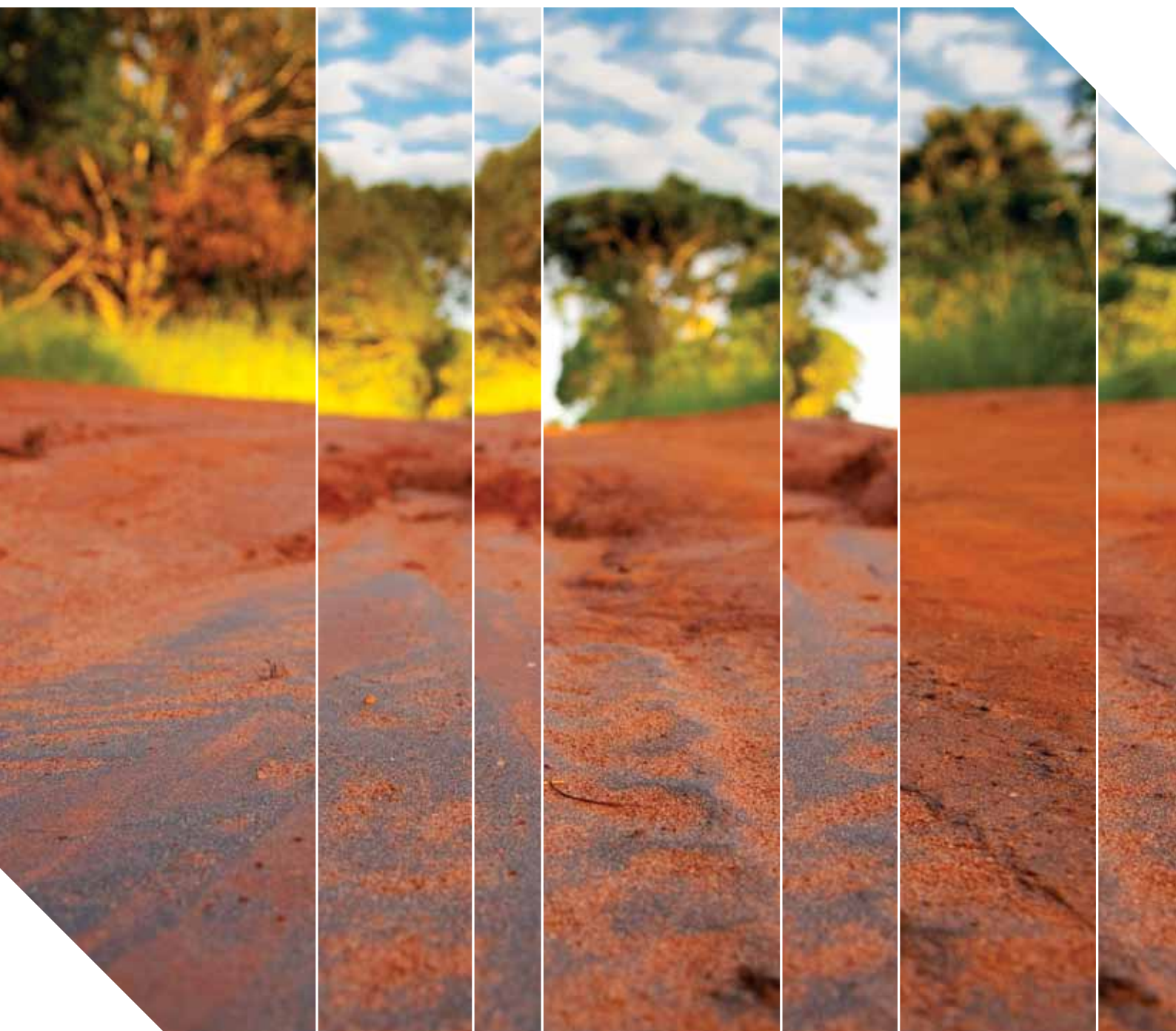






BASE RESOURCES LTD AND
ITS CONTROLLED ENTITIES
(FORMERLY BASE IRON LTD)

ABN 88 125 546 910

Annual Report
For the Year ended
30 June 2010

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// IN JULY 2010, THE COMPANY
COMPLETED THE ACQUISITION OF
THE WORLD-CLASS KWALE MINERAL
SANDS PROJECT IN KENYA //



01

CORPORATE DIRECTORY

DIRECTORS

Andrew King
Non-executive Chairman

Tim Carstens
Managing Director

Colin Bwye
Executive Director

Winton Willesee
Non-executive Director

Samuel Willis
Non-executive Director

COMPANY SECRETARY

Mr Winton Willesee

PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

Level 1, 50 Kings Park Road
West Perth WA 6005
Telephone: +61 (8) 9322 8910
Facsimile: +61 (8) 9322 8912
Email: info@baseresources.com.au

KENYAN OFFICE

Base Titanium Ltd
Power Factor Complex
Diani Beach Road
Ukunda
Telephone: +254 (0) 40 320 3599
Facsimile: +254 (0) 40 320 2253
Email: info@basetitanium.com

SHARE REGISTRY

Security Transfer Registrars Pty Ltd
Alexandria House
Suite 1, 770 Canning Highway
Applecross WA 6153
Telephone: +61 (8) 9315 2333
Facsimile: +61 (8) 9315 2233

CORPORATE ADVISORS

RFC Corporate Finance Ltd
Level 15, QVI Building
250 St Georges Terrace
Perth, WA 6000
Telephone: +61 (8) 9480 2500
Facsimile: +61 (8) 9480 2511

AUDITORS

Bentleys
Level 1, 12 Kings Park Road
West Perth WA 6005
Telephone: +61 (8) 9226 4500

STOCK EXCHANGE LISTING

Securities in Base Resources Limited
are listed on:
Australian Securities Exchange
Home Branch – Perth
ASX Code – BSE

WEBSITE

www.baseresources.com.au

02

CAPITAL STRUCTURE

SHARES ON ISSUE	129,611,111
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OPTIONS ON ISSUE (UNLISTED)

Number	Exercise price	Subject to vesting conditions	Subject to Exercise Hurdles	Expiry
2,150,000	25 cents	No	No	19 June 2011
3,580,000	25 cents	No	No	2 July 2011
3,000,000	25 cents	No	No	31 Dec 2011
8,500,000	9 cents	Yes	Yes	9 July 2015
8,500,000	25 cents	Yes	Yes	9 July 2015
1,000,000	25 cents	No	No	30 July 2015

SUBSTANTIAL SHAREHOLDERS

	Interest
Asian Investment Management Services Ltd	19.97%
RMB Resources Ltd	17.15%
Seaspin Pty Ltd	9.16%
Polaris Capital Ltd	5.02%
Alwaha Fund Ltd	5.02%
	56.32%
Top 10 Shareholders	74.96%

03

COMPANY PROFILE

Base Resources Limited (ASX:BSE) is developing the world-class Kwale Mineral Sands Project in Kenya, East Africa. Kwale is an advanced and highly competitive project in a sector with a significant forecast supply shortfall widely expected to emerge in the medium term.

