimate announced on 6 December 2019[6].

The 2020 Ranobe Ore Reserves estimate.

	2020 as at 30 June 2020									2019 as at 30 June 2019							
Project	Tonnes	HM	HM	SL	OS	HM Assemblage				Tonnes	HM	HM	SL	OS	HM Assemblage		
						ILM	RUT	LEUC	ZIR						ILM	RUT	ZIR
	(Mt)	(Mt)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(Mt)	(Mt)	(%)	(%)	(%)	(%)	(%)	(%)
Ranobe Ore Reserves																	
Proved	347	24	7.0	3.8	0.1	75	1.0	*1.0*	5.9	N/A							
Probable	239	14	5.8	4.2	0.2	73	1.3	*0.8*	5.7								
Total	**586**	**38**	**6.5**	**3.9**	**0.1**	**74**	**1.1**	**0.9^**	**5.9**								

Table subject to rounding differences
^ Recovered Leucoxene will be split between Rutile and Chloride Ilmenite products depending on product specification requirements.

Mineral Resources and Ore Reserves Governance

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

Mineral Resources

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

Ore Reserves

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

6. Refer to Base Resources' market announcement "Maiden Ranobe Ore Reserves Estimate" released on 6 December 2019, which is available at https://baseresources.com.au/investors/announcements/.

Competent Person Statements

The 2020 Mineral Resources and Ore Reserves Statement has been approved by the following competent persons on the basis detailed below:

Mineral Resources – South Dune Deposit

The information in this statement that relates to the Kwale South Dune Mineral Resources estimate is based on, and fairly represents, information and supporting documentation prepared by Mr. Scott Carruthers. Mr. Carruthers is a Member of The Australasian Institute of Mining and Metallurgy. Mr. Carruthers is employed by Base Resources, he holds equity securities in Base Resources, and is entitled to participate in Base Resources' long-term incentive plan and receive equity securities under that plan. Details about that plan are included in this Annual Report. Mr. Carruthers has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code and as a qualified person for the purposes of the AIM Rules for Companies. Mr. Carruthers has reviewed this statement and consents to the inclusion in this statement of the Kwale South Dune Mineral Resources estimate and supporting information in the form and context in which the relevant information appears.

Mineral Resources – Kwale North Dune Deposit

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

Ore Reserves – South Dune Deposits

The information in this statement that relates to the Kwale South Dune Ore Reserves estimate is based on, and fairly represents, information and supporting documentation prepared by Mr. Per Scrimshaw and Mr. Scott Carruthers. Mr. Scrimshaw and Mr. Carruthers are both Members of The Australasian Institute of Mining and Metallurgy. Mr. Scrimshaw is employed by Entech, a mining consultancy engaged by Base Resources. Mr. Carruthers is employed by Base Resources, he holds equity securities in Base Resources, and is entitled to participate in Base Resources' long-term incentive plan and receive equity securities under that plan. Details about that plan are included in this Annual Report. Mr. Scrimshaw and Mr. Carruthers each have sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity which they are each undertaking to qualify as Competent Persons as defined in the JORC Code and as qualified persons for the purposes of the AIM Rules for Companies. Mr. Scrimshaw and Mr. Carruthers have each reviewed this statement and consent to the inclusion in this statement of the South Dune Ore Reserves estimate and supporting information in the form and context in which it appears.

Mineral Resources – Ranobe Deposit

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

Ore Reserves – Ranobe Deposit

The information in this statement that relates to Ranobe Ore Reserves estimate is based on, and fairly represents, information and supporting documentation prepared by Mr. Chris Sykes and Mr. Scott Carruthers. Mr. Sykes is a Fellow and Mr. Carruthers is a Member of The Australasian Institute of Mining and Metallurgy. Mr. Sykes acts as a Consultant Mining Engineer for Base Resources. Mr. Carruthers is employed by Base Resources, he holds equity securities in Base Resources, and is entitled to participate in Base Resources' long-term incentive plan and receive equity securities under that plan. Details about that plan are both included in this Annual Report. Both Mr. Sykes and Mr. Carruthers have sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity which they are each undertaking to qualify as a Competent Person as defined in the JORC Code and as qualified persons for the purposes of the AIM Rules for Companies. Mr. Sykes and Mr. Carruthers have each reviewed this statement and consent to the inclusion in this statement of the Ranobe Ore Reserves estimate and the supporting information in the form and context in which the relevant information appears.

Defined terms

Acronyms and certain capitalised terms used in this statement have the meaning given in Base Resources' market announcement released on 13 August 2020 "2020 Mineral Resources and Ore Reserves Statement" available at https://baseresources.com.au/investors/announcements/.

DIRECTORS' REPORT

Directors' Report

Your directors present their report, together with the financial statements of the Group, being the Company, Base Resources Limited, and its controlled entities, for the financial year ended 30 June 2020 (the reporting period) compared with the financial year ended 30 June 2019 (the prior period).

Directors

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

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

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

Company Secretary

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

Principal activities and significant changes in nature of activities

The principal activity of the Group is the operation of the Kwale Mineral Sands Operation in Kenya and the development of the Toliara Project in Madagascar which is being progressed toward development.

Operating results

The Group recorded a profit after tax of US$39,588,000 for the reporting period (2019: US$39,153,000).

Dividends paid or recommended

There were no dividends paid or recommended or declared for payment during the reporting period. The Directors have determined to pay a maiden dividend of AUD 3.5 cents per ordinary share payable on 7 October 2020.

Significant changes in state of affairs

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

After balance date events

Since the end of the reporting period, on 21 August 2020, the Board has determined a maiden dividend of AUD 3.5 cents per share, unfranked, with a record date of 21 September 2020 and payment date of 7 October 2020. The financial impact of the dividend amounting to US$28.2 million has not been recognised in the Consolidated Financial Statements for the year-ended 30 June 2020.

There have been no other significant events since the reporting date.

Future developments, prospects and business strategies

Base Resources' strategy is to continue to pursue mine life extension at Kwale Operations through exploration, and progress the Toliara Project towards development.

Information on Directors

Mr Keith Spence	Non-Executive Chair
Qualifications:	BSc (Geophysics) (Hons), FAIM
Appointed:	20 February 2015 (Appointed as Non-Executive Chair on 19 May 2015)
Experience:	Mr Spence has over 40 years' experience in managing and governing oil and gas operations in Australia, Papua New Guinea, the Netherlands and Africa. A geologist and geophysicist by training, Mr Spence commenced his career as an exploration geologist with Woodside in 1977. He subsequently joined Shell (Development) Australia, where he worked for 18 years. In 1994 he was seconded to Woodside to lead the North West Shelf Exploration team. In 1998, he left Shell to join Woodside. He retired from Woodside in 2008 after a 14-year tenure in top executive positions in the company, including Chief Operating Officer and Acting Chief Executive Officer. Upon his retirement he took up several board positions, including Clough Limited, where he served as Chair from 2010 to 2013, Geodynamics Limited where he served as a non-executive Director from 2008 to 2016 (including as Chair from 2010 to 2016) and Oil Search Limited, where he served as a non-executive Director from 2012 to 2017.
Special responsibilities:	Chair of the Board; Chair of the Remuneration & Nomination Committee; member of the Risk Committee; member of the Audit Committee
Other current listed company directorships:	Independence Group NL (since 2014); Santos Limited (Chair, since 2018)
Past listed company directorships held over the last three years:	Oil Search Limited (resigned 2017); Murray and Roberts Holdings Ltd (resigned March 2020)

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

Mr Colin Bwye	Executive Director – Operations & Development
Qualifications:	BEng (Hons)
Appointed:	12 July 2010
Experience:	Mr Bwye has over 30 years' experience in the mineral sands sector, having commenced his professional career with RGC Mineral Sands (since consolidated into Iluka Resources) as a plant metallurgist in 1988. He undertook a number of technical, production and mining roles within RGC and then, after a period of time consulting to the industry, joined Doral Mineral Industries, a subsidiary of Iwatani Corporation of Japan. Here he was a leader in the development and operation of the Dardanup mineral sands mine in Western Australia before taking on the role of managing director and becoming accountable for the fused materials (zirconia and alumina) processing facilities as well as the mineral sands operation. In 2010 Mr Bwye joined Base Resources as Executive Director – Operations & Development. Mr Bwye has an extensive knowledge of all aspects of the mineral sands industry, including downstream processing and marketing of mineral sands products.
Special responsibilities:	Executive Director; member of the Risk Committee
Other current listed company directorships:	Nil
Past listed company directorships held over the last three years:	Nil

Mr Samuel Willis	Non-Executive Director
Qualifications:	BCom
Appointed:	23 May 2007
Experience:	Mr Willis is an experienced company director in the resources and energy sectors and is currently a director of Checkside (a management consulting firm that specialises in driving high performance for mid-market and emerging companies). Mr Willis provides Base Resources with in excess of 20 years' experience and expertise in capital markets, corporate finance and executive board involvement with emerging small and mid-cap companies. Mr Willis previously held roles as managing director of oil and gas explorer and developer New Standard Energy Limited and as non-executive director of Elixir Petroleum Limited.
Special responsibilities:	Chair of the Audit Committee; member of the Remuneration & Nomination Committee; member of the Risk Committee.
Other current listed company directorships:	Nil
Past listed company directorships held over the last three years:	Elixir Petroleum Limited (resigned 2017)

Mr Michael Stirzaker	Non-Executive Director
Qualifications:	BCom, CA
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, before moving into investment banking with the HSBC Group and then Kleinwort Benson Limited in London. From 1993 to 2007 he was part of the natural resource advisory and investment firm, RFC Group Limited, where he became Joint Managing Director. He has also been a shareholder and Director of Tennant Metals Pty. Limited, a privately owned physical metal trader and investor, and was the Finance Director of Finders Resources Limited, an ASX listed company producing copper in Indonesia. From 2010 until 2019, Mr Stirzaker was a partner with private equity mining fund manager, Pacific Road Capital Management. The Pacific Road Resources Fund II is a major shareholder of Base Resources, with Mr Stirzaker appointed as its nominee on the Base Resources Board.
Special responsibilities:	Member of the Remuneration & Nomination Committee
Other current listed company directorships:	Prodigy Gold NL (since 2018); Firestone Diamonds PLC (since 2019)
Past listed company directorships held over the last three years:	Nil

Mr Malcolm Macpherson	Non-Executive Director
Qualifications:	B.Sc. FAusIMM, FTSE
Appointed:	25 July 2013
Experience:	Mr Macpherson is an accomplished business leader, with decades of experience in the global mining industry at executive management and board level. Mr Macpherson spent 25 years from 1974 at Iluka Resources, the world's largest mineral sands company, rising from mine manager to Managing Director and Chief Executive Officer. He has previously held the position of Chair with Azumah Resources Limited and Western Power Corporation and been a director of Portman Mining Limited and Minara Resources Limited. Mr Macpherson has also been the Senior Vice President of the Minerals Council of Australia, President of the Western Australian Chamber of Minerals & Energy, and a member of the Senate at Murdoch University.
Special responsibilities:	Chair of the Risk Committee; member of the Remuneration & Nomination Committee; member of the Audit Committee
Other current listed company directorships:	Nil
Past listed company directorships held over the last three years:	Nil

Ms Diane Radley	Non-Executive Director
Qualifications:	BComm BCompt (Hons), CA(SA), MBA, AMP (Harvard)
Appointed:	1 February 2018
Experience:	Ms Radley has over 25 years' experience in senior leadership roles across multiple industries, most recently in financial services and investments. She served as CFO at Allied Electronics Corporation (JSE), Group Finance Director at Old Mutual South Africa, and CEO of Old Mutual Investment Group. Prior to this, she advised on a variety of transactions, listings and due diligences for large corporate acquirers and private equity funds in her role as Partner-in-charge of Transaction Services at PricewaterhouseCoopers in South Africa. Ms Radley is currently a non-executive director of Murray & Roberts Holdings Ltd (JSE), Transaction Capital Ltd (JSE), Redefine Properties Ltd (JSE) and a trustee of the DG Murray Trust.
Special responsibilities:	Member of the Risk Committee; member of the Audit Committee
Other current listed company directorships:	Murray & Roberts Holdings Ltd (since 2017); Transaction Capital Ltd (since 2018) , Redefine Properties Ltd (since 2020).
Past listed company directorships held over the last three years:	Nil

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

Meetings of Directors

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

	Directors' Meetings		Audit Committee		Remuneration & Nominations Committee		Risk Committee	
	Meetings held while a director	Meetings attended	Meetings held while a committee member	Meetings attended	Meetings held while a committee member	Meetings attended	Meetings held while a committee member	Meetings attended
Keith Spence	11	11	4	3	3	3	3	3
Tim Carstens	11	11	-	-	-	-	2*	2
Colin Bwye	11	11	-	-	-	-	2*	2
Samuel Willis	11	11	4	4	3	3	3	3
Malcolm Macpherson	11	11	4	4	3	3	3	3
Michael Stirzaker	11	11	-	-	3	3	-	-
Diane Radley	11	11	4	4	-	-	3	3

**Appointed as a Committee Member from 21 November 2019*

Indemnifying officers

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

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

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

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

Shares issued since the end of the financial year

No shares in Base Resources Limited have been issued since year end and no amounts are unpaid on any of the issued shares.

Proceedings on behalf of Group

No person has applied for leave of a Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

Non-audit services

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are also satisfied that the services provided and disclosed below did not compromise the external auditor's independence because 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 are payable to the Group external auditors for non-audit services provided during the year ended 30 June 2020:

	2020 US$	2019 US$
KPMG Australia		
Routine tax compliance and advisory services for reporting period	15,133	49,769
Other services	7,151	7,330
Overseas KPMG firms		
Assistance with Kenyan Revenue Authority audits for prior periods for which KPMG was the incumbent tax advisor	55,384	56,023
Kenyan VAT compliance and advisory services	39,266	51,600
Other compliance and advisory services for reporting period	30,243	110,560

Auditor's independence declaration

The lead auditor's independence declaration for the year ended 30 June 2020 has been received and can be found on page 70 of the Annual Report.

Rounding

The Group is of a kind referred to in ASIC Class Instrument 2016/191 and, in accordance with that Class Instrument, amounts in the financial report and directors' report have been rounded to the nearest thousand dollars, unless otherwise stated.

Remuneration Report - audited

This Remuneration Report sets out the remuneration arrangements for Base Resources Limited for year ended 30 June 2020. 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

This Remuneration Report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, and comprise the Directors (whether executive or otherwise) of the Group and other executive management, as detailed in the table below. The executive management considered to be KMP are those who are members of the Group's strategic planning team. The Executive Directors and executive management listed in the table below are collectively defined as the Senior Executives for the purposes of this report.

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

Role of the Remuneration & Nomination Committee

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

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

Services from remuneration consultants

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

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

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

Total fees paid to BDO for services during the year ended 30 June 2020 were A$21,200.

Remuneration policy

Base Resources is committed to the close alignment of remuneration to shareholder return, particularly that of the Senior Executives. To this end, the Group's remuneration system is designed to attract, motivate and retain people by identifying and rewarding high performers and recognising their contribution to the continued growth and success of the Group.

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

- Facilitate the achievement of the Group's objectives.
- Provide strong linkage between executive incentive rewards and creation of value for shareholders.
- Are simple to understand and implement, openly communicated and are equitable across the Group.
- Attract, retain and motivate employees of the required capabilities.
- Comply with applicable legal requirements and appropriate standards of governance.

Key principles of Senior Executive remuneration

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

Questions and answers about Senior Executive remuneration:

Remuneration mix

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

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

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

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

- Executive Directors (includes Managing Director): 47% fixed and 53% at-risk.
- Other Senior Executives: 62% fixed and 38% at-risk.

Fixed remuneration

What is included in fixed remuneration?

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

When and how is fixed remuneration reviewed?

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

Short Term Incentive Plan (STIP)

What is the STIP?

