



**BASE RESOURCES LIMITED**

**ABN 88 125 546 910**

**Interim Financial Report  
For the six month period ended  
31 December 2014**

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## **CORPORATE DIRECTORY**

### **DIRECTORS**

Mr Andrew King, Non-Executive Chairman  
Mr Tim Carstens, Managing Director  
Mr Colin Bwyne, Executive Director  
Mr Samuel Willis, Non-Executive Director  
Mr Michael Anderson, Non-Executive Director  
Mr Malcolm Macpherson, Non-Executive Director  
Mr Trevor Schultz, Non-Executive Director – retired 19 November 2014  
Mr Michael Stirzaker, Non-Executive Director – appointed 19 November 2014  
Mr Keith Spence, Non-Executive Director – appointed 20 February 2015

### **COMPANY SECRETARY**

Mr Winton Willesee

### **PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE**

Level 1  
50 Kings Park Road  
WEST PERTH, WA 6005

### **CONTACT DETAILS**

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### **SOLICITORS**

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Level 32, Exchange Plaza  
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PERTH WA 6000

### **AUDITORS**

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235 St Georges Terrace  
PERTH WA 6000

### **SHARE REGISTRY**

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### **NOMINATED ADVISOR**

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PERTH WA 6000

### **BROKER**

RFC Ambrian Limited  
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## DIRECTORS REPORT

Your directors submit the interim financial report of the Group, being the Company, Base Resources Limited, and its controlled entities for the half-year ended 31 December 2014.

### Directors

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

*Mr Andrew King*

*Mr Tim Carstens*

*Mr Colin Bwye*

*Mr Samuel Willis*

*Mr Michael Anderson*

*Mr Malcolm Macpherson*

*Mr Trevor Schultz – retired 19 November 2014*

*Mr Michael Stirzaker – appointed 19 November 2014*

*Mr Keith Spence – appointed 20 February 2015*

Directors have been in office since the start of the financial year to the date of this report with the exception of Mr Michael Stirzaker who was appointed on 19 November 2014, Mr Keith Spence who was appointed on 20 February 2015 and Mr Trevor Schultz who retired on 19 November 2014. Mr Michael Stirzaker previously held the position as alternative for Mr Trevor Schultz.

### Company Secretary

Mr Winton Willesee held the position of company secretary during the half-year.

### Principal Activities and Significant Changes in Nature of Activities

The principal activity of the Group is the operation of the Kwale Mineral Sands Project in Kenya.

### Operating Results

The loss for the Group for the half-year after providing for income tax amounted to \$10,243,803 (2013: \$5,522,393).

### Dividends Paid or Recommended

There were no dividends paid or declared for payment during the period ended 31 December 2014.

### Review of Operations

During the half-year to 31 December 2014, the Group has continued the ramp up the Kwale Mineral Sands Operations. With the consistent achievement of design availabilities and throughputs in both the wet concentrator plant ("WCP") and mineral separation plant ("MSP"), the focus has been firmly on continuing to drive product recoveries, with considerable success achieved.

Ilmenite production has continued at a rate exceeding design expectations largely due to further improvement in recoveries. Rutile and zircon production is consistent with a planned twelve month ramp up to design capacity. Further plant modifications and optimisations are expected to increase rutile and zircon production over the balance of the 2015 financial year.

The Group completed 9 bulk shipments of ilmenite totalling approximately 170,000 tonnes and 3 bulk shipments of rutile of approximately 30,000 tonnes during the six month period. An additional 16 shipments of containerised rutile totalling more than 6,000 tonnes and 38 shipments of containerised zircon totalling more than 8,000 tonnes were shipped during the period.

The global titanium dioxide pigment industry softened towards the end of year as the northern hemisphere entered its usual seasonal slowdown, resulting in ilmenite prices coming under renewed pressure. Global inventories of ilmenite feedstocks are expected to remain at elevated levels until the pigment market picks up in the first half of the 2015 calendar year. Pricing of high grade titanium dioxide feedstock (including rutile) remained relatively stable through the six month period, but may come under some pressure in the early months of 2015.

## DIRECTORS REPORT

Zircon trade activity remained firm throughout the six month period and prices remained stable and are expected to remain stable throughout the first quarter of 2015. There is potential for some zircon price growth in 2015 provided that major producers continue to manage their production output in line with market demand.