The Kwale Project represents an advanced development opportunity with all material project approvals, permits and licenses required for development currently in place and a full definitive feasibility study (DFS) having been completed, representing an investment of in excess of US\$60 million by the previous owners.

The Project enjoys a high level of support from the Government of Kenya as well as the local community and, located just 50km from Mombasa, Kenya's principal port facility, is well serviced by existing physical infrastructure.

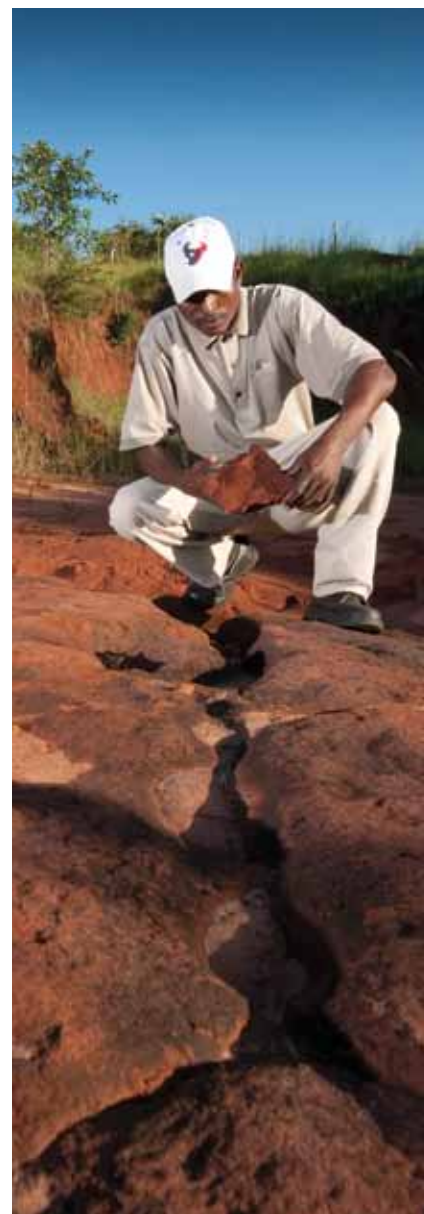
Importantly, two pilot plant operations at Kwale provide confidence in processing behavior and indicate a suite of readily marketable products. The Project's high value mineral assemblage and low stripping ratio result in a projected revenue to cash cost ratio

that would place Kwale in the top quartile of world producers.

An updated and enhanced DFS is underway and will be completed by the end of the March quarter of 2011 with a view to completing off-take and financing arrangements in the first half of 2011. A realistic development time line should see the Kwale Project in production in 2013.

Base Resources also has a portfolio of early stage exploration projects in Western Australia's Mid West region, with established targets for iron ore, gold, base metals and uranium. The Company continues to progress the granting of the tenements, the evaluation of their potential and consideration of the various development alternatives to maximise realised value.

The Board of Base Resources brings together a diverse skill set and considerable experience in all aspects of exploration and development, operations, finance, corporate development and capital markets – together with a commitment to unlock value for its shareholders from the Company's growing and diverse portfolio of assets in both Africa and Australia.



04

CHAIRMAN'S LETTER

Dear Shareholders

The 2009/10 financial year, the Company's second year as a listed company, has been an eventful one, and one in which we embarked on a new and exciting growth path.

At the start of the year, our previous exploration programmes had identified the limited iron ore development potential of all but one of our six Mid West project areas, namely the Poona East project.

With continued focus on identifying the earliest opportunities for delivering shareholder value, we set about the dual strategy of exploring the Mid West tenement portfolio for alternate commodity potential, while at the same time conducting an extensive search and evaluation of external project acquisition opportunities.

I believe we have been successful in both instances.

An independent technical review of the current tenement portfolio to establish their potential to host economic occurrences of commodities other than iron ore was completed, and confirmed the multi-commodity potential of the

Poona East and Murgoo projects. In addition to previously identified iron and uranium targets, the project areas are also considered to have potential for base metal and gold mineralisation. Work over the year has now refined our focus to a series of specific targets that will be further tested once the tenements have been granted in the near future.

More importantly, the systematic search for external project acquisition opportunities resulted in our 'discovery' of the Kwale Mineral Sands Project in Kenya. The Kwale opportunity places us in the right sector, with the right project at the right time. The titanium dioxide feedstock and zircon markets are both set to experience significant supply shortfalls. Kwale is a "world class", robust, advanced project that has all project approvals in place and can be bought into production on a time line to capitalize on a rising market. To have secured a quality asset that has had 15 years and US\$60 million invested in advancing it to the point of development readiness is rare, and we are excited by the opportunity it presents.

We announced the intention to acquire the Kwale Project in February this year, undertook an extensive due diligence

and satisfied all the conditions precedent to complete the transaction on 30 July. This included securing the Government of Kenya's approval for the acquisition as well as the transfer of the full suite of development licences, permits and approvals.

Updating and enhancing the existing definitive feasibility study is well under way and we expect this work to be concluded by the end of the first quarter of 2011. In parallel, discussions have commenced with potential offtake and joint venture partners. RFC Corporate Finance has been mandated to arrange the development financing package and discussions are advancing with a number of interested parties.