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

Why does the Board consider the STIP is appropriate?

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

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

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

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

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

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

What are the performance criteria?

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

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

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

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

The target corporate performance criteria for the 2020 financial year were:

- Budgeted group EBITDA, assuming fixed AUD:USD exchange rate and the inclusion of only 25% of variances in actual sales prices against budgeted prices, reflecting a limited measure of management control over product pricing outcomes.
- Achievement of a fully funded decision to proceed to construction on the Toliara Project by 31 March 2021, unless extended by the Board in its absolute discretion.

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

Are there overriding financial performance or other conditions?

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

Irrespective of whether a gate is achieved, the Board retains the absolute discretion to increase or decrease awards. It is intended that the exercise of this discretion is used sparingly to take account of significant events and/or factors that were not anticipated when the year commenced and the performance criteria were set.

The following gates were in place for the 2020 financial year:

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

In January 2020, an incident with Kwale Operations' haulage contractor tragically resulted in a fatal injury to another road user on a public road. This incident was not considered a workplace fatality by industry standards and thereby did not strictly result in the non-satisfaction of the "no workplace fatalities" gate for the assessment of STI. Notwithstanding this, the safety of the Group's activities for its people and the communities in which it operates is a fundamental commitment for the Company, and the Board has elected to exercise its absolute discretion on this matter, and reduce the award opportunity for all STIP participants by 25%.

What is the value of the STIP award opportunity?

Executive Directors have a target STIP opportunity of 50% of TFR, with a minimum opportunity (if only threshold level is met) of 20% of TFR and a maximum opportunity (if the stretch targets are achieved) of 80% of TFR. This was effective from 1 July 2019, with the target STIP opportunity for Executive Directors reduced from 60% of TFR and the maximum opportunity reduced from 100% of TFR, whilst the minimum opportunity remained unchanged from 20% of TFR.

Other Senior Executives have a target STIP opportunity of 30% of TFR, with a minimum opportunity (if only threshold level is met) of 15% of TFR and a maximum opportunity (if the stretch targets are achieved) of 60% of TFR.

These percentages are set based on external advice to achieve the remuneration policy intent of 75^{th} market percentile TRP market positioning.

Following the Board's discretion to reduce award opportunities for all STIP participants by 25% in the reporting period, the target STIP opportunity for Executive Directors is reduced to 37.5% of TFR and to 22.5% for other Senior Executives.

How is the STIP assessed?

Individual performance criteria - are assessed using a performance rating scale. In making the assessment in respect of a particular area of accountability, consideration is given to the extent to which the behaviours and performance indicators identified in the role description have been modelled and observed. This assessment is undertaken by the participant's manager and then signed-off by the manager-once-removed. In the case of the Executive Directors, the assessment is undertaken by the Remuneration & Nomination Committee and approved by the Board. Specific outcomes during the 2020 financial year relevant to STIP awards have included:

- The successful ramp up and optimisation of mining operations on the Kwale South Dune.
- The continued consistent performance of Kwale Operations with actual production achieved at the upper end of market guidance.
- Tight control of operating costs.
- Maintenance of high safety standards.
- Delivery of a high quality Toliara Project Definitive Feasibility Study.
- Development of the Base Toliara organisation, building community and government support and establishing capacity building programs.
- A COVID-19 response that has been effective in maintaining the health and wellbeing of employees whilst maintaining operational performance.

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

Long Term Incentive Plan (LTIP)

What is the LTIP?

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

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

How often are LTIP awards made?

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

Why does the Board consider a LTIP is appropriate?

The Group believes that a well designed LTIP can:

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

What types of equity may be granted under the LTIP?

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

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

What is the value of the LTIP award opportunity?

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

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

What are the LTIP performance criteria?

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

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

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

Relative TSR performance rights

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

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

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

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

Absolute TSR performance rights

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

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

The number of performance rights granted for the cycle commencing 1 October 2019 was determined by reference to the 20-day volume weighted average price (VWAP) of A$0.2587 per share (A$0.2480 for cycle commencing 1 October 2018 and A$0.2891 for cycle commencing 1 October 2017). In order to achieve 100% vesting of the absolute performance rights for the cycle commencing 1 October 2019, a 30-day VWAP of A$0.4476 or greater would be required (A$0.4290 for cycle commencing 1 October 2018 and A$0.5001 for cycle commencing 1 October 2017) at the conclusion of the 3-year performance period, assuming no dividends are paid during the performance period.

What is the comparator group?

The TSR comparator group is comprised of the 26th to 75th ranked companies, from the top 150 ASX listed resource companies (excluding oil and gas) by market capitalisation, at the time of the offer. The comparator group for each of the 2019, 2018 and 2017 performance rights cycles is as specified below:

Companies	LTIP Cycle Commencing 1 October 2019	2018	2017
Adriatic Metals Plc	✓		
Aeon Metals Limited		✓	
Alacer Group Corp.		✓	✓
Alderan Resources Limited			✓
Alkane Resources Limited	✓		✓
Altura Mining Limited	✓	✓	✓
Argosy Minerals Limited		✓	✓
Artemis Resources Limited			✓
Atlas Iron Limited		✓	✓
Atrum Coal Limited	✓		
Aurelia Metals Limited	✓	✓	
Avanco Resources Limited			✓
AVZ Minerals Limited		✓	✓
Bardoc Gold Limited	✓		
Bathurst Resources Limited	✓	✓	✓
Bellevue Gold Limited	✓		
Beadell Resources Limited			✓
Berkeley Energia Limited			✓
Blue Energy Limited			✓
Capricorn Metals Limited	✓		
Cardinal Resources Limited	✓		✓
Catalyst Metals Limited	✓		
Champion Iron Limited		✓	✓
CI Resources Limited	✓		✓
Copper Mountain Mining Corporation		✓	
Dacian Gold Limited	✓	✓	✓
Danakali Limited		✓	✓
Echo Resources Limited	✓		
Energy Resources of Australia Limited		✓	✓
Finders Resources Limited		✓	✓
Flinders Mines Limited	✓	✓	✓
Galaxy Resources Limited	✓	✓	
Gascoyne Resources Limited			✓
Global Geoscience Limited		✓	✓
Gold Road Resources Limited		✓	✓
Grange Resources Limited	✓	✓	✓
Greenland Minerals Limited	✓		
Hastings Technology Metals Limited	✓		
Heron Resources Limited			✓
Highfield Resources Limited		✓	
Image Resources	✓		
ioneer Limited	✓		
Jervois Mining Limited	✓		
Jupiter Mines Limited	✓	✓	

Companies	LTIP Cycle Commencing 1 October 2019	2018	2017
Kangaroo Resources Limited		✓	
Kidman Resources Limited		✓	✓
Liontown Resources Limited	✓		
Lynas Corporation		✓	
Magnis Resources Limited		✓	✓
Medusa Mining Limited	✓		
Metals X Limited	✓	✓	✓
Metro Mining Limited	✓	✓	✓
Millennium Minerals Limited		✓	
Mincor Resources NL	✓		
MOD Resources Limited	✓		
Mineral Deposits Limited			✓
Mount Gibson Iron Limited	✓	✓	✓
Neometals Limited			✓
New Century Resources Limited	✓	✓	✓
Nickel Mines Limited		✓	
Northern Minerals Limited	✓		
OM Holdings Limited	✓		✓
Orocobre Limited	✓	✓	
Paladin Energy Limited		✓	
Panoramic Resources Limited	✓	✓	
Pantoro Limited	✓		✓
Perseus Mining Limited	✓	✓	✓
Pilbara Minerals Limited	✓		
Poseidon Nickel Limited	✓		
Ramelius Resources Limited	✓	✓	✓
Rand Mining Limited	✓		✓
Red 5 Limited	✓		
Realm Resources Limited			✓
Resolute Mining Limited		✓	✓
Sandfire Resources NL	✓		✓
Sheffield Resources Limited		✓	
Silver Lake Resources Limited	✓	✓	✓
Stanmore Coal Limited		✓	
Syrah Resources Limited	✓	✓	
Tawana Resources NL		✓	
Terracom Limited		✓	
Terramin Australia Limited		✓	✓
Tribune Resources Limited	✓	✓	✓
Tungsten Mining NL	✓	✓	
West African Resources Limited	✓	✓	✓
Western Areas Limited	✓	✓	✓
Westgold Resources Limited	✓	✓	✓
Zimplats Holdings Limited		✓	✓

Was a grant made in 2020?

Performance rights were granted to eligible participants in the LTIP for the cycle commencing 1 October 2019. The number of performance rights granted for each executive was calculated by reference to the VWAP over the twenty trading days up to the start of the cycle, being A$0.2587 per share, and the LTIP award opportunity.

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

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

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

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

- A pro rata number of performance rights granted for the cycle beginning on the 1 October immediately prior to the participant ceasing to be employed a Group member that reflects the proportion of the 12-month period beginning on that date that the participant will not be an employee will be automatically forfeited.
- All other performance rights will continue to be held by the participant and will be tested for vesting on the test date for the relevant performance right.

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

What happens in the event of a change of control?

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

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

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

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

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

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

Did any performance rights vest in 2020?

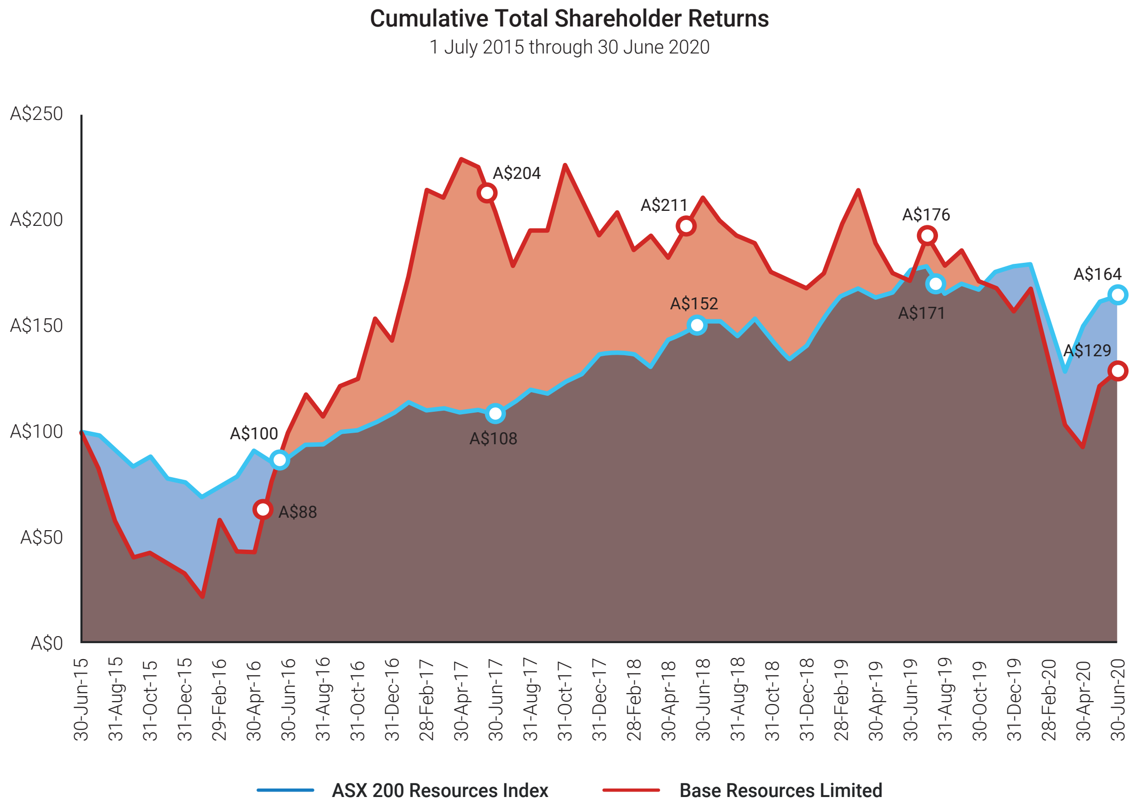
All 11,514,341 of the 11,514,341 performance rights granted under the LTIP for the cycle commencing 1 October 2016 vested. These rights completed the 3 year performance period on 30 September 2019, with vesting as follows:

- **Relative TSR performance rights**
  Base Resources TSR over the performance period placed it in the 80th percentile, resulting in 100% of the relative performance rights vesting.
- **Absolute TSR performance rights**
  Base Resources TSR over the performance period, by reference to a final VWAP of A$0.258, equated to a TSR of 77%, resulting in 100% of the absolute performance rights vesting.

Shares issued to the participants in the LTIP upon the vesting and valid exercise of the above performance rights were satisfied through the Company issuing shares.

Group performance and its link to shareholder return

The following graph compares the change in the cumulative TSR of Base Resources' shares during the period 1 July 2015 to 30 June 2020, against the cumulative total return of the ASX 200 Resources Index over the same period. The graph illustrates the cumulative return from Base Resources over the past five years, assuming A$100 was invested. No dividends have been declared during this period.



Executive remuneration outcomes for 2020

Total Fixed Remuneration (TFR)

The Company seeks to ensure that executive remuneration is market competitive, easy to understand and can be clearly communicated to executives and shareholders. A comprehensive market benchmarking of senior executive remuneration was completed during the year. By reference to this benchmarking, and being mindful of the need to retain our key employees in a competitive market as the Company grows, the Board approved the following increases in TFR, effective from 1 July 2019 for:

- Tim Carstens from A$580,000 to A$628,000 reflecting market movements and seeking to achieve the Company's remuneration policy positioning intent of the 50th percentile for TFR. This increase in TFR was partly offset by a reduced STIP award opportunity for the 2020 financial year, relative to the 2019 financial year.
- Colin Bwye from A$580,000 to A$628,000 reflecting market movements and seeking to achieve the Company's remuneration policy positioning intent of the 50th percentile for TFR. This increase in TFR was partly offset by a reduced STIP award opportunity for the 2020 financial year, relative to the 2019 financial year.
- Kevin Balloch from A$407,000 to A$419,210 representing an inflationary adjustment.
- Andre Greyling from A$385,000 to A$410,000 recognising the increased scope of the role compared with benchmark.
- Stephen Hay from A$427,811 to A$440,645 representing an inflationary adjustment.
- Chadwick Poletti from A$355,000 to A$385,000 recognising the increased scope of the role compared with benchmark.

Short Term Incentives (STI)

In January 2020, an incident with Kwale Operations' haulage contractor tragically resulted in a fatal injury to another road user on a public road. This incident was not considered a workplace fatality by industry standards and thereby did not strictly result in the non-satisfaction of the "no workplace fatalities" gate for the assessment of STI. Notwithstanding this, the safety of the Group's activities for its people and the communities in which it operates is a fundamental commitment for the Company, and the Board has elected to exercise its absolute discretion on this matter, and reduce the award opportunity for all STIP participants by 25%.

At the end of the 2020 financial year, a review of the performance of each Senior Executive was undertaken against each of their 2020 individual performance measures as explained above. The 2020 financial year corporate performance was measured against two equally weighted criteria: Group financial performance relative to budget and achievement of the Toliara Project FID by 31 March 2021 (unless extended by the Board in its absolute discretion). The Group financial performance achieved relative to budget was above stretch performance levels, and incentives are payable in relation to this component commensurate with the performance level achieved. The achievement of the FID will be assessed when it occurs. STIP entitlements earned for 2020 performance are paid in the 2021 financial year.