Summary Physical Data	Six months to Dec 2014	Twelve months to Jun 2014
Ore mined (dmt)	4,520,201	4,532,154
Heavy mineral concentrate produced (dmt)	338,838	296,750
Production (dmt)		
Ilmenite	208,426	165,352
Rutile	35,284	24,216
Zircon	10,518	4,486
Sales (dmt)		
Ilmenite	169,923	138,829
Rutile	36,251	14,005
Zircon	8,484	2,704

### Financial Position

The Group's working capital, being current assets less current liabilities, has increased from \$15 million at 30 June 2014 to \$32 million at 31 December 2014, largely due to an increase in receivables. In order to take advantage of considerable savings in freight rates, the Group is increasingly shipping 50,000 tonne cargoes and the timing of these shipments can have a significant impact on the receivables balance.

In November 2014, the Group completed the restructure of the US\$215 million Kwale Project debt facility ("Project Debt Facility"). The rescheduling has the primary effect of realigning the Project Debt Facility repayment schedule to reflect the delay in commencement of sales from the Kwale Project to February 2014 from the original expectation of October 2013 when the facility was arranged in 2011.

Under the terms of the restructure, all principal repayments and funding of the debt service reserve account have been deferred by six months with some re-profiling to suit future cash flows. The first principal repayment was deferred from December 2014 to June 2015 and the debt repayments during the 2015 financial year are reduced from US\$45.9 million to US\$11.0 million. In addition, Base will contribute US\$15 million in additional liquidity by 30 June 2015 ("Liquidity Injection").

In December 2014, the Group executed a US\$20 million unsecured debt facility with one of its major shareholders, Taurus Funds Management ("Taurus Facility"). The Taurus Facility provides a source of additional funding for the Kwale Project should it be needed, a means to satisfy the Liquidity Injection and US\$5 million in corporate funding.

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

### Rounding

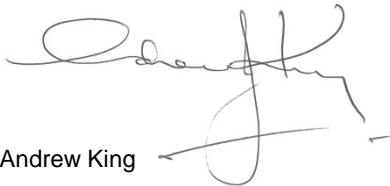
The Group is of a kind referred to in ASIC Class Order 90/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the interim financial report and directors' report have been rounded to the nearest thousand dollars, unless otherwise stated.

## DIRECTORS REPORT

### Auditor's Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 7 for the half-year ended 31 December 2014.

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

A handwritten signature in black ink, appearing to read 'Andrew King', with a large, stylized flourish extending downwards and to the right.

Andrew King

Director

Dated this 23<sup>rd</sup> day of February 2015



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

To: the directors of Base Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2014 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

G-T H

Graham Hogg  
*Partner*

Perth

23 February 2015

**CONSOLIDATED CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014**

	Note	6 months to 31 December 2014 \$000s	6 months to 31 December 2013 \$000s
Sales revenue		61,836	-
Cost of sales		(29,968)	-
Amortisation and depreciation		(19,437)	-
Royalties		(4,622)	-
Profit from operations		7,809	-
Corporate and external affairs		(4,702)	(3,687)
Community development costs		(1,950)	(492)
Product marketing		(421)	(304)
Other expenses		(34)	(1,493)
Profit / (loss) before financing income and income tax		702	(5,976)
Financing (costs) / income	2	(10,946)	508
Loss before income tax		(10,244)	(5,468)
Income tax expense		-	(54)
Net loss for the period		(10,244)	(5,522)
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences - foreign operations		18,654	4,173
Total other comprehensive income / (loss) for the period		18,654	4,173
<b>Total comprehensive income / (loss) for the period</b>		<b>8,410</b>	<b>(1,349)</b>
<b>Net Loss per share</b>		<b>Cents</b>	<b>Cents</b>
Basic profit / (loss) per share (cents per share)		(1.82)	(0.98)
Diluted profit / (loss) per share (cents per share)		(1.82)	(0.98)