Our objective is to have studies completed, offtake arrangements concluded and development funding in place by 30 June 2011. On this basis, we reasonably expect the Kwale Project will be shipping first production in 2013.

Subsequent to the close of the financial year, Base Resources completed an \$8 million capital raising through which a number of new institutional and sophisticated investors have taken up substantial shareholdings. We welcome them to our register,

// THE KWALE OPPORTUNITY
PLACES US IN THE RIGHT
SECTOR, WITH THE RIGHT
PROJECT AT THE RIGHT TIME //

and thank them and indeed all of the Company's shareholders for their ongoing support and confidence in the quality of the Kwale Project, the Company's management team and its value proposition.

I would like to take the opportunity to commend our Managing Director, Tim Carstens and his team, for the efficiency of the Kwale acquisition process. Thank you also to my fellow Directors and to our management, staff and consultants for their valuable contributions as we set about growing a world class resources company.

We look forward to another exciting year ahead as we progress Base Resources' first major project through financing and into development



Andrew King



05

CORPORATE

At a general meeting on 30 June 2010, shareholders unanimously approved the acquisition of the Kwale Project and the associated share placement and rights issue. Shareholders also approved the change in company name to Base Resources Limited to better reflect Base's future focus and direction.

The 1 for 1 rights issue and \$4.6 million placement were completed in July 2010 and raised a total of \$8.02 million. The rights issue and placement, which were respectively underwritten and arranged by RFC Corporate Finance Ltd, resulted in a number of institutional and sophisticated investors taking up a substantial position in the Company. These included Asian Investment Management Services Ltd and RMB Resources who took up interests of 19.97% and 17.17% respectively.

Following their successful role in advising on the Kwale Acquisition and arranging the associated \$8 million acquisition funding, RFC Corporate Finance Ltd have now been mandated to work with the Company to arrange the required finance for the development of the Kwale Project.





// THE \$8 MILLION CAPITAL RAISING
SAW A NUMBER OF INSTITUTIONAL AND
SOPHISTICATED INVESTORS TAKING UP
SUBSTANTIAL POSITIONS IN THE COMPANY //

06

PROJECTS

KWALE MINERAL SANDS PROJECT

Project Overview

In the Kwale Mineral Sands Project in Kenya, East Africa, Base has secured a “world class” advanced development project well positioned to capitalise on a sector with a significant forecast supply shortfall emerging in the medium term.

All material Project approvals, permits and licenses required for development are in place and a full definitive feasibility study (DFS) was completed, representing an investment of in excess of US\$60 million by the previous owners, Vaaldiam Mining Inc (Vaaldiam) of Canada. The DFS (as reviewed) shows an economically robust project, forecast to generate net operating post tax cash of \$577 million over an 11 year mine life from 2013. High value mineral assemblage and a low stripping ratio result in a projected revenue to cash cost ratio that would place Kwale in the top quartile of world producers.

The Project, which enjoys a high level of support from both the Government of Kenya and the local community, has access to well developed existing

physical and social infrastructure and is located just 50km from Mombasa, Kenya’s principal port facility.

Furthermore, two pilot plant operations at Kwale have given confidence in processing behavior and indicate a suite of readily marketable products.

An updated and enhanced DFS will be completed by the end of the first quarter of 2011 with a view to completing offtake and financing arrangements in the first half of 2011. A realistic development time line should see the Kwale Project in production in 2013.

Importantly, as part of the Kwale acquisition, Base also acquired an option to purchase two further exploration projects from Vaaldiam, representing additional production potential from a combined ~1.3 billion tonne mineral resource.

Strategically, the Kwale Project represents the vehicle to establish the regional presence and operating model, the capital base and cash flow to unlock the potential of these exploration projects.



Mineral Sands Market Outlook

The acquisition of the Kvale Project was motivated by a strongly held view that, as an advanced project, significantly de-risked through extensive studies and pilot plant operations, it is perfectly positioned to take advantage of a sustained opportunity set to emerge in the medium term across the three product streams of ilmenite, rutile and zircon.

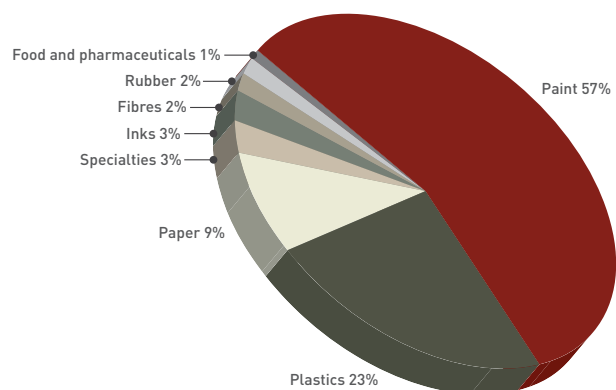
Ilmenite and rutile are feed-stocks for the production of titanium dioxide (TiO_2) pigment used in the production of high quality finishes. Due to these end uses, titanium pigment is essentially a lifestyle product.

Historically, its use has developed strongly in the most economically developed countries of the world where it is an essential component of basic consumer products, such as housing, motor vehicles and plastic products. Over past years, global consumption of TiO_2 pigment has consistently grown at rates close to 3.1% per annum.

Zircon has a range of end-uses, the largest of which, accounting for 55% and 18% of global consumption in 2009 respectively, are in ceramics and zirconia-based chemicals. Consumption of zircon has grown at a compound average rate of 3% between 2000 and 2009 with the principal driver of this growth being the industrialisation and urbanisation of China.

