

ASX and AIM Release

23 November 2018

**Chairman's Address to the Annual General Meeting
Friday, 23 November 2018, 11.00am (AWST)**

Ladies and Gentlemen

This was a pivotal year for Base Resources with improving markets driving record financial performance, continued high cash flow, further optimisation of the Kwale operation and the acquisition of the world-class Toliara Project. Our Company is in excellent shape to capitalise on short, medium and long-term opportunities in a sector with sound fundamentals.

Demand for our products continued to improve in the year and this, along with low inventory levels and restricted supply, supported strong price improvement. Those dynamics have continued for rutile and zircon post year end.

This improved pricing environment, combined with consistent production, saw the Company achieve record revenue of US\$198.8m, a 22% increase on the prior financial year. This result, along with our low operating cost and focus on efficiency, led to a 32% increase in EBITDA to US\$109.3m and a 114% increase in profit after tax. Strong cashflow allowed the Company to reduce net debt by US\$65.3m over the period. As at 30 September net debt was US\$23.8m and is expected to be less than US\$5m by the end of 2018.

To counter declining ore grades expected from late 2018 onwards, and to fully exploit the availability of mineral separation plant capacity, the Board approved the implementation of the Kwale Phase 2 Project in 2017. This significant capital project was executed during the financial year, on schedule and on budget. The objective of the Kwale Phase 2 Project was to maximise feed into the mineral separation plant for the remaining life of mine, by increasing mining rates as ore grade declines. I am pleased to note that this has been achieved with mined ore tonnes increasing by 35% in the September quarter, driving record rutile and zircon production despite the lower grade. The seamless execution of the project, which was self-managed, without impact on the performance of the operations is testament to the capability of the Group's operational and project teams.

With the Kwale operation running smoothly and with greater flexibility post-Kwale Phase 2, the focus has been squarely on extending the mine life. As a result of the South Dune drilling program completed in 2017, a 19% increase in Measured and Indicated Resource for the Kwale Operation was announced in October 2017¹. This will be incorporated into an updated Ore Reserve when the requisite extension to the Special Mining Lease is granted, which is expected in the near future.

The focus of drilling activity has now shifted to the north east sector of the Kwale operations, on the North Dune and Kwale East zones with encouraging indications to date. We are optimistic that further mine life extension will result.

Most importantly, the Company has maintained an uncompromising focus on the safety, health and wellbeing of our staff, contractors and communities. One of Company's most significant highlights was achieving a Total Recordable Injury Frequency Rate of zero for the financial year, with no medical treatments across the year, or indeed since. The Kwale Operation has not had a lost time injury since February 2014 and our employees and contractors have now worked 14.1 million hours lost time injury free. This is a remarkable achievement for any mining operation anywhere in the world.

¹ Refer to Base Resources' ASX market announcement of 9 October 2017 "2017 Kwale Mineral Resources and Ore Reserves Statement" available at <https://www.baseresources.com.au/investor-centre/asx-releases/>. Base Resources confirms that it is not aware of any new information or data that materially affects the information included in that ASX market announcement and all material assumptions and technical parameters underpinning the estimates in that ASX market announcement continue to apply and have not materially changed.

The 2018 financial year's outcomes were only made possible by a highly capable, engaged and dedicated team at all levels of our organisation. Our approach of actively prioritising those who live closest to our operations for employment opportunities has enabled us to build a workforce with 67% of employees being from the local Kwale County and 97% from Kenya. Coupled with extensive training and apprenticeship and graduate programs, this workforce is highly effective and delivering some truly inspiring personal development achievements as individuals progress through the organisation.

Beyond employment opportunities, the Company is focused on creating a balanced flow of mutual benefit with our communities via various livelihood, health, social infrastructure and education programs. One such program, the Kwale Cotton Project, was honoured to receive the New Vision for Development award from the World Economic Forum in February this year.

Base Resources is committed to undertaking its operations in a way that minimises impacts on the environment and maximises opportunities for positive environmental outcomes. The Company has a comprehensive environmental management program and recorded no environmental incidents during the year. In Kenya, the Company achieved these good results through partnerships with communities, environmental authorities, local and international conservation groups and expert organisations to realise the objective of sustaining and improving the regions rich biodiversity.

In order to fully capitalise on the Company's organisational capability, business model and financial platform, we have been seeking the right growth opportunity from which to drive shareholder value. During the year, we were delighted to acquire the Toliara Project in Madagascar. We have spent considerable effort in recent years evaluating acquisition opportunities and consider the Toliara Project to be one of the premier mineral sand development opportunities in the world due to the size of the deposit, the consequent long mine life, its expansion potential, scope for operational scale up, technical simplicity and expected competitive positioning in the sector. We are confident that this is a project Base Resources can execute well.

Since completing the acquisition earlier in 2018, a concept study has been completed and a suite of additional test work, building on the sound work already completed, is well advanced. Mineral Technologies and Lycopodium have been engaged to complete the pre-feasibility study which is heading towards completion in the March quarter of 2019. The aim is to bring the Toliara Project into production in late 2021.

I believe Base Resources is now very well positioned to create further shareholder value. We have an outstanding operating asset in our Kwale Operation with strong cash generation and extensional potential, an exciting development opportunity with the World-Class Toliara Project and an outstanding team with a track-record of successful mineral sands development.

I'd like to thank the Board, our people, suppliers, local communities and host governments for their steadfast support and commitment. I'd also like to welcome Diane Radley to her first AGM as a Non-Executive Director of the Company. With her extensive leadership experience in Africa, she has already added considerable value.

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

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**BASE
RESOURCES**

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About Base Resources

Base Resources is an Australian based, African focused, mineral sands producer and developer with a track record of project delivery and operational performance. The Company operates the established Kwale Operations in Kenya and is developing the Toliara Sands Project in Madagascar. Base Resources is an ASX and AIM listed company. Further details about Base Resources are available at www.baseresources.com.au.