The following table outlines the STI that was earned in comparison with the target STI for the 2020 financial year:

	Target STI (i)			STI Awarded (i)		
		Corporate performance			Corporate performance	
Name	Individual performance %	Financial performance %	Toliara Project FID %	Individual performance %	Financial performance %	Toliara (ii) Project FID
T Carstens	18.75	9.375	9.375	22	15	yet to be assessed
C Bwye	18.75	9.375	9.375	23	15	yet to be assessed
K Balloch	11.25	5.625	5.625	14	11.25	yet to be assessed
A Greyling	11.25	5.625	5.625	17	11.25	yet to be assessed
S Hay	11.25	5.625	5.625	15	11.25	yet to be assessed
C Poletti	11.25	5.625	5.625	16	11.25	yet to be assessed

(i) Percentages quoted incorporate the 25% reduction to STI award opportunities following the exercise of the Board's discretion.
(ii) 50% of corporate performance relates to achieving the Toliara Project FID, which spans more than one financial year. The extent to which this is achieved can only be assessed once the target FID date has passed.

LTIP Performance Rights

The LTIP operates on the basis of a series of 3-year performance cycles commencing on 1 October each year. Accordingly, LTIP performance rights issued in the reporting period are subject to a 3-year performance period ending on 30 September 2022. Performance rights issued under the plan in the 2016 financial year, totalling 11,514,341, completed their 3-year performance period on 30 September 2019, with 11,514,341 performance rights vesting.

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

			Relative Performance Rights		Absolute Performance Rights	
Grant date	Vesting date	No. performance rights granted	No. vested	%	No. vested	%
1 October 2014	30 September 2017	10,030,672	4,961,983	99	-	0
1 October 2015	30 September 2018	45,748,431	22,874,215	100	22,874,216	100
1 October 2016	30 September 2019	11,514,341	5,757,170	100	5,757,171	100

Take home pay for 2020

The remuneration detailed in this table represents the Senior Executives' "take home pay" and is aligned to the current reporting period, and therefore is particularly useful in understanding actual remuneration received during the year. The table excludes adjustments made for accounting purposes and included in Statutory Remuneration (refer to page 50), specifically the probability and value of an employee obtaining long service leave and the fair value of performance rights under three outstanding LTIP cycles expensed during the 2020 financial year. The remuneration packages for all Senior Executives are shown in the following table in their employment currency.

Key Management Person	Currency	Salary	STIP award (ii)	Superannuation	Vesting of performance rights (iii)	Take home pay (i) (before tax)
2020						
Executive Directors						
T Carstens	AUD	603,000	229,613	25,000	445,182	1,302,795
C Bwye	AUD	603,000	236,678	25,000	445,182	1,309,860
Other Key Management Personnel						
K Balloch	AUD	394,210	106,113	25,000	178,358	703,681
A Greyling	AUD	385,000	117,619	25,000	160,523	688,142
S Hay	AUD	415,645	116,496	25,000	198,742	755,883
C Poletti	AUD	360,000	106,116	25,000	91,727	582,843
2019						
Executive Directors						
T Carstens	AUD	555,000	274,703	25,000	1,845,674	2,700,377
C Bwye	AUD	555,000	274,703	25,000	1,845,674	2,700,377
Other Key Management Personnel						
K Balloch	AUD	382,000	104,339	25,000	739,453	1,250,792
A Greyling	AUD	360,000	104,474	25,000	665,507	1,154,981
S Hay	AUD	402,811	112,883	25,000	823,962	1,364,656
C Poletti	AUD	330,000	109,646	25,000	380,290	844,936

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

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

(iii) The value of performance rights vesting on 30 September 2019 has been calculated by reference to the price on the vesting date of A$0.2580. The value of performance rights vesting on 30 September 2018 has been calculated by reference to the price on the vesting date of A$0.2650.

Statutory remuneration disclosures for the year ended 30 June 2020

The statutory remuneration disclosures for the year ended 30 June 2020 are detailed below and are prepared in accordance with Australian Accounting Standards, are stated in US dollars and differ from the take home pay summary on page 49. These differences arise due to the accounting treatment of long service leave and share-based payments.

Key Management Person	Short term employment benefits		Post-employment benefits	Other long term	Share based payments	Total	Performance related
	Salary	STIP bonus (i)	Superannuation	Long service leave (ii)	Performance Rights (iii)		
2020	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**%**
Executive Directors							
T Carstens (iv)	404,673	154,093	16,778	12,540	280,944	869,028	50.1
C Bwye (iv)	404,673	158,834	16,778	12,519	280,944	873,748	50.3
Other Key Management Personnel							
K Balloch (iv)	264,554	71,212	16,778	5,991	102,060	460,595	37.6
A Greyling (iv)	258,374	78,934	16,778	5,882	94,563	454,531	38.2
S Hay (iv)	278,939	78,180	16,778	10,490	107,690	492,077	37.8
C Poletti (iv)	241,596	71,214	16,778	8,631	85,785	424,004	37.0
Total	**1,852,809**	612,467	**100,668**	**56,053**	**951,986**	**3,573,983**	
2019							
Executive Directors							
T Carstens (iv)	396,881	196,440	17,878	16,371	271,680	899,250	52.1
C Bwye (iv)	396,881	196,440	17,878	14,418	271,680	897,297	52.2
Other Key Management Personnel							
K Balloch (iv)	273,168	74,613	17,878	9,890	103,458	479,007	37.2
A Greyling (iv)	257,436	74,709	17,878	2,717	93,829	446,569	37.7
S Hay (iv)	288,050	80,722	17,878	10,022	110,854	507,526	37.7
C Poletti (iv)	235,983	78,408	17,878	5,094	76,315	413,678	37.4
Total	**1,848,399**	**701,332**	**107,268**	**58,512**	**927,816**	**3,643,327**	

(i) Current year STIP awards are accrued in the financial year to which the performance relates.
(ii) Long service leave entitlement represents the movement in the provision.
(iii) The fair value of performance rights is calculated at the date of grant using a Monte Carlo Simulation model and recognised over the period in which the minimum service conditions are fulfilled (the vesting period). The value disclosed is the portion of the fair value of the performance rights recognised in the reporting period. The amount included as remuneration is not necessarily the benefit (if any) that individual Senior Executive may ultimately receive.
(iv) Total remuneration package denominated in Australian dollars (A$) and converted to US dollars (US$) for reporting purposes using the average exchange rate for the 2020 financial year of 0.6711 (2019: 0.7151).

Reconciliation of take home pay to statutory remuneration

A reconciliation of the Managing Director's take home pay to statutory remuneration is detailed below as an example:

	2020 $	2019 $
Take home pay for the Managing Director (A$)	1,302,795	2,700,377
Take home pay converted to US$ using average exchange rates	**874,306**	**1,931,040**
Treatment of Long Service Leave:		
Add: Movement in the accounting provision for long service leave entitlements	12,540	16,371
Treatment of performance rights:		
Add: accounting fair value (non-cash) of performance rights recognised in the period	280,944	271,680
Less: value of performance rights vested at date of vesting (US$)	(298,762)	(1,319,841)
Statutory pay for the Managing Director (US$)	**869,028**	**899,250**

Non-executive director remuneration

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

The Group's policy is that non-executive Director remuneration is structured to exclude equity-based remuneration and reviewed annually. All Directors have the insurance premiums for their director's and officer's insurance paid for by the Group.

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

	2020 A$	2019 A$
Base fees		
Chair	148,500	148,500
Other non-executive directors	82,467	80,850
Remuneration & Nomination Committee		
Chair	-	-
Committee member	5,250	5,250
Audit Committee		
Chair	14,000	14,000
Committee member	7,000	7,000
Risk Committee		
Chair	7,900	7,900
Committee member	3,900	3,900

Non-executive Director remuneration for the year ended 30 June 2020 and prior year remuneration:

	Base fees US$	Audit committee US$	Remuneration & Nomination committee US$	Risk committee US$	Total (i) US$
2020					
K Spence	99,658	-	-	-	99,658
S Willis	55,344	9,395	3,523	2,617	70,879
M Macpherson	55,344	4,698	3,523	5,302	68,867
M Stirzaker	55,344	-	3,523	-	58,867
D Radley	55,344	4,698	-	2,617	62,659
Total	**321,034**	**18,791**	**10,569**	**10,536**	**360,930**
2019					
K Spence	106,192	-	-	-	106,192
S Willis	57,816	10,011	3,754	2,789	74,370
M Macpherson	57,816	5,006	3,754	5,649	72,225
M Stirzaker	57,816	-	3,754	-	61,570
D Radley	57,816	5,006	-	2,789	65,611
Total	**337,456**	**20,023**	**11,262**	**11,227**	**379,968**

(i) Total remuneration packages denominated in Australian dollars (A$) and converted to US dollars (US$) for reporting purposes using the average exchange rate for the 2020 financial year of 0.6711 (2019: 0.7151).

Equity instruments

Performance Rights

The table below outlines movements in performance rights during 2020 and the balance held by each Senior Executive at 30 June 2020.

Name	Grant date (i)	Number of performance rights	Fair value of each performance right	Vesting date (ii)	Number vested during year	Number granted during year	Number lapsed during year	Balance not yet exercised at end of year	Balance that remain subject to performance testing at end of year
T Carstens	1 Oct 2016	1,725,567	A$0.1625	30 Sep 2019	1,725,567	-	-	1,725,567	-
	1 Oct 2017	2,113,056	A$0.2150	30 Sep 2020	-	-	-	-	2,113,056
	1 Oct 2018	2,806,452	A$0.1610	30 Sep 2021	-	-	-	-	2,806,452
	1 Oct 2019	-	A$0.1280	30 Sep 2022	-	2,913,027	-	-	2,913,027
		6,645,075			**1,725,567**	**2,913,027**	**-**	**1,725,567**	**7,832,535**
C Bwye	1 Oct 2016	1,725,567	A$0.1625	30 Sep 2019	1,725,567	-	-	1,725,567	-
	1 Oct 2017	2,113,056	A$0.2150	30 Sep 2020	-	-	-	-	2,113,056
	1 Oct 2018	2,806,452	A$0.1610	30 Sep 2021	-	-	-	-	2,806,452
	1 Oct 2019	-	A$0.1280	30 Sep 2022	-	2,913,027	-	-	2,913,027
		6,645,075			**1,725,567**	**2,913,027**	**-**	**1,725,567**	**7,832,535**
K Balloch	1 Oct 2016	691,333	A$0.1625	30 Sep 2019	691,333	-	-	691,333	-
	1 Oct 2017	819,899	A$0.2150	30 Sep 2020	-	-	-	-	819,899
	1 Oct 2018	984,677	A$0.1610	30 Sep 2021	-	-	-	-	984,677
	1 Oct 2019	-	A$0.1280	30 Sep 2022	-	972,269	-	-	972,269
		2,495,909			**691,333**	**972,269**	**-**	**691,333**	**2,776,845**
A Greyling	1 Oct 2016	622,200	A$0.1625	30 Sep 2019	622,200	-	-	622,200	-
	1 Oct 2017	726,493	A$0.2150	30 Sep 2020	-	-	-	-	726,493
	1 Oct 2018	931,452	A$0.1610	30 Sep 2021	-	-	-	-	931,452
	1 Oct 2019	-	A$0.1280	30 Sep 2022	-	950,908	-	-	950,908
		2,280,145			**622,200**	**950,908**	**-**	**622,200**	**2,608,853**
S Hay	1 Oct 2016	770,343	A$0.1625	30 Sep 2019	770,343	-	-	770,343	-
	1 Oct 2017	862,139	A$0.2150	30 Sep 2020	-	-	-	-	862,139
	1 Oct 2018	1,035,027	A$0.1610	30 Sep 2021	-	-	-	-	1,035,027
	1 Oct 2019	-	A$0.1280	30 Sep 2022	-	1,021,983	-	-	1,021,983
		2,667,509			**770,343**	**1,021,983**	**-**	**770,343**	**2,919,149**
C Poletti	1 Oct 2016	355,543	A$0.1625	30 Sep 2019	355,543	-	-	355,543	-
	1 Oct 2017	674,600	A$0.2150	30 Sep 2020	-	-	-	-	674,600
	1 Oct 2018	858,871	A$0.1610	30 Sep 2021	-	-	-	-	858,871
	1 Oct 2019	-	A$0.1280	30 Sep 2022	-	892,926	-	-	892,926
		1,889,014			**355,543**	**892,926**	**-**	**355,543**	**2,426,397**
Total		**22,622,727**			**5,890,553**	**9,664,140**	**-**	**5,890,553**	**26,396,314**

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

(ii) Performance rights are tested as at the vesting date against the performance criteria and only those performance rights that satisfy the performance criteria vest.

Key Management Personnel shareholdings

The number of ordinary shares in Base Resources held by each Director and other members of KMP of the Group during the financial year was as follows:

	Shares held - 1 July 2019	Performance rights vested and exercised during the year	Purchased	Sold	Shares held - 30 June 2020	Balance of performance rights vested, but not exercised[(i)]
2020						
K Spence	666,667	-	-	-	666,667	-
T Carstens	5,820,446	-	-	-	5,820,446	1,725,567
C Bwye	6,073,671	-	-	-	6,073,671	1,725,567
S Willis	350,000	-	-	-	350,000	-
M Macpherson	-	-	-	-	-	-
M Stirzaker	-	-	-	-	-	-
D Radley	500,000	-	-	-	500,000	-
K Balloch	2,000,000	-	-	-	2,000,000	691,333
A Greyling	3,263,429	-	-	-	3,263,429	622,200
S Hay	1,139,126	-	-	-	1,139,126	770,343
C Poletti	807,003	-	-	-	807,003	355,543
	20,625,676	**-**	**-**	**-**	**20,625,676**	**5,890,553**

(i) Senior Executives also hold vested performance rights which remain subject to exercise. Vested performance rights have a nil exercise price and, unless exercised beforehand, expire on 30 September 2024.

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 terminated by either party	3 months' notice by the employee or Company for termination without cause 1 months' notice for termination by Company if unable to perform duties by reason of illness No notice required for termination by Company for cause	12 months' fixed remuneration in the case of termination by the Company
C Bwye K Balloch A Greyling S Hay C Poletti	Permanent – ongoing until terminated by either party	3 months' notice by the employee 6 months' notice for termination by Company without cause (3 months for A Greyling) 1 months' notice for termination by Company for serious breach of employment agreement, incompetence, gross misconduct or refusing to comply with lawful direction given by the Company No notice required for termination by Company if convicted of any major criminal offence Company may elect to make payment in lieu of notice	6 months' fixed remuneration in the case of termination by the Company (3 months' remuneration for A Greyling)

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

Keith Spence,
Chair

Dated: 22 August 2020

Corporate Governance Statement

The Company is committed to implementing high standards of corporate governance that create and deliver value for shareholders and uphold its absolute commitment to acting in a legal, honest and ethical manner and with integrity.

To give effect to this commitment, the Board has established a corporate governance framework comprising a range of governance policies, charters and system documents, a number of which are referred to and described below.

The Company's approach and business practices are driven by a core set of principles that together form the "Base Way" and which are based on its belief in:

- The potential of our people
- The power of the team
- The value of resources
- Absolute integrity.

The Company's governance framework is based on these core principles. As an ASX listed entity, the Company complies with the ASX Listing Rules and, for the financial year ended 30 June 2020 (reporting period), will report against the third edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Recommendations).

The Board considers that, throughout the reporting period, the Company has followed the ASX Recommendations.

In 2019, the Council released a new edition of their principles and recommendations (ASX Recommendations 4th Edition). Ahead of the effective date for their application, the Company undertook a review of its governance practices against the ASX Recommendations 4th Edition. While the Company's practices were largely consistent with the ASX Recommendations 4th Edition, a small number of areas were highlighted for adjustment which was completed prior to 30 June 2020. For the next financial year ending 30 June 2021 and beyond, the Company will measure its governance practices against the ASX Recommendations 4th Edition.

This statement is current as at 21 August 2020 and has been approved by the Board. This statement should be read in conjunction with the balance of the Annual Report. Where appropriate, the statement highlights relevant events that have occurred since 30 June 2020 with respect to the governance practices of the Company.