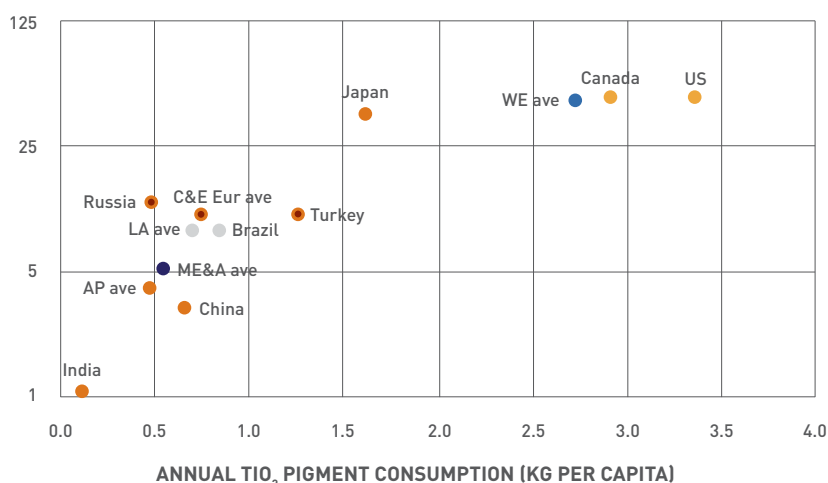
Industry experts such as TZ Minerals International (TZMI) are forecasting the emergence of significant supply deficits in each of the sulphate ilmenite, rutile and zircon markets by 2013, with demand for all three products expected to at least maintain their growth trend of the last ten years. Supply deficits are the result of depletion of existing operations

TiO_2 PIGMENT CONSUMPTION 2009



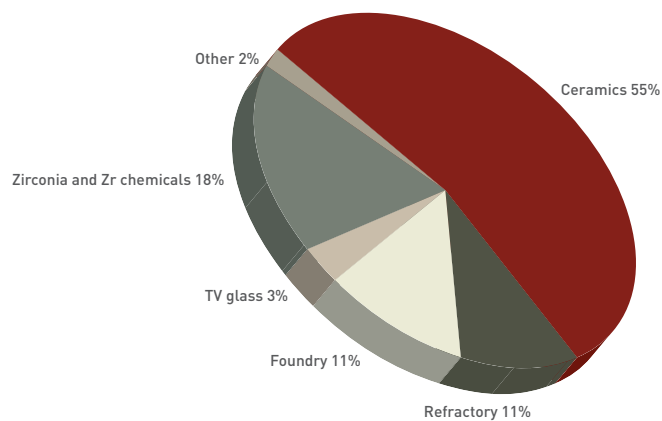
Source: TZMI

GDP (US\$'000 PER CAPITA)



ANNUAL TiO_2 PIGMENT CONSUMPTION (KG PER CAPITA)

ZIRCON CONSUMPTION 2009



Source: TZMI

// THE GOVERNMENT OF KENYA
REGARDS KWALE AS A PROJECT OF
NATIONAL SIGNIFICANCE AND IS
COMMITTED TO ITS DEVELOPMENT //



and the impact of the sustained low prices of the last several years being insufficient to induce the development of new projects capable of supplying the required volumes.

With this outlook of supply constraint, an increasing overall upward trend in ilmenite, rutile and zircon pricing has emerged with TZMI forecasting prices to reach US\$125/t, \$635/t and \$1150/t respectively by 2015.

Current Status

All material leases, licenses, permits and government agreements necessary to allow development of the Kwale Project to proceed are in place, including the key Special Mining Lease (SML), environmental permits and a Fiscal Investment Agreement with the Government of Kenya which provides a range of government undertakings and tax concessions for the Project.

This suite of granted licenses includes land titles for the port and processing facility sites.

The resettlement program has been completed, with all former landowners and squatters compensated and relocated from the SML to newly allocated land. A small number of farmers who occupy land to be impacted by the ultimate construction of the Mukurumudzi dam have been allocated new land plots but are yet to be relocated and compensated although the formula for doing so has been established.

The Project continues to enjoy a high level of Government and community support. Importantly, the Government of Kenya regards Kwale as a project of national significance and, as such, is committed to seeing its development.

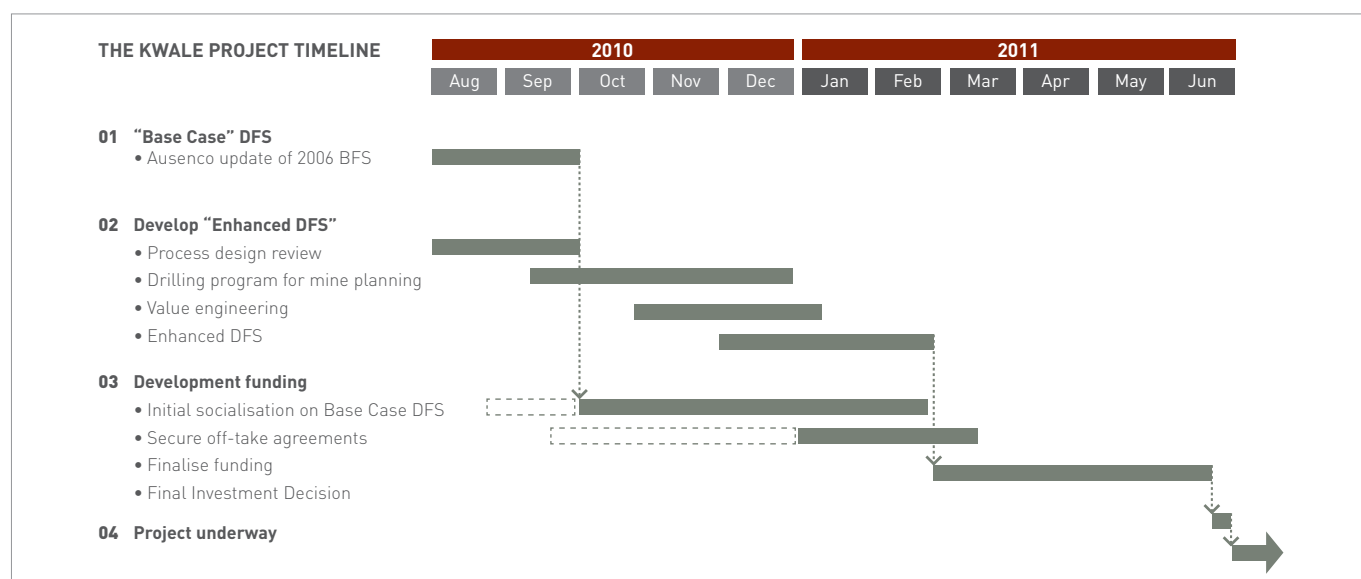
Activities in the 2010/11 financial year will focus on completing an enhanced DFS, establishing offtake arrangements and securing the requisite project funding of around \$US200 million on a timeline that will see development of the Kwale Project commence by the middle of 2011.