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



**CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2014**

		31 December 2014	30 June 2014
	Note	\$000s	\$000s
<b>Current assets</b>			
Cash and cash equivalents		12,715	20,945
Trade and other receivables	3	49,267	33,265
Inventories	4	28,629	20,049
Other current assets		3,181	3,007
<b>Total current assets</b>		<b>93,792</b>	<b>77,266</b>
<b>Non-current assets</b>			
Capitalised exploration and evaluation		1,334	1,120
Property, plant and equipment	5	416,541	386,153
Inventories	4	-	1,106
Restricted cash		6,130	5,406
<b>Total non-current assets</b>		<b>424,005</b>	<b>393,785</b>
<b>Total assets</b>		<b>517,797</b>	<b>471,051</b>
<b>Current liabilities</b>			
Trade and other payables		12,443	11,322
Borrowings	6	44,618	49,887
Provisions		1,230	1,180
Deferred revenue	7	2,205	-
Other liability	8	1,254	-
<b>Total current liabilities</b>		<b>61,750</b>	<b>62,389</b>
<b>Non-current liabilities</b>			
Borrowings	6	210,530	177,667
Provisions		26,004	21,696
Deferred revenue	7	5,364	5,181
Other liability	8	-	1,106
<b>Total non-current liabilities</b>		<b>241,898</b>	<b>205,650</b>
<b>Total liabilities</b>		<b>303,648</b>	<b>268,039</b>
<b>Net assets</b>		<b>214,149</b>	<b>203,012</b>
<b>Equity</b>			
Issued capital	9	214,131	213,669
Reserves		36,542	16,085
Accumulated losses		(36,524)	(26,742)
<b>Total equity</b>		<b>214,149</b>	<b>203,012</b>

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

## CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

	Issued capital \$000s	Accumulated losses \$000s	Share based payment reserve \$000s	Foreign currency translation reserve \$000s	Total \$000s
Balance at 1 July 2013	213,669	(12,672)	1,764	15,364	218,125
Loss for the period	-	(5,522)	-	-	(5,522)
Other comprehensive loss	-	-	-	4,173	4,173
Total comprehensive profit / (loss) for the period	-	(5,522)	-	4,173	(1,349)
<i>Transactions with owners, recognised directly in equity</i>					
Shares issued during the period, net of costs	-	-	-	-	-
Share based payments	-	-	424	-	424
Balance at 31 December 2013	213,669	(18,194)	2,188	19,537	217,200
Balance at 1 July 2014	213,669	(26,742)	2,752	13,333	203,012
Loss for the period	-	(10,244)	-	-	(10,244)
Other comprehensive income	-	-	-	18,654	18,654
Total comprehensive profit / (loss) for the period	-	(10,244)	-	18,654	8,410
<i>Transactions with owners, recognised directly in equity</i>					
Share based payments	462	462	1,803	-	2,727
Balance at 31 December 2014	214,131	(36,524)	4,555	31,987	211,999

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

**CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014**

	Note	6 months to 31 December 2014 \$000s	6 months to 31 December 2013 \$000s
<b>Cash flows from operating activities</b>			
Receipts from customers		53,560	-
Payments in the course of operations		(49,243)	(5,279)
Other		(69)	(60)
Net cash provided by / (used in) operating activities	13	4,248	(5,339)
<b>Cash flows from investing activities</b>			
Interest receipts		44	270
Payments for exploration and evaluation		(76)	(156)
Purchase of property, plant and equipment		(4,729)	(954)
Proceeds on disposal of property, plant and equipment		3	-
Payments for mine development		-	(88,637)
Research and development incentive claim received		-	5,030
Security deposits		20	(281)
Net cash used in investing activities		(4,738)	(84,728)
<b>Cash flows from financing activities</b>			
Proceeds from debt financing		-	22,540
Debt finance facility fees		(10,235)	(247)
Net cash (used in) / provided by financing activities		(10,235)	22,293
Net decrease in cash held		(10,725)	(67,774)
Cash at beginning of period		20,945	98,123
Effect of exchange fluctuations on cash held		2,495	2,936
Cash at end of period		12,715	33,285

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

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## NOTE 1: BASIS OF PREPARATION

### Reporting entity

Base Resources Limited is a company domiciled in Australia. The condensed consolidated interim financial statements of the Group for the six-months ended 31 December 2014 comprises the Company and its controlled entities (together referred to as the "Group"). The Group is a for-profit entity and primarily is involved in the operation of the Kwale Mineral Sands Project in Kenya.

### Statement of compliance

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

The consolidated interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of the consolidated entity for the year ended 30 June 2014 and any public announcements made by Base Resources Limited during the interim financial reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The consolidated interim financial report was approved by the Board of Directors on 23 February 2015.