Board of Directors

Role of the Board

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

- overseeing the business and affairs of the Company, including its control and accountability systems
- setting the strategic direction and objectives of the Company
- reviewing and ratifying systems of risk management, internal compliance and control, codes of conduct and legal compliance
- ensuring a high standard of corporate governance practices and regulatory compliance
- promoting ethical and responsible decision making.

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

- effective leadership of the Company
- preparing and implementing development and operational plans, policies and procedures to achieve the strategic, operational and financial objectives of the Company as determined by the Board
- managing the day to day affairs of the Company
- identifying and managing business risks
- managing the Company's financial and other reporting mechanisms.

These delegations are further documented in and supported by the Company's Delegation of Authority Standard which the Board reviews and approves at least annually and sets out cascading authority limits for transactions for EXCO and other employees and consultants of the Group.

The Chair, Mr Spence, is responsible for leadership and effective performance of the Board and for promoting constructive and respectful relations between Directors, and between Directors and management.

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

Composition of the Board

As at 30 June 2020, the Board consisted of five non-executive Directors and two executive Directors - being the Managing Director and the Executive Director – Operations & Development. The Board assesses each Director's independence in accordance with paragraph 11 of the Board Charter, which was updated in March 2020 to align with the commentary to Recommendation 2.3, including Box 2.3, in the ASX Recommendations 4th Edition (which the Company will report against for the financial year ending 30 June 2021).

As set out in paragraph 11 of the Board Charter, unless the Board determines otherwise, a Director will be deemed not to be independent where the Director:

- is, or has been, employed in an executive capacity by the Company or any of its subsidiaries and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- receives performance-based remuneration (including options or performance rights) from, or participates in an employee incentive scheme of, the Company;
- is, or has been within the last three years, in a material business relationship (e.g. as a supplier, professional adviser, consultant or customer) with the Company or any of its subsidiaries, or is an officer of, or otherwise associated with, someone with such a relationship;
- is, represents, or is or has been within the last three years an officer or employee of, or professional adviser to, a substantial holder;
- has close personal ties with any person who falls within any of the categories described above; or
- has been a Director of the Company for such a period that their independence from management and substantial holders may have been compromised.

The Board assesses the materiality of an interest, position and relationship on a case-by-case basis, taking into account the relevant Director's specific circumstances.

The Board confirms that a majority of the Board is independent, with the Board's assessment of the independence of each Director in accordance with paragraph 11 of the Board Charter set out below. The Chair is an independent non-executive Director and is not the same person as the Managing Director.

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

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

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

Under the Board Charter, Directors must immediately declare to the Board any change in their interests, positions or relationships that could potentially bear upon their independence.

Skills and experience

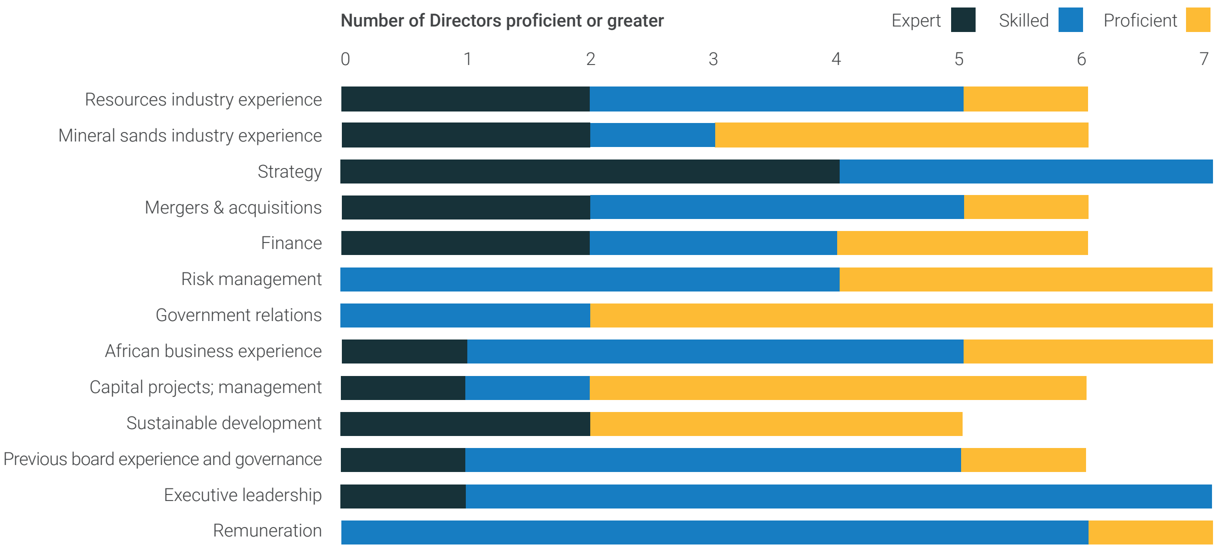
The Board is confident that, collectively, the Directors have the range of skills, knowledge, experience and competencies necessary to effectively discharge the Board's responsibilities and direct and oversee the Company. That said, through the Remuneration & Nomination Committee, the Board regularly monitors the skills, knowledge, experience and competencies of the Board, particularly as the Company's business and the issues facing it evolve, to identify opportunities for training and development and to identify gaps that may be addressed as part of Board succession.

A set of core competencies and criteria for assessing the extent of a Director's proficiency in respect of those core competencies have been established to assist the Remuneration & Nomination Committee assess the skills and experience of each Director and to ensure that the combined capabilities of the Board provide suitable coverage across each competency.

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

Area	Competency	Key Directors
Resources industry experience	Experience in the resources industry, including broad knowledge of exploration, operations, project development, markets, shipping and competitors.	C Bwye, T Carstens, M Macpherson, K Spence, M Stirzaker
Mineral sands industry experience	Specific experience in the mineral sands industry, including an in-depth knowledge of exploration, operations, project development, markets, shipping, competitors and relevant technology.	C Bwye, T Carstens, M Macpherson
Strategy	Identifying and critically assessing strategic opportunities and threats to an organisation and developing and implementing successful strategies in context to the organisation's policies and business objectives.	C Bwye, T Carstens, M Macpherson, D Radley, K Spence, M Stirzaker, S Willis
Mergers & acquisitions	Experience managing, directing or advising on mergers, acquisitions, divestments and portfolio optimisations.	M Macpherson, D Radley, K Spence, M Stirzaker, S Willis
Finance	Senior executive or other relevant experience in financial accounting and reporting, internal financial and risk controls, corporate finance and, restructuring corporate transactions and project financing.	T Carstens, D Radley, M Stirzaker, S Willis
Risk management	Experience working with and applying broad risk management frameworks in various country, regulatory or business environments, identifying key risks to an organisation, monitoring risks and compliance and knowledge of legal and regulatory requirements.	T Carstens, M Macpherson, D Radley, K Spence
Government relations	Senior management or equivalent experience working in diverse international political, cultural, regulatory and business environments.	T Carstens, K Spence
African business experience	Experience in the successful development and operation of reputable businesses in Africa.	C Bwye, T Carstens, M Macpherson, D Radley, M Stirzaker
Capital projects; management	Experience with projects involving contractual negotiations, project management, significant capital outlays and long investment horizons.	C Bwye, K Spence
Sustainable development	Senior management or equivalent experience in workplace health and safety, environmental and social responsibility, community relations and organisational governance.	T Carstens, K Spence
Previous board experience and governance	Serving on boards of varying size and composition, in varying industries and for a range of organisations. Implementing high standards of governance in a major organisation that is subject to rigorous governance standards and identifying key issues for an organisation and developing appropriate policy parameters within which the organisation should operate.	M Macpherson, D Radley, K Spence, M Stirzaker, S Willis
Executive leadership	Experience in evaluating the performance of senior management, overseeing strategic human capital planning, industrial relations, organisational change management and sustainable success in business at a senior level.	C Bwye, T Carstens, M Macpherson, D Radley, K Spence, M Stirzaker, S Willis
Remuneration	Remuneration and/or nomination committee membership or management experience in relation to succession planning, remuneration, talent management (including incentive programs and superannuation) and the legislative and contractual framework governing remuneration.	T Carstens, M Macpherson, D Radley, K Spence, M Stirzaker, S Willis

The diagram below further illustrates the Board's depth of coverage across its core competencies, illustrating the extent to which the Directors are proficient in those competencies.



The composition of the Board is diverse, with Directors coming from Australia, New Zealand, South Africa and Kenya, with a key component of the Board bringing strong knowledge of doing business in Africa and its wide-ranging cultures. Director ages range from 48-75 years, with currently one female on the Board of seven. Average time served on the Board is 8 years, with the average tenure for non-executive Directors being 6.7 years.

Further details about the skills, experiences, expertise and period of service of each Director are set out on pages 33 to 36 of the Annual Report.

Director appointment, induction, training and continuing education

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

New appointees to the Board receive a tailored induction plan having regard to their existing skills, knowledge and experience. The induction process typically includes a comprehensive overview of the Company's governance policies and procedures, in-depth discussions with each member of EXCO and the senior management team and site visits to the Company's key operating asset in Kwale, Kenya and development project in Toliara, Madagascar. The induction materials provided to new appointees include information on the Company's governance and culture, including the "Base Way".

Directors are expected to maintain the skills necessary to effectively discharge their duties. The Company provides the Board with regular information on industry-related matters, proposed or potential changes to applicable regulatory requirements, and other new developments with the potential to affect the Company and its business. Regular "deep dives" on relevant topics are also provided to the Board. The Company organises relevant professional development opportunities for Directors when a need is identified, for example, from a Board performance review or through the Remuneration & Nomination Committee's Board education oversight role.

The Company also arranges an annual site visit for the Directors to the Company's Kwale Operations in Kenya to further enhance their knowledge and understanding of this operating project. The site visit to Kwale Operations for the current year, which was scheduled to occur in March 2020, was cancelled as a result of COVID-19. In response to this cancellation, the specific insight sessions that had been proposed for the site visit have since been conducted by way of videoconference as part of the regular Board program. Directors also visited the Toliara Project in Madagascar during 2018, following the Company's acquisition of that project. This site visit allowed Directors to gain a deeper understanding of the Toliara Project and Madagascar more broadly.

Board succession

The Board manages succession planning with the assistance of the Remuneration & Nomination Committee. The Remuneration & Nomination Committee reviews and makes recommendations to the Board about the appropriate size and composition of the Board.

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

Board performance evaluation

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

One or more aspects of the performance evaluations may involve engagement of an independent third party Board advisor. Given the last externally facilitated review was undertaken in 2019 for the reporting period ended 30 June 2019, and that the composition of the Board has not changed since that time, the Remuneration & Nomination Committee did not consider it necessary to engage an independent advisor to facilitate any aspects of the performance evaluation and review of the Board, individual Directors or its Committee for the reporting period.

The performance evaluation of the Board, its Committees and individual Directors undertaken for the reporting period was conducted initially by each Director completing a questionnaire assessing each of the Board, the Chair, individual Directors and each Committee and its respective Chair, combined with one-on-one discussions between the Chair and each Director. The combined outcomes of this process were analysed and discussed at subsequent Board and Committee meetings, as applicable. The evaluation demonstrated that the Board, the Directors and each Committee and each respective Chair are considered to be functioning well and performing their respective roles effectively. The review process also identified areas for growth, refinement and continual improvement that the Board will address in the coming year.

Director retirement and re-election

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

The Remuneration & Nomination Committee considers and recommends candidates for re-election to the Board. The Company provides shareholders with all material information in its possession relevant to whether or not any Director standing for re-election should be re-elected in the explanatory memorandum accompanying the relevant notice of meeting.

Senior management performance evaluation

Managers are required to have regular (typically quarterly) performance enhancement conversations with members of their team, with judgement-based assessments of performance against the accountabilities, behaviours and indicators established in the relevant individual's role description being carried out annually. This process applies equally to senior managers but is also coupled with an annual assessment of the relevant individual's achievement of the accountabilities described in their annual Short Term Incentive Plan statement. In the case of EXCO, the assessment is undertaken by the Remuneration & Nomination Committee and approved by the Board. In the case of General Managers, the assessment is undertaken by EXCO and then considered and approved by the Remuneration & Nomination Committee. The annual reviews have been completed for the year ended 30 June 2020.

Committees of the Board

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

The Committees generally operate in a review or advisory capacity, except in circumstances where the Board's powers are specifically delegated to a Committee. Each Committee has a charter detailing its role, duties and membership requirements. These charters are reviewed regularly, and at least annually, and are updated as required. Each of the charters were last reviewed and updated in March 2020.

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

Audit Committee

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

All members of the Audit Committee are required to be non-executive Directors, with a majority being required to be independent. Members must also be financially literate and have an understanding of the industry in which the Company operates. The Chair of the Audit Committee must not be the Chair of the Board and must be independent.

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

Remuneration & Nomination Committee

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

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

All members of the Remuneration & Nomination Committee are required to be non-executive Directors, with a majority required to be independent. The Chair of the Remuneration & Nomination Committee must be independent.

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

Risk Committee

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

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

The Risk Committee must comprise a majority of independent non-executive Directors and the Chair of the Risk Committee must be independent.

Mr Macpherson (as Chair), Mr Spence, Ms Radley and Mr Willis (all independent non-executive Directors) were members of the Risk Committee for the whole reporting period. Mr Bwye and Mr Carstens (both executive Directors) were each appointed to the Risk Committee with effect from 21 November 2019.

Shareholder Communication

General

The Board recognises the importance of regular and proactive interaction with the market to ensure investors and key stakeholders remain fully informed about the Company's activities. This is reflected in the Company's Continuous Disclosure and Market Communications Standard, which sets out the Company's commitment to:

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

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

- ensuring notices of meeting and other meeting materials are drafted in concise, clear language and are distributed in accordance with the provisions of the Corporations Act
- encouraging shareholders to use their attendance at meetings to ask questions on relevant matters, with time specifically set aside at each meeting for shareholder questions
- encouraging shareholders to vote on proposed resolutions by either attending the meeting or by way of lodgement of proxies, if shareholders are unable to attend the meeting
- establishing a general practice to include a presentation to shareholders on the Company's recent activities at each annual general meeting
- ensuring that the lead engagement partner is present at the annual general meeting to answer any questions regarding the conduct of the audit and preparation and content of the auditor's report

Since 2018, the Company has also implemented poll voting on all resolutions to be considered at shareholder meetings and, in doing so, has met Recommendation 6.4 from ASX Recommendations 4th Edition, even though the Company will only begin reporting against the 4th Edition for the financial year ending 30 June 2021.

Company information

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

- corporate Governance (accessible from the 'Who we are' dropdown menu): containing the Company's Constitution, the "Base Way", relevant governance policies and standards, Board and Board Committee Charters and codes of conduct for the Company's personnel and its suppliers
- board and Leadership (accessible from the 'Who we are' dropdown menu): containing the names and brief biographical information for each of the Directors and senior managers
- reports (accessible from the 'Investors' dropdown menu): containing copies of annual, half yearly and quarterly reports
- market Announcements (accessible from the 'Investors' dropdown menu): containing ASX announcements (including notices of meeting and explanatory material and investor presentations).

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

Investor relations

The Company has an investor relations program designed to facilitate effective two-way communication with shareholders.

The Company regularly attends broker-sponsored and industry conferences. In addition, during the reporting period, to ensure investors and stakeholders were fully informed about the Company's activities and the impacts of COVID-19, the Company made available various pre-recorded investor updates.

The Company hosts investor conference calls following the release of half year and full year results, and also on an ad hoc basis following major corporate actions. The calls are hosted by the Managing Director and the Chief Financial Officer, with other members of senior management as required.

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

Continuous disclosure and market communications

The Company is committed to ensuring that:

- Shareholders and the market are provided with full and timely information about the Company and its activities
- All investors have equal opportunity to receive externally available information issued by the Company
- All disclosures are balanced and expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

During the reporting period, the Company's Continuous Disclosure and Market Communications Standard was updated to establish a Disclosure Committee comprising the Managing Director, the Executive Director – Operations and Development, the Chief Financial Officer and the Company Secretary, which is primarily responsible for, among other matters, ensuring that the Company complies with its disclosure obligations and for overseeing and co-ordinating the disclosure of information to relevant stock exchanges, shareholders and applicable regulatory authorities.