The DFS completed by Vaaldiam was last updated in 2006. Ausenco Limited (ASX:AAX) has been engaged to provide an updated capital cost estimate and the Company's technical team is also evaluating opportunities for improvements on the earlier study.

A drilling program of up to 7,500 metres is also being undertaken to better define lithology, grade and assemblage within the dunes for mine planning and process design improvement.

The product of this work will be an updated and enhanced DFS, due for completion by the end of the first quarter of 2011.

Preliminary discussions are underway with potential offtake partners. The level of interest being shown reflects the forecast medium term supply deficits in both the titanium dioxide feedstock and zircon markets. The apparent strategic imperative to secure supply is presenting opportunities for customer participation in the provision of development funding.



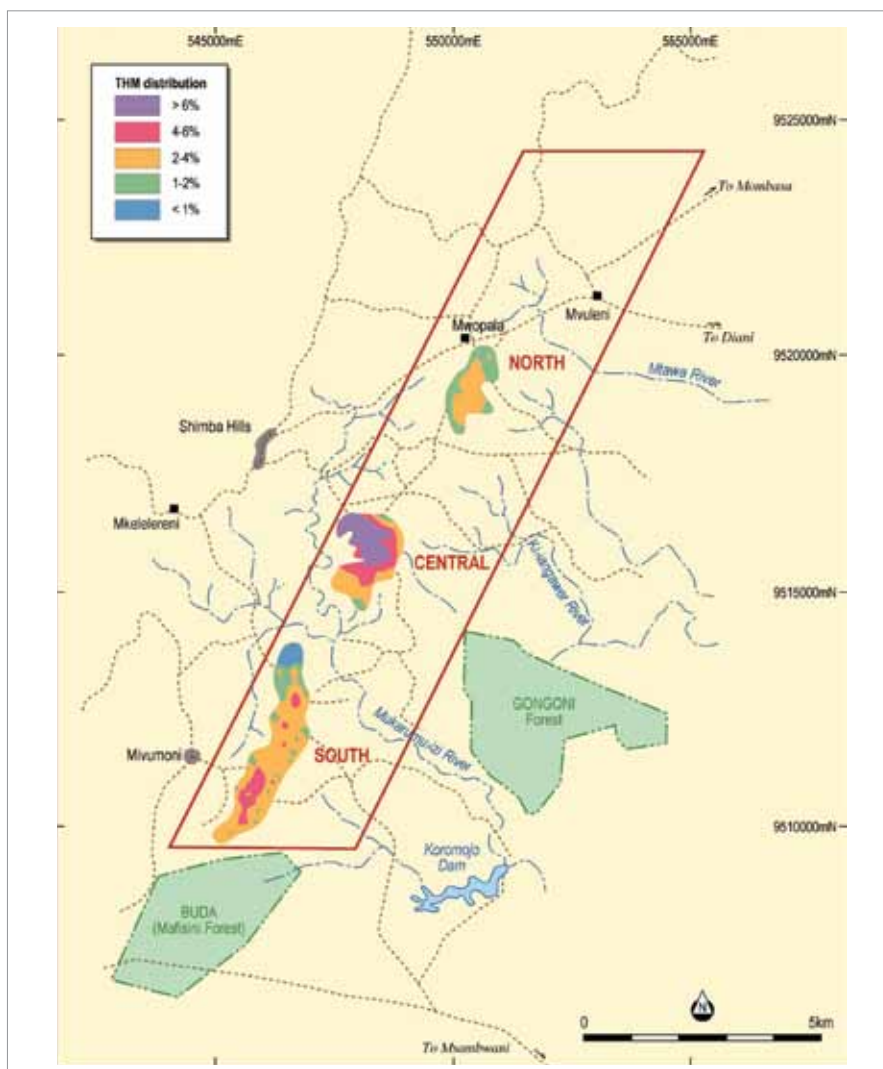
Mineral Resources

The Kwale Project, as contemplated in the DFS is based only on the Central and South Dunes with combined Mineral Resources of 38.5mt at 6.8% Total Heavy Mineral (THM) in the Measured category and 101.5mt at 3.8% THM in the Indicated category.

A further Mineral Resource of 116mt at a grade of 2.1%THM has been reported at the North dune. This has not previously been included in the Kwale Project but will be evaluated as an extensional opportunity in due course.

The Central Dune has an average thickness of 29 metres with the upper section exhibiting a higher grade (>5% THM) than the lower section (1-5%). There is a particularly high grade area in the northern part of the Central Dune where grades can exceed 10% THM. For the dune as a whole, the heavy mineral content averages 5.7%.

The South Dune has an average thickness of 19 metres with an average mineral content of 3.5%.



MINERAL RESOURCE ESTIMATE							
Dune	Classification	Tonnes (million)	THM (%)	Ilmenite (%)	Rutile (%)	Zircon (%)	Tonnes HMC (million)
Central	Measured	38.51	6.79	3.95	0.90	0.5	2.61
	Indicated	30.24	4.54	2.47	0.63	0.32	1.37
South	Indicated	70.1	3.5	1.4	0.4	0.2	2.45
North	Indicated	116.0	2.1	1.0	0.2	0.1	2.44
All	Total	255.0	3.48	1.73	00.41	0.21	8.87

Mining and Mineral Processing

The Kwale dunes are considered amenable to a continuous mining technique, with a bucket wheel excavator and overland conveyors contemplated in the original DFS. While this is a sound approach, a number of lower capital cost alternatives are being evaluated as part of the DFS enhancement process.

For the first four years, the mine is expected to operate at 8.8mtpa before increasing to 12.5mtpa as grade declines.

The ore is planned to be processed using conventional mineral sands separation techniques. Ore will be transported by an overland conveyor system and divided at the plant run-of-mine (ROM) stockpile into direct plant feed and stockpiled excess.

Feed ore will be wet screened, deslimed and processed in the primary concentrator spirals circuit to produce heavy mineral concentrate (HMC). Water will be reclaimed via a slimes

thickener, and recirculated to the process water reservoir. Thickened slimes and sand tailings from the spiral plant will be pumped to the residue storage areas.