### Basis of measurement

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

### Financial position

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

The Group held cash on hand and on deposit as at 31 December 2014 of \$12.7 million. As at 31 December 2014 the Group held net assets of \$214.1 million and had a net working capital surplus of \$32.0 million. Net cash outflows from operations and investing activities for the six-months ended 31 December 2014 was \$0.5 million. The Directors consider the going concern basis of preparation to be appropriate based on forecast cash flows. The achievement of the cash flow forecast is dependent upon mineral sands prices, meeting production output and cost forecasts and the receipt of VAT receipts as expected.

Under the terms of the Kwale Project Debt Facility, the Group is required to achieve "Project Completion" in order for surplus cash at the Kwale Project operating subsidiary level to be distributed up to the parent. Project Completion requires a number of physical, economic and regulatory tests to be met, including funding of the debt service reserve account. The Group expects to satisfy the requirements for Project Completion within the stipulated time constraints. In the event that Project Completion is not achieved by 30 September 2015, it would represent an event of default under the Kwale Project Debt Facility, giving the Lenders the right to call the debt immediately, unless the time limit on achieving Project Completion were extended or the requirement waived by the Lenders. The Directors have a reasonable expectation that such an extension or waiver would be granted should it be required. If an extension or waiver was not granted, the Group would have to seek alternative funding.

Base Resources (the Parent) is dependent on access to funds from the Kwale Project operating subsidiary. If Project Completion was delayed and access to funds from the Kwale Project operating subsidiary were restricted, or if Project Completion was achieved but sufficient funds were unable to be transferred to the Parent, or if all employee options are not exercised, the Parent would be required to secure additional funding through debt or equity markets or a combination of the two in order to continue to be sufficiently funded at the Parent level.

### Functional and presentation currency

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

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### Significant accounting policies

The accounting policies applied by the consolidated entity in this consolidated interim financial report are consistent with those applied by the consolidated entity in its annual financial report for the year ended 30 June 2014.

### Critical accounting estimates and judgements

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

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the consolidated financial statements for the year ended 30 June 2014.

### NOTE 2: FINANCING (COSTS) / INCOME

	6 months to 31 Dec 14	6 months to 31 Dec 13
	\$000s	\$000s
(Loss) / gain on foreign exchange translations	(825)	235
Interest income	43	273
Interest expense, inclusive of withholding tax	(7,576)	-
Political risk insurance	(666)	-
Amortisation of capitalised borrowing costs	(1,234)	-
Financing expenses	(688)	-
	(10,946)	508

### NOTE 3: TRADE AND OTHER RECEIVABLES

	31 Dec 14	30 Jun 14
	\$000s	\$000s
Trade receivables	19,820	6,672
Other receivables	25	80
Value added tax claimable	29,422	26,513
	49,267	33,265

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### NOTE 4: INVENTORIES

	31 Dec 14	30 Jun 14
	\$000s	\$000s
<b>Current</b>		
Heavy mineral concentrate and other intermediate stockpiles – at cost	2,997	2,088
Finished goods stockpiles – at cost	16,412	13,027
Stores and consumables – at cost	9,220	4,934
Total current inventories	28,629	20,049
<b>Non-current</b>		
Stores and consumables	-	1,106
Total inventories	28,629	21,155

### NOTE 5: PROPERTY, PLANT AND EQUIPMENT

	31 Dec 14	30 Jun 14
	\$000s	\$000s
<b>Plant and equipment</b>		
At cost	256,583	225,292
Accumulated depreciation	(23,680)	(9,917)
	232,903	215,375
<b>Mine property and development</b>		
At cost	185,928	165,911
Accumulated depreciation	(12,012)	(3,484)
	173,916	162,427
<b>Buildings</b>		
At cost	7,206	6,355
Accumulated depreciation	(839)	(499)
	6,367	5,856
<b>Capital work in progress</b>		
At cost	3,355	2,495
Total Property, Plant and Equipment	416,541	386,153

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### NOTE 5: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Plant & equipment	Mine property and development	Buildings	Capital work in progress	Total
	\$000s	\$000s	\$000s	\$000s	\$000s
Balance at 1 July 2013	10,466	-	1,776	18	12,260
Additions	2,547	-	-	171	2,718
Transfers from mine development	6,440	-	-	-	6,440
Transfers	18	-	-	(18)	-
Depreciation capitalised to mine development	(1,534)	-	(46)	-	(1,580)
Depreciation expense	(74)	-	-	-	(74)
Effects of movement in foreign exchange	292	-	52	-	344
Balance at 31 December 2013	18,155	-	1,782	171	20,108
Balance at 1 July 2014	215,375	162,427	5,856	2,495	386,153
Additions	292	4,741	-	1,451	6,484
Transfers	926	-	-	(926)	-
Depreciation expense	(12,503)	(8,218)	(273)	-	(20,994)
Effects of movement in foreign exchange	28,813	14,966	784	335	44,898
Balance at 31 December 2014	232,903	173,916	6,367	3,355	416,541