To assist the Disclosure Committee with discharging its role, it is the responsibility of every Director and employee to report to a member of the Disclosure Committee any potentially price sensitive information which they obtain.

To the full extent practical (having regard to the requirement for immediate disclosure in certain circumstances), all members of the Disclosure Committee and the Board are given the opportunity to review and comment on material announcements before their release. Otherwise, copies of all material market announcements are provided to the Board promptly after they have been made.

The Company ensures that any briefing or presentation materials that are new and substantive are released on ASX and uploaded to the Company's website in advance of the relevant briefing or presentation.

Promoting Responsible and Ethical Behaviours

The "Base Way"

The "Base Way" sets out the unifying set of beliefs and behavioural expectations for the Company and its employees, including the Company's absolute commitment to conducting its business in a legal, honest and ethical manner. The "Base Way" was included on the Company's website in June 2020 and, by doing so, the Company will be able to meet Recommendation 3.1 from the ASX Recommendations 4th Edition when it begins reporting against that edition for the financial year ending 30 June 2021.

Codes of Conduct

The Company has a Code of Conduct for its directors and employees (Personnel Code) and, in June 2020, introduced a Code of Conduct for its suppliers (Supplier Code).

The Personnel Code provides an overview of the framework for decision making and actions in relation to ethical conduct by directors and employees of the Company and its subsidiaries. The Personnel Code summarises the key business systems (including relevant Policies and Standards) adopted by the Company that apply to the Company and its subsidiaries and their respective directors and employees which underpin the Company's commitment to integrity and fair dealing in its business affairs and to its duty of care to employees, customers and stakeholders. Breaches of the Personnel Code may lead to disciplinary action, in accordance with the Company's Unacceptable Performance and Misconduct System. In line with Recommendation 3.2(b) of the ASX Recommendations 4th Edition, which the Company will begin reporting against for the financial year ending 30 June 2021, all material breaches of the Personnel Code will be notified to the Board or the Risk Committee.

The Supplier Code sets out the Company's core requirements and expectations for the Group's suppliers. In line with the Company's own commitment, the Supplier Code is directed to ensuring that the Group's suppliers act in a legal, honest and ethical manner, and act with integrity, at all times. Like the Personnel Code, the Supplier Code also summarises aspects of the Company's Policies and Standards that equally apply to its suppliers, but also supplements those documents with further requirements concerning, among other matters, employment practices.

Integrity System

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

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

The Integrity Standard, which was updated during the reporting period and disclosed on the Company's website, further delineates the responsibilities and limits of discretion of Company personnel when observing and upholding the absolute prohibition on bribery, corruption and related improper conduct. It contains information and guidance on how to recognise and deal with instances of potential bribery and corruption.

The Company provides Integrity Standard training to all employees assessed to be in high risk roles, such as those employees engaging with government or communities. To further embed the Integrity System and give effect to the principle set out in the "Base Way" of "no bribes-ever", during the reporting period, an annual Integrity Undertaking was introduced requiring all Group personnel at supervisor level and above to provide a series of confirmations and undertakings relating to the Company's Integrity Policy and Integrity Standard, including the undertaking to always act in a legal, honest and ethical manner when performing their role. The roles of supervisor level and above were considered as higher risk given the authority inherent with those roles, however in time the Integrity Undertaking will be considered for roll out across the Group.

A breach of the Integrity Standard by a member of the Company's personnel will be regarded as serious misconduct and will lead to disciplinary action which may include termination of employment. In line with Recommendation 3.4 of the ASX Recommendations 4th Edition, which the Company will begin reporting against for the financial year ending 30 June 2021, all material breaches of the Integrity Standard will be notified to the Risk Committee.

Whistleblower System

The Company's Whistleblower System was substantially updated in December 2019 in light of the significant amendments to the whistleblower provisions in the Corporations Act and which, among other things, required public companies to have a compliant whistleblower policy by 1 January 2020. During the reporting period, training was provided to senior management and other personnel on the Whistleblower System's requirements and their responsibilities in the event they receive a report of inappropriate conduct.

By providing a transparent and confidential mechanism for past and present employees and suppliers to report any instances of inappropriate conduct by employees and for any such reports to be addressed, the Whistleblower System gives further effect to the Company's commitment to conducting its business in a legal, honest and ethical manner.

The Company's Whistleblower Standard contains details about the individuals that can make reports of inappropriate conduct, how reports of inappropriate conduct can be made, which options include to the Company's independent whistleblower service provider, how reports will be investigated and the measures that are put in place to ensure confidentiality and protect against detriment.

Extractive Industries Transparency Initiative

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

Securities ownership and dealing

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

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

Consistent with applicable requirements, the Securities Trading Policy requires the Company Secretary to be notified of any dealing in the Company's securities by Directors so that ASX can be notified, and any dealing by Directors or other persons discharging management responsibility so that any required notifications can be made to AIM and the United Kingdom's Financial Conduct Authority, in each case, within the prescribed time periods. Directors and employees participating in equity-based incentive plans are also prohibited from entering into any transaction which would have the effect of hedging or otherwise transferring to any other person the risk of any fluctuation in the value of any unvested entitlement in the Company's securities.

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

Risk Management and Internal Controls

Approach to risk management internal controls

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

Risk management roles and responsibilities

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

The Risk Committee annually reviews the need for a formal internal audit function from a risk management perspective, which is also considered by the Audit Committee from an assurance perspective. The Board considers that a formal internal audit process is not required or justifiable at this time, with the Board comfortable with the current and future planned assurance programs with respect to the Company's material business risks.

Focusing on the financial reporting controls for mitigating material financial reporting risks, in February 2019, external consultant, EY, was engaged to undertake an independent assessment of the Group's existing control environment. EY's engagement included a review of applicable documentation and on-site interviews with relevant personnel to gain an understanding of existing processes, associated key risks and key controls, together with a comparison against market standard practice. The output of EY's engagement was a documented set of existing controls for financial reporting risks, together with a limited set of recommendations for improvement. In response to the EY findings, the Company has implemented additional controls. The Company has also established a system of biannual internal testing to assess and ensure the ongoing efficacy of key controls.

During the reporting period, the Audit Committee's Charter was updated to expand the Audit Committee's responsibility in monitoring the level of non-audit services provided by the Company's external auditor and the fees received for those services to ensure there is no actual or perceived adverse impact on auditor independence. Subsequent to this update, a non-audit services standard was developed and approved by the Audit Committee. The Non-Audit Services Standard sets out the authority limits for approving non-audit services provided by the Company's external auditor.

The Risk Committee's role is to assist the Board in monitoring risk, with a full review and update of the Company's Material Business Risk Register and Risk Management Framework typically occurring for each Committee meeting, and at least annually. The most recent review of the Company's Material Business Risk Register and Risk Management Framework occurred in June 2020.

During the reporting period, the Risk Committee's Charter was also reviewed and updated. Its responsibilities include:

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

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

Effective from 21 November 2019, Tim Carstens and Colin Bwye were appointed to the Risk Committee. Their appointment is intended to enhance the effectiveness of the Risk Committee by ensuring ready access to the input and insights of senior management, and reflects practice for EXCO to attend Risk Committee meetings.

Business risks and mitigations

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

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

The Company has identified material exposures to certain environmental and social sustainability risks associated with Kwale Operations and its development of the Toliara Project.

The Company recognises that host communities for its Kwale Operations and Toliara Project play an integral role in the success of those projects and, by extension, the Company's overall success.

For the full mining life cycle, the Company adopts sustainable business practices to ensure the Company is a welcome member of its communities. These practices are based on the understanding that achieving the Company's long-term goals is reliant on building beneficial relationships with the communities in which it operates and establishing a balanced flow of mutual benefit.

The Company's sustainability practices focus on the Company's people, its communities and the environment. These focus areas were developed taking into consideration international best practice and feedback from stakeholders, including host communities and host nations. In each case, the Company's sustainability practices are based on the "Base Way", applicable Company policies (including the Company's Communities, Health and Safety and Environment Policies), applicable legislation and regulation and international best practice, including the International Financial Corporation's

Performance Standards, the Equator Principles, the World Bank's Environmental, Health and Safety Guidelines, International Labour Organisation's core labour standards, the Extractive Industries Transparency Initiative and the United Nations Voluntary Principles on Security and Human Rights.

The Company's environmental sustainability practices are also based on a comprehensive understanding of the environmental impacts during design, construction, operations and ultimately closure of Kwale Operations and the Toliara Project. They are further designed to ensure continuous improvement, with the Company recognising that environmental sustainability is an area of increasing focus for governments, shareholders, other stakeholders and the broader public and that the Company will only have increasing responsibility and be subject to increasing expectations. Whilst this increasing focus is partly driven by climate change concerns, which the Company recognises creates both direct and indirect risks to its operations and business, the Company acknowledges environmental sustainability is a broader issue.

Details about the Company's sustainability practices in respect of its people, its communities and the environment are set out on pages 16 to 21 of the Annual Report. In addition to those practices:

- the Company seeks to mitigate its social sustainability risk by ensuring the Company and its personnel act in a legal, honest and ethical manner and with integrity at all times. The Company has taken multiple and wide-ranging steps designed to ensure the highest standards of behaviours, which include putting in place the governance documents described elsewhere in this statement.
- in line with the Company's commitment to respecting human rights and ensuring all aspects of its employment practices abide by applicable laws and regulations, during the reporting period, the Company took various steps to identify, assess and mitigate the risk of modern slavery in its operations and supply chains. Those steps, together with the other information prescribed by the Australian Modern Slavery Act 2018, will be set out in the Company's modern slavery statement which will be published in respect of the reporting period, but included establishing a dedicated Modern Slavery Working Group, carrying out a high level risk assessment of its key suppliers and confirming that the controls in place to mitigate the risk of modern slavery in the Company's operations had been followed and undertaken in respect of a sample of employees.
- the Company regularly reviews all aspects of its environmental performance to achieve continuous improvement and works in partnership with its host communities, conservation groups and environmental experts to not only meet applicable legal and regulatory requirements, but its broader environmental objectives.

CEO and CFO assurance

The Board receives monthly reports on the group's financial and operational results. Before the Board adopted the 31 December 2019 half-year and 30 June 2020 full-year financial statements, the Managing Director and the Chief Financial Officer declared in writing to both the Audit Committee and the Board that (in their opinion):

- the financial records of the Company had been properly maintained
- the financial statements comply with the appropriate accounting standards
- the financial statements give a true and fair view of the financial position and performance of the Company,

and that their opinion had been formed on the basis of a sound system of risk management and internal control which was operating effectively.

Diversity

The Company values and encourages a diverse workforce and strives to provide a work environment in which everyone is treated fairly, with respect and can realise their full potential. The Company seeks to achieve this by:

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

A key focus of the Company since before commencement of Kwale Operations in late 2013 has been establishment of an operational workforce that delivers on commitments to maximise employment opportunities for local communities, whilst achieving the highest standards of operational and safety performance. As at 30 June 2020, the Company is pleased to report that it employed 98.0% Kenyan national employees at Kwale, which has been maintained from the prior reporting period. This demonstrates the effectiveness of the systems designed by the Company to drive the structured transfer of skills over time.

For the Toliara Project, there has been the same structured focus on maximising employment opportunities for local communities against the backdrop of achieving the necessary high standards of operational and safety performance. This requirement is documented in the project's Labour Recruitment and Influx Management Plan and will continue as the proposed development of the Toliara Project progresses. While that development is in the early stages, the Company is pleased to report that, as at 30 June 2020, it employed 92.1% Malagasy national employees at the Toliara Project.

While the primary focus to date has been on maximising local participation, workforce establishment and performance enhancement, the Board does set measurable objectives for achieving gender diversity, annually review those objectives and annually assess progress in achieving those objectives.

The Board determined to maintain the measurable diversity objectives it set last financial year for the financial year ended 30 June 2020. These were:

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

The above objectives were considered appropriate for the Company given the current stable state of its Kwale Operations (and consequent stability of the Company's workforce in Kenya) which will naturally reduce the opportunities to increase gender diversity as rapidly going forward. However, there should be greater opportunities for driving greater diversity as the Company progresses the proposed development of the Toliara Project.

For the reporting period, the Group met its objective to maintain female representation in the intake for graduate and apprentice programs at or above one third and maintained Board gender diversity with Ms Radley being elected by shareholders at the 2018 annual general meeting. However, the group did not meet its objectives of achieving an increase in the overall percentage of women employed or an increase in the percentage of women in executive roles, with there being a slight reduction in both percentages compared to the last reporting period. However, in absolute terms, the number of women employed did increase and the number of women in executive roles remained stable.

The Company considers that, given the relatively low turnover of senior employees, the Group's graduate and apprenticeship programs continue to represent the greatest opportunity to increase female representation within the Company over time – particularly at executive level. For the Toliara Project, the Company has undertaken several measures to encourage women from local communities to apply for future training and job opportunities, and dispel the commonly held perception that mining is an unsuitable career for women. Such measures included using female role models in advertising and holding "women only" registration days when targeting registrations for capacity-building training programs to broaden the pool of suitable applicants for roles during the construction and operation phases. Of the applicants registered for these programs, approximately 33% were female.

Shown below is the Company's performance in achieving its set objectives during the year ended 30 June 2020, as compared to the two prior periods.

Objective	FY20	FY19	FY18	Change FY19 to FY20(%)
Increase the overall percentage of women	167/944 17.7%	163/892 18.3%	139/829 16.8%	(0.6)
Female representation in graduate and apprentice programs at or above one third	14/42 33.3%	11/33 33.3%	11/33 33.3%	No change
Women in executive roles (Stratum III and above)	6/36 16.7%	6/31 19.4%	4/28 14.3%	(2.7)
Board gender diversity	14.3%	14.3%	14.3%	No change

The Board has determined to maintain the above existing measurable objectives for the coming financial year and, in addition, has determined to set the following measurable objectives:

- Subject to vacancies, to increase the percentage of women in senior management (General Manager and above)
- Excluding short-term employees, maintain female turnover that is equal to or less than Group turnover.

The Board will report progress in achieving the set objectives in next year's corporate governance statement.

Availability of Key Corporate Governance Documents

The following key corporate governance policies and procedures are available on the Company's website:

- Constitution
- Board Governance Plan (including Board Committee Charters)
- Continuous Disclosure and Market Communications Standard
- Risk Management Policy
- Diversity Standard
- Integrity Standard
- Environment Policy
- Communities Policy
- Employment Policy
- Health and Safety Policy
- Whistleblower Standard
- Securities Trading Policy
- Company Values – The Base Way
- Code of Conduct (Company Personnel)
- Supplier Code of Conduct

Lead Auditor’s Independence Declaration

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

To the Directors of Base Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Base Resources Limited for the financial year ended 30 June 2020 there have been:

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

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

KPMG.

KPMG

R Gambitta
Partner

Perth

22 August 2020

FINANCIAL STATEMENTS AND NOTES

Consolidated statement of profit or loss and other comprehensive income

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 US$000s	2019 US$000s
Sales revenue	3	208,016	209,456
Cost of sales	4	(139,333)	(131,791)
Profit from operations		68,683	77,665
Corporate and external affairs		(10,465)	(10,315)
Community development costs		(3,559)	(3,607)
Selling and distribution costs		(2,388)	(2,501)
COVID-19 response costs		(1,082)	-
Other income		314	201
Profit before financing costs and income tax		51,503	61,443
Financing costs	5	(5,873)	(11,555)
Profit before income tax		45,630	49,888
Income tax expense	7	(6,042)	(10,735)
Net profit for the year		**39,588**	**39,153**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences - foreign operations		364	(1,915)
Total other comprehensive loss for the year		364	(1,915)
Total comprehensive income for the year		**39,952**	**37,238**
Earnings per share		**Cents**	**Cents**
Basic earnings per share (US cents per share)	6	3.38	3.39
Diluted earnings per share (US cents per share)	6	3.34	3.34

The accompanying notes form part of these consolidated financial statements.