HMC will be withdrawn from the stockpile to feed the first section of the mineral separation plant (MSP), to recover the ilmenite into a storage shed, and upgrade the remaining mineral by removing further quartz and some gangue heavy mineral. This non-magnetic concentrate will be stored prior to use in downstream MSP sections.

The non-magnetic concentrate will be dried, and subjected to conventional magnetic and electrostatic separation processes, to produce the rutile product and a small additional ilmenite stream. The zircon-rich remaining sand will then be processed in a wet gravity separation plant to remove gangue heavy minerals, particularly kyanite.

The enriched zircon concentrate will be re-dried and finally treated

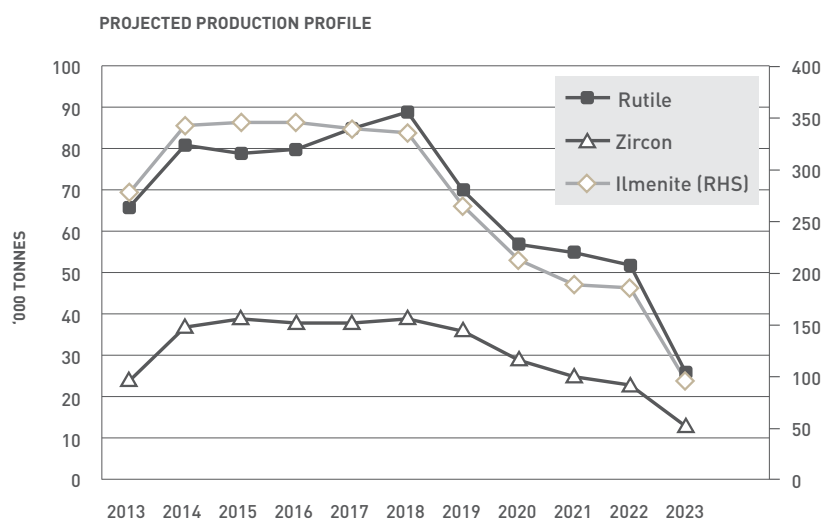
using electrostatic and dry magnetic equipment.

Each product will have on-site storage silos, before being hauled 50 kilometres by road tankers to the export facility near Mombasa.

Two separate pilot plant operations have given insight into the processing behaviour of the ore and provide a sound basis for the design of the flowsheet and the proposed slimes handling approach. A series of improvement opportunities has however been identified for further evaluation.

The pilot plant results support the production of a suite of products that are readily saleable with low levels of several of the key deleterious elements, including radio-nuclides. They also support the validity of the proposed approach to slimes handling and disposal.

Kwale is projected to produce an average of 330ktpa, 80ktpa and 35ktpa of ilmenite, rutile and zircon



respectively over the first six years of operation from the higher grade Central dune before declining to average 190ktpa, 55ktpa and 25ktpa over the subsequent five years.

Infrastructure

The Kwale Project is well supported by relatively well developed existing physical infrastructure.

The Project site is some 8 kilometres to the west of the main coastal highway connecting Mombasa to Tanzania. Kwale product will be hauled 50 kilometres along this road to a dedicated ship loading facility to be constructed at Likoni. This loading facility will access the existing shipping channel associated with the main Mombasa port that is the primary terminal for East Africa.

Mineral sands projects require significant quantities of water and power. At Kwale, there is a substantial latent water supply to be accessed via the construction of a dam on the

Mukurumudzi River and the development of a borefield on a local aquifer.

The Project is permitted to establish a dedicated power production facility and this formed the basis of the power supply in the original DFS. However a 132kva substation has recently been commissioned just 18 kilometres from the Project site with sufficient capacity to accommodate Project requirements. The power delivery profile of this line is being evaluated as part of the enhanced DFS.

Project Economics

Based on a detailed review of the original (2006) DFS during the Company's initial due diligence, a development capital cost of approximately US\$180 million is currently projected for the Kwale Project.

Utilising the long term product price forecasts published by TZMI, the Kwale Project is estimated to generate a post-tax cash operating surplus (real) of approximately US\$577 million over

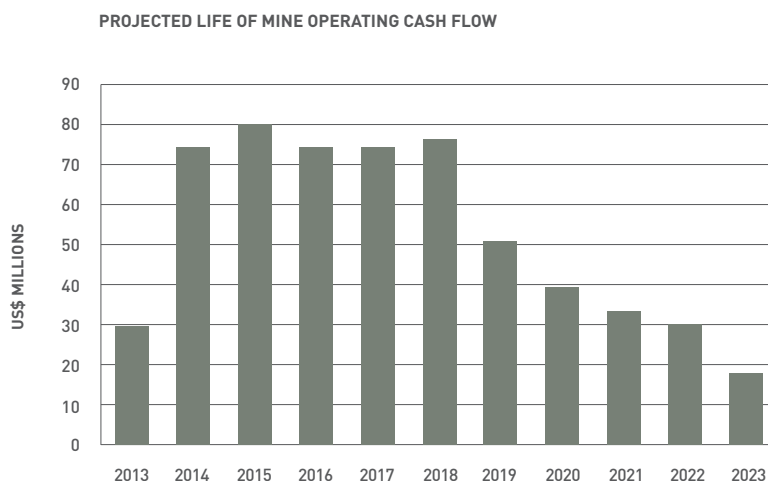
11 years, with US\$400 million of that generated in the first 6 years.

These projected cashflows represent a real post-tax IRR on the US\$180 million capital cost of 28% on an un-g geared basis and an NPV of US\$150 million at a 10% discount rate.

The project capital cost and operating cashflows are subject to revision in accordance with the updated and enhanced DFS currently being prepared.

KENYAN EXPLORATION PROJECTS

Base has acquired an option to purchase three further exploration projects from Vaaldiam, namely Mamburui, Kilifi and Vipingo. These projects, which are located along the coast to the north of Mombasa, have a combined Mineral Resource as previously reported by Vaaldiam, of 1,388 million tonnes at 3.8% THM (1,111 million tonnes at 3.7% THM "Indicated" and 278 million tonnes at 4.1% THM "Inferred").

