



Chairman's Address to the Annual General Meeting Wednesday, 23 November 2016, 10.00am (Perth time)

Ladies and Gentlemen

The 2016 financial year has seen your company weather the storm of a challenging, low commodity price environment and emerge into an improving market in sound shape, well positioned to capitalise on opportunities.

The past year, our second full year of operations, has seen production volumes at our Kwale Operations in Kenya exceed original project design across all three products. We have consistently achieved or exceeded plant design availabilities, concentrate production, mineral separation throughput and ilmenite, rutile and zircon recovery. This is testament to the quality of the resource, our plant and equipment and, most importantly, to the experience, quality and dedication of our operations team.

With the operation now at steady state, our focus has turned to further enhancing throughputs in the mineral sands separation plant, which has driven a further material lift in our production guidance for the 2017 financial year.

Strong cost discipline is firmly entrenched in the company, as illustrated by our annual cash operating costs per tonne for the 2016 financial year of US\$89/tonne, down from US\$104/tonne in the prior year. While further improvements are challenging, we are continuing to seek innovative approaches to refine our operations, with the introduction of a hydro mining unit in recent months a good example.

Most importantly, these results continue to be achieved with an uncompromising focus on the safety of our people and the operation. There were no lost time injuries during the past year and Total Recordable Injury Frequency was a low 1.42 cases per million hours worked. The Kwale Operation has not had a lost time injury since February 2014 and did not record a medically treated injury for the first three quarters of 2016.

In a challenging market, Base Resources exported just short of 600,000 tonnes of products from the Kwale Operation over the 2016 financial year, with shipments made to customers with existing offtake agreements, regular customers buying on a spot basis and some new spot customers buying Base Resources' products for the first time. While all of our rutile and most zircon production is contracted, our ilmenite marketing strategy into China has been highly successful with minimal inventory on hand at year end and with Base Resources being the single largest importer of ilmenite into China.

These significant achievements for the year are reflective of a highly capable, settled and engaged team throughout the organisation. We have been highly successful in establishing a Kenyan workforce at the Kwale Operation, with 96% of the team being Kenyan and 63% coming from our local community. Our structured training and skills development programme is also seeing progression in quality of jobs, with a further two Kenyan appointments to the management team in the 2016 financial year.

Base Resources' local subsidiary, Base Titanium, has continued to enhance its strong track record of positive community engagement. Base Titanium, increasingly in partnership with various local and international development organisations, supports a wide range of programmes to address community-led priorities. In the past year, our programmes have been particularly focused on agricultural development, with a view to sustaining local communities' economic potential and quality of life beyond the life of the Kwale Operations. The past year has seen additional financial support secured from

new organisations, reflecting the quality, scope and potential of these agricultural programmes to drive regional socioeconomic development.

We continue to work closely, and enjoy positive relationships, with our host governments in Kenya, both at Kwale County and national level, supported by a common objective of establishing a healthy, vibrant mining sector. With the appointment of a new Cabinet Secretary for Mining in December 2015, Kenya has articulated bold aspirations for what has been a nascent mining industry, building on the success of Base Resources' Kwale Operation. Kenya is implementing a competitive and stable administrative and fiscal regime and is now actively seeking to directly engage with foreign mining companies and attract investment.

While the 2016 financial year was a challenging one from a commodity price perspective, our success in driving production and managing costs has meant that Base Resources was still able to generate an EBITDA in excess of A\$60 million, and with a revenue to cash cost ratio of 2:1, placing the company in the top few of the top quartile of mineral sands producers. This also enabled us to reduce net debt by US\$36 million to US\$151 million as at the end of the 2016 financial year.

After three years of consistently declining prices for our products, we are now seeing strong signs of the ilmenite and rutile markets returning to balance with excess inventories having been substantially worked down. We have now seen prices for our ilmenite improve from the lows in the June 2016 quarter by around 90% for deliveries in December 2016. With supply also tightening in the rutile market, we are encouraged by the outlook for 2017.

Base Resources closed the 2016 financial year in sound financial shape. We are generating significant cashflow with an improving market outlook. We are rapidly paying down debt with a repayment schedule well suited to the current environment following the successful rescheduling in December 2015. We are on a robust financial footing from which to grow the business.

Our plan for growth involves, firstly, adding value to the current asset suite. In this respect, we have recently secured a significantly expanded exploration tenure around the Kwale Operations to take in some previously identified targets. Drilling of these targets in pursuit of mine life extensions is expected to be completed over the coming year. In addition, the company recently secured exploration tenure over a significant land area in northern Tanzania. The "Kwale Phase 2" project, which seeks to optimise the Kwale Central and South dunes mining tonnage and methodology, and to increase concentrate production rates, is progressing through a Definitive Feasibility Study to be delivered in the June quarter of 2017.

Looking beyond Kwale, we see opportunities to capitalise on our capabilities and positioning to create shareholder value through acquisition and discovery. With much work already done, we will continue to assess and progress these opportunities in a disciplined manner in the coming year. We are well positioned for growth.

I wish to thank the Board, management and teams of Base Resources and Base Titanium, our suppliers, local communities and host governments for your support and commitment during the year. Finally, thank you to you our shareholders for your confidence and ongoing support. I am confident of a bright future for Base Resources.

ENDS

CORPORATE PROFILE

Base Resources Limited ABN 88 125 546 910

DIRECTORS

Keith Spence	Non-Executive Chairman
Tim Carstens	Managing Director
Colin Bwye	Executive Director

Sam Willis	Non-Executive Director
Michael Anderson	Non-Executive Director
Michael Stirzaker	Non-Executive Director
Malcolm Macpherson	Non-Executive Director

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