Consolidated statement of financial position

AS AT 30 JUNE 2020

	Note	30 June 2020 US$000s	30 June 2019 US$000s
Current assets			
Cash and cash equivalents		162,559	39,242
Trade and other receivables	9	46,620	62,397
Inventories	10	19,492	19,574
Other current assets		7,313	6,313
Total current assets		**235,984**	**127,526**
Non-current assets			
Capitalised exploration and evaluation	11	139,633	115,891
Property, plant and equipment	12	158,751	205,586
Total non-current assets		**298,384**	**321,477**
Total assets		**534,368**	**449,003**
Current liabilities			
Trade and other payables	13	39,617	33,138
Borrowings	14	25,195	19
Provisions	15	5,908	3,398
Income tax payable	16	539	14,463
Deferred consideration	17	17,000	17,000
Other liabilities		-	625
Total current liabilities		**88,259**	**68,643**
Non-current liabilities			
Borrowings	14	48,940	18,913
Provisions	15	25,408	24,355
Deferred tax liability	7	9,027	16,500
Total non-current liabilities		**83,375**	**59,768**
Total liabilities		**171,634**	**128,411**
Net assets		**362,734**	**320,592**
Equity			
Issued capital	18	307,063	306,512
Reserves		(17,227)	(19,230)
Retained earnings		72,898	33,310
Total equity		**362,734**	**320,592**

The accompanying notes form part of these consolidated financial statements.

Consolidated statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2020

	Issued capital US$000s	Retained earnings/ (Accumulated losses) US$000s	Share based payment reserve US$000s	Foreign currency translation reserve US$000s	Treasury shares reserve US$000s	Total US$000s
Balance at 1 July 2018	305,277	(7,671)	5,806	(20,714)	(1,476)	281,222
Profit for the year	-	39,153	-	-	-	39,153
Other comprehensive income/(loss)	-	-	-	(1,915)	-	(1,915)
Total comprehensive income for the year	-	39,153	-	(1,915)	-	37,238
Transactions with owners, recognised directly in equity						
Share based payments	1,235	1,828	(2,407)	-	1,476	2,132
Balance at 30 June 2019	**306,512**	**33,310**	**3,399**	**(22,629)**	**-**	**320,592**
Balance at 1 July 2019	306,512	33,310	3,399	(22,629)	-	320,592
Profit for the year	-	39,588	-	-	-	39,588
Other comprehensive income/(loss)	-	-	-	364	-	364
Total comprehensive income for the year	-	39,588	-	364	-	39,952
Transactions with owners, recognised directly in equity						
Share based payments	551	-	1,639	-	-	2,190
Balance at 30 June 2020	**307,063**	**72,898**	**5,038**	**(22,265)**	**-**	**362,734**

The accompanying notes form part of these consolidated financial statements.

Consolidated statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 US$000s	2019 US$000s
Cash flows from operating activities			
Receipts from customers		216,818	188,493
Payments in the course of operations		(83,750)	(91,146)
Income taxes paid		(27,543)	(704)
Net cash from operating activities	8	**105,525**	**96,643**
Cash flows from investing activities			
Purchase of property, plant and equipment		(10,377)	(17,493)
Payments for exploration and evaluation		(23,212)	(18,557)
Other		299	661
Net cash used in investing activities		**(33,290)**	**(35,389)**
Cash flows from financing activities			
Proceeds from borrowings		75,000	48,180
Repayment of borrowings		(20,000)	(120,653)
Receipts from restricted cash		-	29,591
Payments for debt service costs and re-scheduling fees		(2,512)	(8,060)
Net cash from/(used in) financing activities		**52,488**	**(50,942)**
Net increase in cash held		**124,723**	**10,312**
Cash at beginning of year		39,242	29,686
Effect of exchange fluctuations on cash held		(1,406)	(756)
Cash at end of year		**162,559**	**39,242**

The accompanying notes form part of these consolidated financial statements.

Notes to the consolidated financial statements

Note 1: Basis of preparation

Base Resources Limited is a company domiciled in Australia. The registered address is located at Level 1, 50 Kings Park Road, West Perth, WA, 6005. The consolidated financial statements of the Company, as at and for the year ended 30 June 2020, comprises the Company and its wholly owned subsidiaries (together referred to as the Group). The Group is a for-profit entity and primarily involved in the operation of its Kwale Mineral Sands Mine in Kenya and development of its Toliara Project in Madagascar.

The consolidated financial statements of the Group for the year ended 30 June 2020:

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

The consolidated financial statements were approved by the Board of Directors on 22nd August 2020.

Foreign currency transactions

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

Critical accounting estimates and judgements

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

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

Ore reserves and resources estimates

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

Note: this is an example presentation.

Notes to the consolidated financial statements

PERFORMANCE FOR THE YEAR

This section analyses the financial performance of the Group for the year ended 30 June 2020. It includes segment performance, earnings per share and taxation.

Note 2: Segment reporting

Segment	Principal activities
Kwale Operation	The Group's 100% owned Kwale Operation is located in Kenya and generates revenue from the sale of rutile, ilmenite and zircon.
Toliara Project	The Group acquired the Toliara Project in Madagascar in 2018 and is currently progressing the project towards development, with a definitive feasibility study completed in December 2019.
Other	Includes Group head office, all corporate expenditure not directly attributable to the Kwale Operation or Toliara Project and exploration activities not directly related to Kwale Operations or the Toliara Project.

	2020				2019			
Reportable segment	**Kwale Operation US$000s**	**Toliara Project US$000s**	**Other US$000s**	**Total US$000s**	**Kwale Operation US$000s**	**Toliara Project US$000s**	**Other US$000s**	**Total US$000s**
Sales revenue	208,016	-	-	208,016	209,456	-	-	209,456
Cost of sales	(139,333)	-	-	(139,333)	(131,791)			(131,791)
Profit from operations	**68,683**	**-**	**-**	**68,683**	**77,665**	**-**	**-**	**77,665**
Corporate and external affairs	(3,340)	(271)	(6,854)	(10,465)	(4,024)	(249)	(6,042)	(10,315)
Community development costs	(3,559)	-	-	(3,559)	(3,607)	-	-	(3,607)
Selling and distribution costs	(2,388)	-	-	(2,388)	(2,501)	-	-	(2,501)
COVID-19 Response Costs	(1,082)	-	-	(1,082)	-	-	-	-
Other income/(expenses)	641	-	(327)	314	850	-	(649)	201
Profit before financing and tax	**58,955**	**(271)**	**(7,181)**	**51,503**	**68,383**	**(249)**	**(6,691)**	**61,443**
Financing costs	(5,524)	-	(349)	(5,873)	(9,728)	-	(1,827)	(11,555)
Profit before tax	**53,431**	**(271)**	**(7,530)**	**45,630**	**58,655**	**(249)**	**(8,518)**	**49,888**
Income tax expense	(6,042)	-	-	(6,042)	(10,735)	-	-	(10,735)
Reportable profit	**47,389**	**(271)**	**(7,530)**	**39,588**	**47,920**	**(249)**	**(8,518)**	**39,153**

	2020				2019			
Reportable segment	**Kwale Operation US$000s**	**Toliara Project US$000s**	**Other US$000s**	**Total US$000s**	**Kwale Operation US$000s**	**Toliara Project US$000s**	**Other US$000s**	**Total US$000s**
Capital expenditure	10,639	22,791	160	33,590	18,506	17,257	287	36,050
Total assets	364,662	141,448	28,258	534,368	326,484	116,529	5,990	449,003
Total liabilities	151,855	17,901	1,878	171,634	109,113	17,666	1,632	128,411

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 (chief operating decision makers) in deciding how to allocate resources and in assessing performance.

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

Note 3: Revenue

	2020 US$000s	2019 US$000s
Revenue from contracts with customers	206,473	203,226
Revenue from contracts subject to provisional pricing (a)	1,543	6,230
Total sales revenue	**208,016**	**209,456**

a. Revenue from contracts subject to provisional pricing

Contract terms for the Group's rutile sales allow for a retrospective final price adjustment after the date of sale, based on average market prices in the quarter that the product is sold. Average market prices are derived from an independently published quarterly dataset of all global rutile trades, available approximately four months after the end of each quarter. During the reporting period, revenue arising from the final price adjustment was US$1.3 million (2019: US$4.9 million) with a further US$0.2 million (2019: US$1.3 million) in revenue recognised from rutile sales repriced to reflect the latest available market data at 30 June 2020, but remain subject to final market pricing.

Sales revenue made under these terms that have not yet been subject to a final price adjustment are recognised at the estimated fair value of the total consideration receivable, which takes into account the latest available market data at the balance date. As a result, rutile sales revenue of US$11.2 million remains subject to final market pricing at 30 June 2020 (2019: US$12.6 million). Adjustments between the provisional and final price are accounted for under AASB 9 and are separately disclosed.

Recognition and measurement of revenue

The Group sells mineral sands under a range of International Commercial Terms (Incoterms). Revenue is recognised only when all of the following have been satisfied: there is no continuing managerial involvement to the degree usually associated with ownership or effective control over the goods sold; the amount of revenue and costs can be reliably measured; and the flow of future economic benefits is probable.

The delivery of mineral sands products is the only performance obligation of the Group. The Group considers effective control over the products sold to have passed at the point that physical control over the goods has transferred to the customer, which is determined under the Incoterms of the particular sale. For most of the Group's sales, this is when the goods are loaded onto a shipping vessel, where the Incoterms are Free on Board (FOB). As such, this is the most common revenue recognition point for sales. Different Incoterms arise depending on the customer and there are scenarios where control does not transfer until the goods reach their point of destination at which stage the performance obligation is considered satisfied and the revenue is recognised.

The Group measures its revenues from contracts with customers at a price established in the formal agreement with the customer. For rutile sales, where final pricing is based on average market prices, a provisional pricing adjustment is recorded as described above.

In all circumstances, revenue can reliably be measured based on quantities shipped and prices as described above. Costs associated with the sale, most notably the cost of the inventory being shipped, are also known in full on the date of shipment.

After control has transferred to the customer, there are no continuing obligations such as customer right of return or warranties that could impact the recognition of revenues. Once the Group's sole performance obligation has been met, the Group has the right to invoice the customer and it is therefore probable that future economic benefits will flow to the Group.

Note 4: Cost of sales

	2020 US$000s	2019 US$000s
Operating costs	68,553	63,234
Changes in inventories of concentrate and finished goods	(502)	2,075
Royalties expense	14,557	14,597
Depreciation and amortisation	56,725	51,885
	139,333	**131,791**

Note 5: Financing costs

	2020 US$000s	2019 US$000s
Interest expense, inclusive of withholding tax	1,820	4,042
Amortisation of capitalised borrowing costs	447	4,045
Unwinding of discount on provision for rehabilitation	359	621
Foreign exchange loss	2,214	1,377
Commitment fees	587	478
Other financing costs	446	992
	5,873	**11,555**

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

Financing expenses include:

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

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

Note 6: Earnings per share

	2020 US$000s	2019 US$000s
Earnings used to calculate basic/diluted earnings per share	**39,588**	**39,153**

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

in thousands of shares	2020	2019
Issued ordinary shares at 1 July	1,166,623	1,127,575
Effect of performance rights vested under the Group's LTIP	3,406	28,885
Weighted average number of ordinary shares at 30 June	**1,170,029**	**1,156,460**

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

in thousands of shares	2020	2019
Weighted average number of ordinary shares (basic)	1,170,029	1,156,460
Effect of performance rights on issue	15,801	15,294
Weighted average number of ordinary shares (diluted) at 30 June	**1,185,830**	**1,171,754**

Note 7: Income tax

	2020 US$000s	2019 US$000s
a. Amounts recognised in profit or loss		
Current income tax		
Income tax expense	13,515	15,204
Deferred tax expense		
Origination and reversal of temporary differences	(7,473)	(4,469)
Income tax expense reported in comprehensive income	**6,042**	**10,735**

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:

	2020 US$000s	2019 US$000s
Accounting profit before tax	45,630	49,888
Prima facie tax on operating profit at 30% (2019: 30%)	13,689	14,966
Add / (less) tax effect of:		
Non-deductible items	2,525	2,374
Share based payments	364	272
Tax losses not recognised	2,098	1,737
Other deferred tax assets not brought to account as realisation not considered probable	636	1,193
Effect of tax rates in foreign jurisdictions (i)	(13,270)	(9,807)
Income tax attributable to operating profit	**6,042**	**10,735**

(i) The Kenyan tax rate applicable to Base Titanium Limited is 12.5% (2019: 15%)

c. Net deferred tax liability recognised

	2020 US$000s	2019 US$000s
Deferred tax asset recognised	1,447	1,156
Deferred tax liabilities recognised		
Property, plant and equipment	(10,474)	(17,656)
	(9,027)	**(16,500)**

d. Deferred tax assets unrecognised

	2020 US$000s	2019 US$000s
Deductible temporary differences	308	292
Tax losses Australia	8,310	8,468
Tax losses other	591	231
	9,209	**8,991**

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward, excluding those recognised for Kwale Operations, have not been brought to account at 30 June 2020 and 2019 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

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

Recoverability of deferred tax assets

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

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

Recognition and measurement of income taxes

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

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

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

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

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

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

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

Note 8: Operating cashflows

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

	2020 US$000s	2019 US$000s
Profit for the year	39,588	39,153
Depreciation and amortisation	56,725	51,885
Share based payments	1,764	1,688
Exploration written off	-	466
Financing costs classified as financing activity	5,873	11,555
Amortisation of deferred revenue	(625)	(833)
(Decrease) / increase in income tax payable	(13,924)	14,388
Decrease in deferred tax liability	(7,473)	(4,469)
Decrease / (increase) in receivables and other assets	14,756	(24,213)
Decrease in inventories	81	215
Increase in trade and other payables	6,250	6,956
Increase / (decrease) in provisions	2,510	(148)
Cash flow from operations	**105,525**	**96,643**

Notes to the consolidated financial statements

OPERATING ASSETS AND LIABILITIES

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

Note 9: Trade and other receivables

	30 June 2020 US$000s	30 June 2019 US$000s
Current		
Trade receivables	26,965	37,305
VAT receivables	19,576	25,003
Other receivables	79	89
	46,620	**62,397**

Recoverability of construction period VAT receivable

The Group is owed US$17.9 million (2019: US$24.2 million) in VAT receivable by the Government of Kenya, of which US$16.2 million (2019: US$16.9 million) was incurred during the construction of Kwale Operations and is overdue but not impaired. An estimation has been made as to the timing of the receipt of this amount and forms the basis for its classification as a current asset.

Note 10: Inventories

	30 June 2020 US$000s	30 June 2019 US$000s
Current		
Heavy mineral concentrate and other intermediate stockpiles – at cost	2,015	2,465
Finished goods stockpiles – at cost	5,849	4,897
Stores and consumables – at cost	11,628	12,212
	19,492	**19,574**

Net realisable value of inventories

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

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

Recognition and measurement of inventories

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

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

Note 11: Capitalised exploration and evaluation

	30 June 2020 US$000s	30 June 2019 US$000s
Toliara Project – Madagascar	135,093	111,990
Kenya	4,540	3,901
Closing carrying amount	**139,633**	**115,891**

	2020 US$000s	2019 US$000s
Movement in carrying amount		
Opening balance	115,891	97,115
Exploration written off during the year	-	(466)
Transfer from property, plant and equipment	-	95
Exploration and evaluation expenditure during the period	23,742	19,147
	139,633	**115,891**

In November 2019, the Government of Madagascar required the Group to temporarily suspend on-the-ground activity on the Toliara Project while discussions on fiscal terms applying to the project were progressed. Activity remains suspended as the Group engages with the Government of Madagascar in relation to the fiscal terms applicable to the Toliara Project. Discussions have been limited as the Government focuses on managing the COVID-19 pandemic. The suspension order does not affect the validity of the Toliara Project's mining permit.