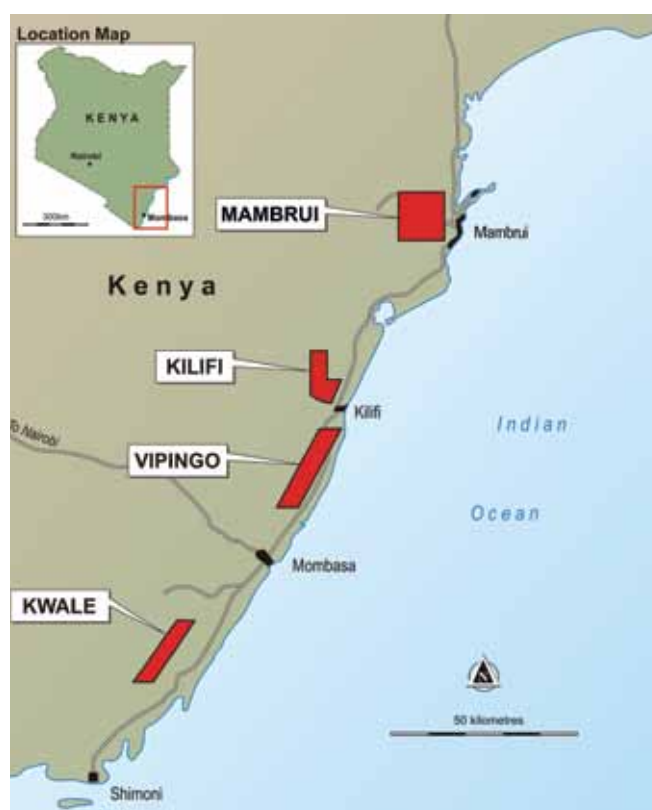


// THE KWALE PROJECT IS WELL SUPPORTED
BY EXISTING INFRASTRUCTURE //



MINERAL RESOURCE ESTIMATE				
Dune	Classification	Tonnes (million)	THM (%)	Tonnes HMC (million)
Kilifi	Indicated	809.7	3.2	25.9
	Inferred	148.4	3.4	5.0
Mambrui	Indicated	301.4	5.1	15.4
	Inferred	129.3	4.8	6.2
All	Total	1,338.8	3.8	52.5

These Exploration projects present a range of significant potential expansion opportunities for further consideration.



COMPETENT PERSONS STATEMENT

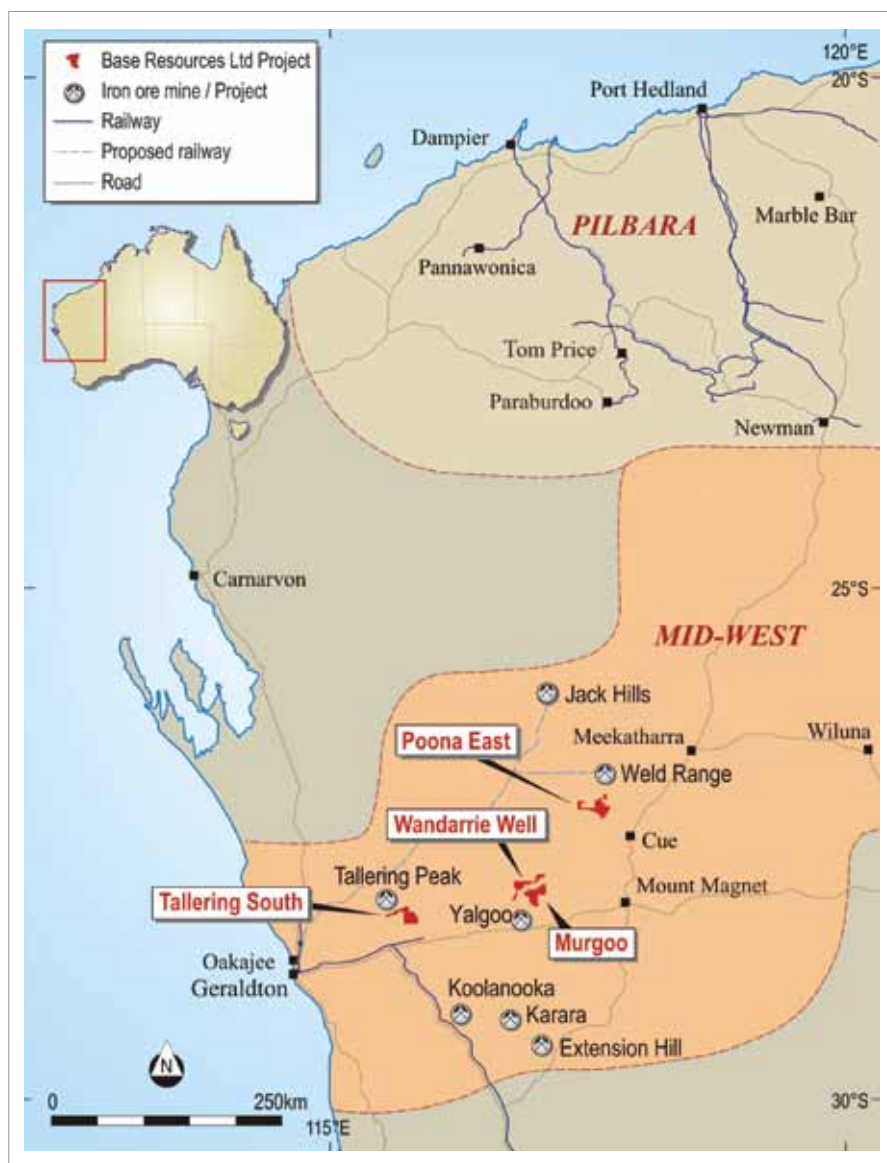
Information in this announcement that relates to mineral resources at the Kwale Project is based on information compiled by Dr Alwyn Annels in 2001. Dr Annels is a Fellow of the UK Institute of Materials, Minerals and Mining. Dr Annels was at that time an employee of SRK (UK) Limited.

Dr Annels has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Annels consents to the inclusion in this report of the information based on his work in the form and context in which it appears on the basis that the resources have not changed since his 2001 information.