### NOTE 6: BORROWINGS

	31 Dec 14	30 Jun 14
	\$000s	\$000s
<b>Current</b>		
Project Debt Facility (a)	44,262	49,589
Finance lease liabilities	356	298
Total current borrowings	44,618	49,887
<b>Non-current</b>		
Project Debt Facility (a)	219,349	182,869
Capitalised borrowing costs (a)	(15,480)	(10,548)
Amortisation of finance facility fees (a)	5,520	4,179
Finance lease liabilities	1,141	1,167
Total non-current borrowings	210,530	177,667
Total borrowings	255,148	227,554

#### a. Project Debt Facility

In November 2014 the Project Debt Facility was rescheduled in order to realign the repayment schedule to reflect the delay in commencement of sales from the Kwale Project to February 2014 from the original expectation of October 2013 when the facility was initially arranged.

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under the terms of the restructure, all principal repayments were deferred six months with some re-profiling to suit future cash flows. The first principal repayment was deferred from December 2014 to June 2015. In addition, Base will contribute US\$15 million in additional liquidity by 30 June 2015 ("Liquidity Injection").

The different tranches of the Project Debt Facility carry interest rates of LIBOR plus a margin range of between 495 – 820 basis points prior to achieving Project Completion, then 445 – 820 basis points subsequent to Project Completion pursuant to the relevant facility agreements. An additional margin of 60 basis points was applicable to the restructured Project Debt Facility prior to satisfying the Liquidity Injection, after which the additional margin reduced to 20 basis points. The debt facilities have a remaining tenor of between 3.5 and 5.5 years.

The security for the above debt facilities is a fixed and floating charge over all the assets of Base Titanium Limited ("BTL") and the shares in BTL held by Base Titanium (Mauritius) Limited ("BTML") and Base Resources Limited ("BRL") and the shares held in BTML by BRL. In addition, a shareholder support agreement is in place that requires BRL to do all things necessary to cause the project to achieve Project Completion by no later than 30 September 2015.

The weighted average effective interest rate on the facilities at 31 December 2014 is 6.39% (30 June 2014: 5.92%).

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

### b. Taurus Facility

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

In January 2015, an initial drawdown of US\$3 million was made to provide funds for corporate working capital. No further drawdowns had been made at the date of this report.

## NOTE 7: DEFERRED REVENUE

	31 Dec 14	30 Jun 14
	\$000s	\$000s
<b>Current:</b>		
Advance payment on future sales (a)	2,205	-
<b>Non-current:</b>		
Fee paid on execution of product sales agreement	6,130	5,406
Amortisation of deferred revenue	(766)	(225)
	<u>5,364</u>	<u>5,181</u>

### a. Advance payment on future sales

During the six month period to 31 December 2014, the Group entered into an agency agreement for the sale of product. Under the terms of the agency agreement a portion of the estimated product revenue was payable in advance, after shipping of the product but prior to final sale. The advance payment received is recorded as deferred revenue until the final sale has occurred, after which it will be reclassified as sales revenue.



## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### NOTE 8: OTHER LIABILITY

	31 Dec 14	30 Jun 14
	\$000s	\$000s
<b>Current:</b>		
Other payables	1,254	-
<b>Non-current:</b>		
Other payables	-	1,106

BTL entered into an agreement with Mantrac Kenya Limited (“Mantrac”) in 2013, for the supply of mining equipment whereby Mantrac agree to maintain a stock of critical spare parts for the equipment for a period of 24 months after equipment commissioning at no charge. At the end of the 24 months, BTL has agreed to purchase the critical spare parts. During the six months ended 31 December 2014, the liability has been reclassified as current to reflect the approaching maturity of the agreement.