Recognition and measurement of exploration and evaluation expenditure

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

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

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

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

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

Impairment testing of exploration and evaluation assets

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

Note 12: Property, plant and equipment

2020	Plant & equipment US$000s	Mine property and development US$000s	Buildings US$000s	Right-of-use assets US$000s	Capital work in progress US$000s	Total US$000s
At cost	262,750	159,083	6,439	315	3,325	431,912
Accumulated depreciation	(168,500)	(100,848)	(3,688)	(125)	-	(273,161)
Closing carrying amount	**94,250**	**58,235**	**2,751**	**190**	**3,325**	**158,751**
Reconciliation of carrying amounts:						
Balance at 1 July 2019	117,959	83,061	3,263	-	1,303	205,586
Recognition of right-of-use assets on initial application of AASB 16	-	-	-	315	-	315
Additions	1,822	4,447	148	-	3,281	9,698
Transfers	9,851	(8,592)	-	-	(1,259)	-
Disposals	(8)	-	-	-	-	(8)
Increase in mine rehabilitation asset	-	793	-	-	-	793
Depreciation expense	(35,364)	(21,151)	(660)	(125)	-	(57,300)
Effects of movement in foreign exchange	(10)	(323)	-	-	-	(333)
Balance at 30 June 2020	**94,250**	**58,235**	**2,751**	**190**	**3,325**	**158,751**

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

Impairment of assets

At each reporting date, the Group reviews the carrying values of its assets to determine whether there is any indication those assets have been impaired. When impairment indicators are identified, the Group determines the recoverable value of the cash-generating unit to which the assets are allocated, via an estimation of the fair value of the cash-generating unit. Estimating the fair value amount requires management to make an estimate of expected future cash flows from the cash-generating unit over the forecast period and also to determine a suitable discount rate in order to calculate the present value of those cash flows. Key estimates supporting the expected future cash flows include commodity prices, production output and cost forecasts. In the reporting period, cash flow forecasts were updated for the expected impacts of COVID-19 with specific reference to commodity price forecasts.

Ore reserves and resources estimates

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

Recognition and measurement of property, plant and equipment

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

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

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

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

Depreciation

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

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

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

Recognition and measurement of Right-of-Use-Assets

AASB 16 Leases eliminates the distinction between operating and finance leases and brings all leases (other than short term and low value leases) onto the balance sheet. As a lessee, the Group recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. ROU assets are depreciated over the life of the lease.

The Group recognises a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost (present value of the lease liability plus deemed cost of acquiring the asset), and subsequently at cost less accumulated depreciation, impairment losses and adjusted for remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments expected to be paid over the lease term, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the Group's incremental borrowing rate. The lease liability is further remeasured if the estimated future lease payments change as a result of index or rate changes, residual value guarantees or likelihood of exercise of purchase, extension or termination options.

The Group has applied AASB 16 using the modified retrospective approach, under which ROU assets and lease liabilities are recognised at the equivalent of their present value of the remaining lease payments, with any differences recognised in retained earnings at 1 July 2019. Accordingly, the prior year information presented for 2019 has not been restated – i.e. it is presented, as previously reported under AASB 117 and related interpretations.

On transition to AASB 16, the Group elected to apply the practical expedient to grandfather the assessment of which contracts are, or contain, leases. It applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and Interpretation 4 were not reassessed. Therefore, the definition of a lease under AASB 16 has been applied only to contracts entered into or changed on or after 1 July 2019.

As a result of initially applying AASB 16, in relation to the leases previously classified as operating leases, the Group recognised US$0.5 million of ROU assets and US$0.4 million of lease liabilities as at 1 July 2019. In addition, the Group has recognised depreciation of US$0.1 million in relation to the leases reported under AASB 16. The application of the new standard did not have a material effect on expense categories presented in the income statement.

Note 13: Trade and other payables

	30 June 2020 US$000s	30 June 2019 US$000s
Trade payables and accruals	12,984	11,713
Provision for increase in Government of Kenya royalty (a)	26,633	21,425
	39,617	**33,138**

a. Government of Kenya Royalty

The Group is in ongoing discussions with the Government of Kenya with respect to the royalty rate payable for the Kwale Operation in the context of resolution of a number of outstanding issues, including refund of US$16.2 million VAT receivables related to the construction of Kwale Operations (refer to Note 9). Royalty costs are provided for, and expensed, on the basis of a 5% royalty rate being payable to the Government of Kenya, whereas the royalty rate applicable under the terms of the special mining lease, and currently being paid, is 2.5%.

Note 14: Borrowings

	30 June 2020 US$000s	30 June 2019 US$000s
Current		
Revolving Credit Facility (b)	25,000	-
Finance lease liabilities (a)	195	19
Total current borrowings	**25,195**	**19**
Non-current		
Revolving Credit Facility (b)	50,000	20,000
Capitalised borrowing costs (b)	(1,814)	(1,393)
Amortisation of capitalised borrowing costs (b)	754	306
Total non-current borrowings	**48,940**	**18,913**
Total borrowings	**74,135**	**18,932**

a. Lease Liabilities

The Group adopted AASB 16 Leases from 1 July 2019, which resulted in the initial recognition of lease liabilities. The lease liability is initially measured at the present value of the lease payments expected to be paid over the lease term, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the Group's incremental borrowing rate (refer note 12).

b. Revolving Credit Facility (RCF)

The RCF carries interest rates of LIBOR plus 463 basis points, inclusive of political risk insurance. The remaining tenor of the loan is 1.5 years with a final maturity date of 31 December 2021. There are no scheduled repayments prior to maturity, however, on 30 June 2021 there is a mandatory reduction in the size of the RCF to US$50 million.

The security package for the RCF is a fixed and floating charge over all the assets of Base Titanium Limited (BTL) and the shares in BTL held by Base Titanium (Mauritius) Limited (BTML) and the Company and the shares held in BTML by the Company.

In January 2020, the Group repaid the outstanding balance of the 30 June 2019 RCF balance. In March 2020, the Group drew down the full US$75.0 million available under the RCF to secure enhanced liquidity and provide flexibility as part of a prudent risk management strategy for navigating the evolving uncertainty associated with the COVID-19 pandemic.

Recognition and measurement of capitalised borrowing costs

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

Note 15: Provisions

	30 June 2020 US$000s	30 June 2019 US$000s
Current		
Mine closure and rehabilitation	4,066	2,040
Employee benefits	1,842	1,358
	5,908	**3,398**
Non-current		
Mine closure and rehabilitation	25,352	24,328
Employee benefits	56	27
	25,408	**24,355**

Movement in mine closure and rehabilitation:	2020 US$000s	2019 US$000s
Balance at 1 July	26,368	22,773
Increase in rehabilitation estimate	4,527	3,103
Rehabilitation activities	(1,836)	(129)
Unwinding of discount	359	621
Balance at 30 June	**29,418**	**26,368**

Mine closure and rehabilitation obligations

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

The mine closure and rehabilitation provision is recorded as a liability at present value, assuming a risk-free discount rate equivalent to the 3 year US Government bonds rate of 0.18% as at 30 June 2020 (2019: 1.76%) and an inflation factor of 1.79% (2019: 1.41%).

Although the ultimate amount to be incurred is uncertain, management has, at 30 June 2020, estimated the cost of mine closure and rehabilitation activities using an expected remaining mine life of 3 years and a total undiscounted estimated cash flow of US$29.9 million (2019: US$26.6 million). Management's estimate of the underlying cost of mine closure and rehabilitation activities is independently reviewed by an external consultant on a regular basis for completeness, with the last such review completed in June 2018.

Recognition and measurement of provisions

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

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

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

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

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

Note 16: Income tax payable

From the commencement of the Kwale operation, Base Titanium (the Group's wholly owned subsidiary and owner of Kwale Operations) benefited from an immediate upfront tax deduction for its initial capital investment in developing the project. This tax deduction created a significant tax loss position which has been carried forward and subsequently applied against profits generated by the operation. Following the depletion of its remaining carry forward losses, Kwale Operations reached a tax payable position for the first time in the year ended 30 June 2019, resulting in income tax payable of US$14.5 million for the 2019 financial year. This income tax was subsequently paid to the Kenya Revenue Authority (KRA) during the reporting period.

Since becoming a taxpayer, Base Titanium has transitioned from paying corporate income tax annually in arrears to quarterly in advance. As a result, during the reporting period, Base Titanium paid a further US$13.0 million to the KRA in the settlement of its estimated corporate tax payable for the year.

Note 17: Deferred consideration

	30 June 2020 US$000s	30 June 2019 US$000s
Deferred consideration – Toliara Project acquisition	17,000	17,000
	17,000	**17,000**

In January 2018, Base Resources completed the acquisition of the Toliara Project in Madagascar, with payment of US$75.0 million in up-front consideration, for an initial 85% interest. In January 2020, in accordance with the terms of the share sale agreement with World Titane Holdings Limited, the Group acquired the remaining minority interest in the Toliara Project. As a result, the Group now owns 100% of the Toliara Project. A further US$17.0 million (deferred consideration) is payable on achievement of key milestones, as the project advances to mine development. An estimation has been made as to the timing of payment of the future consideration, which has resulted in a current liability being recognised.

Notes to the consolidated financial statements

CAPITAL STRUCTURE, FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Note 18: Issued capital

	30 June 2020 US$000s	30 June 2019 US$000s
Ordinary share capital:		
Issued and fully paid	**307,063**	**306,512**

Date	Number	US$000s
1 July 2018	1,127,575,014	305,277
Performance rights vested under the Company's LTIP	39,048,026	1,235
30 June 2019	**1,166,623,040**	**306,512**
1 July 2019	1,166,623,040	306,512
Performance rights vested under the Company's LTIP	4,986,734	551
30 June 2020	**1,171,609,774**	**307,063**

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

Recognition and measurement of issued capital

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

Note 19: Share-based payments

Performance rights

Total expenses arising from share based payment transactions during the year as part of employee benefit expenses was US$1.8 million (prior period: US$1.7 million).

Granted performance rights are as follows:

Performance cycle date	KMP	Other employees	Total	Fair value at grant date
1 October 2017	7,309,243	7,707,303	15,016,546	A$0.2150
1 October 2018	9,422,931	13,122,499	22,545,430	A$0.1610
1 October 2019	9,664,140	15,413,818	25,077,958	A$0.1280

All performance rights are granted for nil consideration.

The fair value of the performance rights granted during the 2020 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 0.7%; no dividend yield; volatility factor of the expected market price of the Company's shares of 45%; and a remaining life of performance rights of 2.86 years at valuation date. The fair value of the performance rights is recognised over the service period, which commenced on the date of grant of 1 October 2019.

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

	2020	2019
Opening balance	48,586,062	71,952,345
Granted – cycle commenced during reporting period	25,077,958	21,943,713
Granted – cycles commenced in previous reporting periods	1,396,459	438,435
Forfeited – cycles commenced in previous reporting periods	(906,204)	-
Vested	(11,514,341)	(45,748,431)
Closing balance	**62,639,934**	**48,586,062**

Recognition and measurement of share based payments

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

Note 20: Financial risk management

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

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

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

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

	Note	2020 US$000s	2019 US$000s
Financial assets			
Cash and cash equivalents		162,559	39,242
Trade and other receivables	9	46,620	62,397
		209,179	**101,639**
Financial liabilities			
Trade and other payables	13	39,617	33,138
Revolving Credit Facility	14	75,000	20,000
Finance lease liabilities	14	195	19
		114,812	**53,157**

Commodity price risk

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

Rutile sales revenue of US$11.2 million remains subject to final market pricing at 30 June 2020 (2019: US$12.6 million). An interim adjustment to sales revenue has been recorded at the reporting date to align the estimated fair value of these sales with the latest available market data. If commodity prices increased/decreased by 10%, with all other variables held constant, the Group's before tax profit/loss would have increased/decreased by US$1.1 million (2019: US$1.3 million).

Interest rate risk

The RCF carries an interest rate of LIBOR plus 463 basis points, inclusive of political risk insurance. The weighted average effective interest rate on the RCF at 30 June 2020 is 5.27%.

The Group holds its cash deposits in accounts with Nedbank Limited and National Australia Bank Limited (NAB) at variable rates. A further US$60.0 million is held on deposit with NAB and ANZ Limited at fixed rates.

	Carrying amount		Realisable/payable within six months	
	2020 US$000s	2019 US$000s	2020 US$000s	2019 US$000s
Fixed rate instruments				
Financial assets	60,000	-	60,000	-
Financial liabilities	(195)	(19)	-	-
	59,805	**(19)**	**60,000**	**-**
Variable rate instruments				
Financial assets	102,559	39,242	102,559	39,242
Financial liabilities	(75,000)	(20,000)	-	-
	27,559	**19,242**	**102,559**	**39,242**

Cash flow sensitivity analysis for variable rate instruments

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

Variable rate instruments	2020 US$000s 100bp increase	2020 US$000s 100bp decrease	2019 US$000s 100bp increase	2019 US$000s 100bp decrease
Profit or loss	276	(276)	192	(192)
Equity	(276)	276	(192)	192

Currency risk

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

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

30 June 2020

In US$000s:	AUD	USD	KES	MGA	Other	Total USD
Cash and cash equivalents	-	69,690	919	292	4	70,905
Trade and other receivables	-	-	17,883	1,648	-	19,531
Other current assets	-	-	365	39	-	404
Trade and other payables	(43)	(226)	(3,306)	(335)	(338)	(4,248)
Net exposure	**(43)**	**69,464**	**15,861**	**1,644**	**(334)**	**86,592**

30 June 2019

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

The following significant exchange rates applied during the year:

	Average rate		30 June spot rate	
	2020	2019	2020	2019
USD : AUD	1.490	1.398	1.454	1.4255
USD : KES	103.03	101.15	106.52	102.30
USD : MGA	3701,70	3,503.66	3,855.38	3,603.82

Sensitivity analysis

Based on the financial instruments held at reporting date, had the functional currencies weakened/strengthened by 10% and all other variables held constant, the Group's before-tax profit/(loss) for the year to date would have been US$8.7 million lower/higher (2019: US$2.8 million lower/higher).

Credit risk

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

The Group is exposed to counterparty credit risk through sales of mineral sands products under normal terms of trade. Total sales revenue for the year ended 30 June 2020 was US$208.0 million (2019: US$209.5 million). Base Resources had two major customers who individually accounted for more than 10% of sales revenue, with one contributing $45.2 million (2019: $45.7 million) and the other contributing $24.0 million (2019: $nil). These customers represent 0% (2019: 0%) of the trade receivables balance at 30 June 2020.

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

The Group is owed US$17.9 million in VAT receivable by the Government of Kenya (Note 9), of which US$16.2 million relates to the construction of Kwale Operations and is overdue but not impaired. An estimation has been made as to the timing of the receipt of this amount and forms the basis for its classification as a current asset.

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

	2020 US$000s	2019 US$000s
Financial assets – cash flow realisable		
Cash and cash equivalents	162,559	39,242
Trade and other receivables	46,620	62,397
Total anticipated inflows	**209,179**	**101,639**

At 30 June 2020, the ageing of trade and other receivables, excluding VAT receivable, that were not impaired was as follows:

	2020 US$000s	2019 US$000s
Neither past due nor impaired	27,044	37,354
Past due 1 - 30 days	-	40
	27,044	**37,394**

There were no impairment losses in relation to financial assets during the current or the prior financial year. The maximum exposure to credit risk for financial assets at the reporting date by geographic region of the customer or financial institutions was:

	2020 US$000s	2019 US$000s
United Kingdom	66,816	26,103
Kenya	21,535	28,177
China	8,265	26,462
USA	12,008	7,700
Australia	88,125	5,832
Other	12,430	7,365
Total	**209,179**	**101,639**

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 2020	**US$000s**	**US$000s**	**US$000s**	**US$000s**	**US$000s**	**US$000s**	**US$000s**
Trade and other payables	39,617	39,617	12,984	26,633	-	-	-
Revolving Credit Facility	75,000	80,351	680	28,325	51,346	-	-
Finance lease liabilities	195	195	195	-	-	-	-
	114,812	**120,163**	**13,859**	**54,958**	**51,346**	**-**	**-**
30 June 2019							
Trade and other payables	33,138	33,138	11,713	21,425	-	-	-
Revolving Credit Facility	20,000	23,456	234	1,148	1,379	20,695	-
Finance lease liabilities	19	19	19	-	-	-	-
	53,157	**56,613**	**11,966**	**22,573**	**1,379**	**20,695**	**-**

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.

	2020 US$000s	**2019 US$000s**
Cash and cash equivalents	162,559	39,242
Trade and other receivables	46,620	62,397
Inventories	19,492	19,574
Other current assets	7,313	6,313
Trade and other payables	(39,617)	(33,138)
Borrowings	(25,195)	(19)
Provisions	(5,908)	(3,398)
Income tax payable	(539)	(14,463)
Other liabilities	-	(625)
Deferred consideration	(17,000)	(17,000)
Working capital position	**147,725**	**58,883**

Notes to the consolidated financial statements

GROUP STRUCTURE AND OTHER INFORMATION

Note 21: Parent entity disclosures

As at, and throughout the financial year ended 30 June 2020, the parent entity of the consolidated group was Base Resources Limited.

Financial performance of the parent entity	2020 US$000s	2019 US$000s
Loss for the year	(9,627)	(9,212)
Total comprehensive loss for the year	**(9,627)**	**(9,212)**

Financial position of the parent entity	2020 US$000s	2019 US$000s
Current assets	88,486	5,905
Non-current assets	169,738	211,752
Total assets	**258,224**	**217,657**
Current liabilities	3,342	3,341
Non-current liabilities	82,530	30,717
Total liabilities	**85,872**	**34,058**
Net assets	**172,352**	**183,599**
Issued capital	307,063	306,512
Reserves	(43,769)	(45,291)
Accumulated losses	(90,942)	(77,622)
Total equity	**172,352**	**183,599**

Principles of consolidation

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

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

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

		Ownership %	
Controlled entity	**Country of Incorporation**	**2020**	**2019**
Base Titanium (Mauritius) Limited	Mauritius	100	100
Base Titanium Limited	Kenya	100	100
BTS Holdings (Mauritius) Limited	Mauritius	100	100
Madagascar Mineral Fields Limited	Mauritius	100	85
Malagasy Sands No. 2 Limited	Mauritius	100	85
Base Toliara SARL	Madagascar	100	85
Madagascar Resources SARL	Madagascar	100	85

Note 22: Related parties

KMP compensation:	2020 US$	2019 US$
Short-term employment benefits	2,798,216	2,907,768
Post-employment benefits	128,658	129,199
Share-based payments	951,986	927,816
Other long term	56,053	58,512
	3,934,913	**4,023,295**

Refer to the Remuneration Report for further details.

Other related party transactions

In January 2017, one of the Company's major shareholders, Pacific Road Capital Management Pty Limited (Pacific Road), acquired a Kwale Operation royalty stream of 0.25% of sales revenue from Pangea Goldfields Inc. In the year to 30 June 2020, US$513,000 (2019: US$516,000) was paid or is payable to Pacific Road under this royalty arrangement. Mr Stirzaker, non-executive director of the Group, was a partner of Pacific Road until September 2019.

Recognition and measurement of short term employee benefits

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

Recognition and measurement of defined contribution plans

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

Note 23: Auditors' remuneration

	2020 US$	2019 US$
Audit services		
KPMG Australia		
Audit of financial report	104,624	108,199
Overseas KPMG firms		
Audit services	114,562	111,217
	219,186	**219,416**

Other services		
KPMG Australia		
Routine tax compliance and advisory services for reporting period	15,133	49,769
Other services	7,151	7,330
Overseas KPMG firms		
Assistance with Kenyan Revenue Authority audits for prior periods for which KPMG was the incumbent tax advisor	55,384	56,023
Kenyan VAT compliance and advisory services	39,266	51,600
Other tax compliance and advisory services for reporting period	30,243	110,560
	147,177	**275,282**

Note 24: New accounting standards not yet adopted

New standards adopted in the period

During the period, the Group adopted the following accounting standards that are applicable to the Group's financial report:

- IFRIC 23 Uncertainty over Tax Treatments. IFRIC 23 clarifies how the recognition and measurement requirements of IAS12 Income and Taxes are applied where there is uncertainty over income tax treatments. The adoption of this standard has had no material impact on balances and transactions reported in either the current period or comparative period.
- AASB 16 Leases. The impact of adopting this standard and the accounting policies are described in Note 12. As demonstrated in that note, the adoption of this standard has had no material impact on balances and transactions reported in either the current or comparative period.

Accounting standards and interpretations not yet effective

There are a number of new standards effective for annual periods beginning on or after 1 July 2020. The Group has not adopted these early.

- *Definition of a Business (Amendments to AASB 3).*
- *Amendments to References to Conceptual Framework in IFRS Standards.*
- *Definition of Material (Amendments to AASB 101 and AASB 108).*

The abovementioned standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements when adopted.

Note 25: Events after the reporting date

Since the end of the reporting period, on 21 August 2020, the Board has determined a maiden dividend of AUD 3.5 cents per share, unfranked, with a record date of 21 September 2020 and payment date of 7 October 2020. The financial impact of the dividend amounting to US$28.2 million has not been recognised in the Consolidated Financial Statements for the year-ended 30 June 2020.

There have been no other significant events since the reporting date.

Note 26: Company details

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

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

Directors' Declaration

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

   (a) the consolidated financial statements and notes that are set out on pages 72 to 98 and the Remuneration Report in pages 39 to 55 in the Directors' Report, are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2020 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 2020.

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

Signed in accordance with a resolution of the directors:

Keith Spence,
Chair
Dated at Perth this 22nd day of August 2020

Independent auditor's report

Independent Auditor's Report

To the shareholders of Base Resources Limited

Report on the audit of the Financial Report

Opinion

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

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

- giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2020
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

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

Basis for opinion

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

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

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

Key Audit Matters

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

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

KPMG

<table>
<tr><th colspan="2">Value of property, plant and equipment (US$158,751,000)</th></tr>
<tr><td colspan="2">Refer to Note 12 to the Financial Report</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The value of property, plant and equipment was considered a key audit matter due to:
• The size of the Kwale mine property, plant and equipment balance (being 27% of total assets).
• The mineral sands sector, within which the Group operates, having experienced volatile commodity prices and uncertainty in the global demand for products, putting pressure on the recoverability of asset values.
• The on-set of COVID-19 and the potential impact it may have on the ability of the Group to generate cash flows and support the valuation assessment of the property, plant and equipment.
• The Group’s market capitalisation at 30 June 2020 being less than the net assets, resulting in the requirement of management to perform a valuation assessment of the property, plant and equipment.
In performing the valuation assessment of the Group’s property, plant and equipment, management designs a fair value less cost of disposal model to determine the recoverable amount. In designing the model, management applies significant estimates and judgments, specifically in determining key inputs. These inputs include:
• Forecast sales, production output, production costs, capital expenditure and expected commodity prices for mineral sands. The uncertainty and volatility described above increase the possibility of inaccurate forecasts.
• Discount rates, the calculation of which is particularly complex where operations are overseas as country-specific risk must be estimated.
• Life of mineral reserves. The Group engages an external expert to assist in producing the reserves and resources statement which underlies the forecast production output within the Group’s calculation.
The existence of management’s significant estimate and judgments in determining the valuation of property, plant and equipment contributes to our conclusion that this is a key audit matter.
In assessing this key audit matter, we involved senior team members and valuation specialists.</td><td>Our procedures included, but were not limited to:
• We considered the appropriateness of the Group’s use of the fair value less costs of disposal methodology against the requirements in the accounting standards.
• We performed mathematical integrity checks of the fair value less costs of disposal model.
• We evaluated the sensitivity of the valuation of property, plant and equipment by considering reasonably possible changes to the key assumptions, including forecast commodity prices and the discount rate.
• We assessed the historical accuracy of Group forecasts to inform our evaluation of the forecasts incorporated in the model. We noted previous trends where volatile commodity prices and uncertain market conditions existed and how they impacted the business, for use in further testing.
• We compared the forecast cash flows contained in the model to management’s budgets presented to its Board of Directors.
• We assessed key assumptions underlying the discounted cash flows in the fair value less costs of disposal model, including forecast sales, production output, production costs and capital expenditure, using our knowledge of the Group and comparing to past performance.
• We compared expected commodity prices to the most recent published views of the market commentator on future trends.
• We compared the life of mineral reserves and resources, and production output assumptions in the Group’s model to those in the reserves and resources statement commissioned by the Group for consistency. We also assessed the competency of management’s external experts used to determine reserves and resources estimates.
• Working with our valuation specialists, we independently developed a discount rate range considered comparable, using publicly available market data for comparable entities, adjusted for Kenya country risk.
• We assessed the impact of COVID 19 on the Kwale operations and the potential for impact on forecast cashflows.</td></tr>
</table>

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

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

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Base Resources Limited for the year ended 30 June 2020, complies with *Section 300A of the Corporations Act 2001*.

Directors' responsibilities

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

Our responsibilities

We have audited the Remuneration Report included on pages 39 to 55 of the Directors' report for the year ended 30 June 2020.

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

KPMG.

KPMG

R Gambitta
Partner

Perth

22 August 2020

Additional shareholder information

The following additional information required by the ASX Listing Rules is current as at 31 July 2020.

Ordinary Shares

Distribution of shares	Holders	Units	%
1 – 1,000	138	9,817	0.00
1,001 – 5,000	208	667,219	0.06
5,001 – 10,000	175	1,397,930	0.12
10,001 – 100,000	441	16,579,679	1.42
100,001 and over	178	1,152,955,129	98.41
	1,140	**1,171,609,774**	**100.0**

There were 197 holders of unmarketable parcels of shares (<A$500) based on the closing share price of A$0.21 per share as at 31 July 2020 comprising a total of 117,617 shares.

The voting rights attached to the ordinary shares are as follows:

a) At a meeting of members or classes of members, each member entitled to vote may vote in person, or by proxy or attorney.

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

20 largest registered holders of shares		Number of Shares	%
1.	HSBC CUSTODY NOMINEES <AUSTRALIA> LIMITED	341,819,747	29.18
2.	PACIFIC ROAD CAPITAL II PTY LIMITED	312,436,779	26.67
3.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	115,717,099	9.88
4.	CITICORP NOMINEES PTY LIMITED	92,491,866	7.89
5.	UBS NOMINEES PTY LTD	70,039,517	5.98
6.	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	28,176,366	2.40
7.	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	22,475,550	1.92
8.	WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	20,394,921	1.74
9.	CPU SHARE PLANS PTY LTD <BSE LTS CONTROL A/C>	17,687,852	1.51
10.	COMPUTERSHARE CLEARING PTY LTD <CCNL DI A/C>	13,325,211	1.14
11.	NERO RESOURCE FUND PTY LTD <NERO RESOURCE FUND A/C>	11,446,933	0.98
12.	NGE CAPITAL LIMITED	7,400,000	0.63
13.	NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	7,341,295	0.63
14.	DEFENDER EQUITIES PTY LTD <DEFENDER AUS OPPORTUN FD A/C>	7,000,000	0.60
15.	MR TIMOTHY JAMES CARSTENS	5,400,667	0.46
16.	BPM CAPITAL LIMITED	5,000,000	0.43
17.	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	4,596,351	0.39
18.	MR COLIN NEIL STEWART BWYE + MRS ANNETTE MARGARET BWYE <BWYE SUPER FUND A/C>	4,196,451	0.36
19.	MR MICHAEL CHARLES BOWDEN	2,500,000	0.21
20.	HARMANIS HOLDINGS PTY LTD <HARMAN FAMILY A/C>	2,320,614	0.20
		1,091,767,219	**93.19**

Substantial shareholdings

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

Name	Number of shares
Pacific Road Capital II Pty Ltd and Pacific Road Capital Management GP II Limited	310,813,913
Sustainable Capital Ltd	260,732,274
FIL Limited	117,160,977
Regal Funds Management Pty Limited	124,549,009
UBS Group AG	65,591,302

Performance rights

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

Cycle	Date of Vesting/Expiry	Number of performance rights	Number of Holders
2016	30 September 2019	6,527,607*	9
2017	30 September 2020	15,016,546	27
2018	30 September 2021	22,545,430	37
2019	30 September 2022	25,077,958	37

** Performance rights have vested, but remain subject to valid exercise.*

Other information

The Company has a primary listing on ASX and a secondary listing on the London Stock Exchange's AIM.

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

Glossary

AASB	Australian Accounting Standards Board
AGM	Annual general meeting
AIM	Alternative Investment Market
APES	Accounting Professional and Ethical Standards
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
AUD	Australian dollar
Base Resources or the Company	Base Resources Limited
DFS	Definitive feasibility study
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EITI	Extractive Industries Transparency Initiative
EXCO	Managing Director and the Executive Director - Operations & Development
FY	Financial year
FY18	Financial year ended 30 June 2018
FY19	Financial year ended 30 June 2019
FY20	Financial year ended 30 June 2020
FY21	Financial year ending 30 June 2021
Group	Base Resources and its controlled entities
HM	Heavy mineral
HMC	Heavy mineral concentrate
IFRS	International Financial Reporting Standards
ILM	Ilmenite
IUCN	International Union for Conservation of Nature
JORC	Australasian Joint Ore Reserves Committee
KES	Kenyan Shilling
KMP	Key management personnel
Kwale Operations	The Company's mineral sands operations in Kwale County, Kenya.
LEUC	Leucoxene
LIBOR	London Inter-bank Offered Rate
LTI	Lost time injury
LTIFR	Lost time injury frequency rate
LTIP	Long term incentive plan
MGA	Malagasy Ariary
MSP	Mineral separation plant
Mt	Million tonnes
NGOs	Non-governmental organisations
NPAT	Net profit after tax
NRV	Net realisable value
OS	Oversize material
PPE	Property, plant and equipment
RCF	Revolving credit facility
RUT	Rutile
SL	Slimes
SML	Special mining lease
SPL	Special prospecting license
STIP	Short term incentive plan
TFR	Total fixed remuneration
TiO_2	Titanium dioxide
tph	Tonnes per hour
TRI	Total recordable injury
TRIFR	Total recordable injury frequency rate
TRP	Total remuneration package
TSF	Tailings storage facility
TSR	Total shareholder return
USD or US$	United States dollar
VWAP	Volume weighted average price
WCP	Wet concentrator plant
ZIR	Zircon

Corporate Directory

Directors

Mr Keith Spence
Non-Executive Chair

Mr Tim Carstens
Managing Director

Mr Colin Bwye
Executive Director

Mr Samuel Willis
Non-Executive Director

Mr Malcolm Macpherson
Non-Executive Director

Mr Michael Stirzaker
Non-Executive Director

Ms Diane Radley
Non-Executive Director

Company secretary

Mr Chadwick Poletti

Principal place of business and registered office

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Contact details

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Solicitors

Herbert Smith Freehills
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250 St Georges Terrace
Perth WA 6000

Auditors

KPMG
235 St Georges Terrace
Perth WA 6000

Share registry

ASX
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Annual Report 2020

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BASE RESOURCES

BASE TITANIUM

BASE TOLIARA