### NOTE 9: ISSUED CAPITAL

	31 Dec 14	30 Jun 14
	\$000s	\$000s
Ordinary share capital:		
Issued and fully paid	214,131	213,669

Date	Number	\$000s
1 July 2013	561,840,029	213,669
30 June 2014	561,840,029	213,669
1 July 2014	561,840,029	213,669
Performance rights vested under the Company’s Long Term Incentive Plan	2,062,742	462
31 December 2014	563,902,771	214,131

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

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### NOTE 10: SEGMENT REPORTING

#### *Identification of reportable segments*

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

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

Reportable segment	6 months to December 2014			6 months to December 2013		
	Kwale Mine \$000s	Other operations \$000s	Total \$000s	Kwale Mine \$000s	Other operations \$000s	Total \$000s
Sales revenue	61,836	-	61,836	-	-	-
Reportable(loss) / profit	(4,653)	(5,591)	(10,244)	(2,187)	(3,335)	(5,522)
Capital Expenditure	4,729	75	4,804	76,414	124	76,538

	As at 31 December 2014			As at 30 June 2014		
Total assets	516,307	1,490	517,797	464,723	6,328	471,051
Total liabilities	302,918	730	303,648	266,147	1,852	267,999

### NOTE 11: SHARE BASED PAYMENTS

#### a. Share options

In December 2014, the Group executed the US\$20 million Taurus Facility (refer Note 6). Under the terms of the Taurus Facility, Taurus Funds Management is entitled up to 61,425,061 unlisted share options over unissued fully paid shares, for nil consideration and exercisable at \$0.40. Half of the options were issued on execution of the Taurus Facility and the other half will be issued pro-rata on facility drawdown above US\$5 million. The options expire on 31 December 2018 and have no vesting conditions. The fair value of options granted during the six month period to 31 December 2014 is \$0.07.

#### b. Performance rights

On 1 October 2014, the Group granted 9,652,142 performance rights to key management personnel and other senior staff under the terms of the long term incentive plan ("LTIP). The LTIP operates on a series of annual cycles. Each cycle commences on 1 October and is followed by a 3 year performance period, with a test date on the 3rd anniversary of the commencement of the Cycle. The performance rights granted on 1 October 2014 have performance conditions consistent with those issued under previous cycles of the plan and vest on 30 September 2017. The fair value of performance rights granted during the six month period to 31 December 2014 is \$0.14.

### NOTE 12: COMMITMENTS AND CONTINGENT LIABILITIES

The outstanding operating expenditure commitments of the Group relating to the Kwale Mine are \$4.2 million at 31 December 2014.

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

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

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### NOTE 13: RECONCILIATION OF LOSS AFTER INCOME TAX TO CASH FLOW FROM OPERATIONS

	6 months to 31 Dec 2014	6 months to 31 Dec 2013
	\$000s	\$000s
Loss for the period	(10,244)	(5,522)
Depreciation and amortisation	19,437	74
Share based payments	578	296
Financing costs classified as financing activity	10,946	(508)
Exploration valuation write down	-	1,034
Amortisation of deferred revenue	(469)	-
Changes in assets and liabilities:		
Increase in receivables and other assets	(16,080)	-
Increase in inventories	(7,474)	-
Increase / (decrease) in trade and other payables	5,331	(740)
Increase in employee provisions	87	22
Deferred revenue received	2,205	-
Decrease / (increase) in provision for income tax expense	(69)	5
Cash flow from operations	4,248	(5,339)

### NOTE 14: EVENTS SUBSEQUENT TO REPORTING DATE

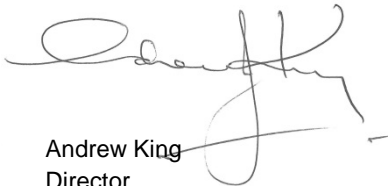
Other than the January 2015 drawdown against the Taurus Facility discussed in Note 6, there have been no subsequent events since the interim reporting date.

## DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The interim financial statements and notes, as set out on pages 8 to 19, are in accordance with the Corporations Act 2001 including:
  - a. giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the six month period ended on that date; and
  - b. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. In the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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



Andrew King  
Director

Dated this 23<sup>rd</sup> day of February 2015



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

### **Report on the financial report**

We have reviewed the accompanying interim financial report of Base Resources Limited, which comprises the consolidated condensed statement of financial position as at 31 December 2014, consolidated condensed statement of profit and loss and other comprehensive income, consolidated condensed statement of changes in equity and consolidated condensed statement of cash flows for the half-year ended on that date, notes 1 to 14 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

#### *Directors' responsibility for the interim financial report*

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As auditor of Base Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### *Independence*

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



*Conclusion*

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

*KPMG*

KPMG

*G-T H*

Graham Hogg

Partner

Perth

23 February 2015