MID WEST EXPLORATION

Base Resources has a portfolio of early stage exploration projects in Western Australia's Mid West region, with established targets for iron ore, gold, base metals and uranium. The Company continues to progress the granting of the tenements, the evaluation of their potential and consideration of the various development alternatives to maximise realised value.

Exploration programmes to test the identified targets have been developed, with their implementation on hold pending the execution of heritage agreements, the granting of the tenements and the completion of the required heritage surveys.



07

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 2010.

DIRECTORS

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

Mr Andrew King
Mr Tim Carstens
Mr Colin Bwy
Mr Winton Willesee
Mr Samuel Willis

Directors have been in office since the start of the financial year to the date of this report with the exception of Mr Colin Bwy who was appointed on 12 July 2010.

COMPANY SECRETARY

The following person held the position of Company Secretary at the end of the financial year:

Mr Winton Willesee

PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN NATURE OF ACTIVITIES

The principal activities of the Group

during the financial year were the exploration of mineral tenements in Western Australia, and the evaluation of complementary project and corporate acquisition opportunities.

There were no significant changes in the nature of the Group's principal activities during the financial year. However, subsequent to the end of the financial year, the acquisition of the Kwale Mineral Sands Project and a share placement and one for one rights issue were completed.

OPERATING RESULTS

The loss of the Group after providing for income tax amounted to \$1,667,134 (2009: \$1,241,975).

DIVIDENDS PAID OR RECOMMENDED

There were no dividends paid or declared for payment during the financial year.

REVIEW OF OPERATIONS

During the financial year, an extensive geophysical modelling and data assimilation program, together with confirmatory field work, was undertaken in respect of the Poona East and Murgoo Projects. This

enabled the development of a series of exploration models from which specific iron ore, gold, base metal and uranium targets have been derived. These targets will form the basis of the next phase of exploration work to be commenced on granting of the tenements which are currently subject to completion of heritage agreements with native title holders.

The exploration work during the year, together with an independent technical review, has also provided a sound basis for the rationalisation of the tenement portfolio with the tenements comprising the Iron Hill South, Tobey Well and Bowgada projects relinquished during the year. It has also provided the basis for the expansion of the Poona East project area and the addition of ELA 59/1656, referred to as the Wandarrrie Well Project, covering an area prospective for a calcrete-style uranium deposit.

In February, following the evaluation of a number of acquisition opportunities, the Company signed a binding heads of agreement to acquire the Kwale Mineral Sands Project in Kenya. A substantial due diligence exercise confirmed Kwale as a robust project representing an outstanding

opportunity for Base shareholders to acquire an advanced world-class project in a sector with a significant forecast supply shortfall emerging in the medium term. Both Base shareholder's and the Government of Kenya's approvals were secured for the acquisition, which was finalised in late July 2010. In order to complete the acquisition of the Kwale Project, progress its development and continue its Australian exploration activities, a share placement and one for one rights issue were completed in July 2010 to raise \$8.02 million.

FINANCIAL POSITION

The net assets of the Group have decreased by \$1,665,139 from \$2,833,922 at 30 June 2009 to \$1,168,783 at 30 June 2010. This net decrease is predominantly due to the part payment of the purchase price, the conduct of due diligence and transaction costs in respect of the Kwale Project, and operating costs for the year.

The Group's working capital, being current assets less current liabilities, has decreased from \$2,493,390 at 30 June 2009 to \$764,568 at 30 June 2010, largely due to the operating loss which includes the due diligence on the Kwale project. The share application monies held in trust at 30 June 2010 have been reflected as a current liability until the issue of the shares in July 2010 which also impacts on the reflected working capital.

A substantial capital raising was completed during July 2010 and the Directors believe the Group is in a strong and stable financial position to continue to progress its current business plan which includes the

financing and development of the Kwale Project.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The significant changes in the state of affairs of the Company during the year and to the date of this report were:

- a. The completion of an \$8.02 million capital raising with the issue of 38,000,001 shares on 9 July 2010 at \$0.09 per share in a one for one rights issue, the issue of 51,111,112 shares on 13 July 2010 at \$0.09 per share; with a capital raising arrangement and underwriting fee of 5% of the total capital raised being paid to RFC Corporate Finance Limited.
- b. The issue of 2,500,000 shares at \$0.09 on 13 July 2010 and 1,000,000 options to subscribe for fully paid shares at a price of \$0.25 per share on 13 August 2010 to RFC Corporate Finance Limited for corporate advisory services provided in respect of the acquisition of the Kwale Mineral Sands Project.
- c. The issue of 17,000,000 options to Directors on 9 July 2010.
- d. The completion of the acquisition of the Kwale Mineral Sands Project from Vaaldiam Mining Inc (formerly Tiomin Resources Inc) on 30 July 2010 for consideration of US\$3,000,000 and a 2% royalty on gross product revenue from the Kwale Central and South deposits. Under the terms of the acquisition, Base Resources Limited acquired:
 - » The Kwale Project, including all intellectual property, rights and obligations directly associated with the Kwale Project and all

other exploration rights in Kenya and Tanzania, excluding the Kilifi, Mambrui and Vipingo exploration projects; and

- » A four year option to acquire Tiomin Kenya Limited (the owner of the Kilifi, Mambrui and Vipingo exploration projects).

On exercise of the option, Base Resources Limited will pay US\$1,000,000 for each of the three exploration projects then held by Tiomin Kenya.

- e. The engagement of RFC Corporate Finance Ltd as the Company's corporate advisor on 9 July 2010.
- f. The acquisition of 100% share in Base Titanium (Mauritius) Ltd for US\$1,000.

There were no other significant changes in the state of affairs of the Company during the financial period.

AFTER BALANCE DATE EVENTS

Other than the completion of the capital raising and the acquisition of the Kwale Mineral Sands Project, no events have arisen in the interval between the end of the financial year and the date of this report that are of a material or unusual nature likely, in the opinion of the Directors of the Company, to affect significantly, the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Group's strategy is to develop the Kwale Mineral Sands Project and to

continue to explore and develop the existing suite of Australian tenements. The Company has engaged RFC Corporate Finance Ltd to assist with the procurement of the necessary funding should a decision be made to progress to construct the Kwale Project. Details of the engagement can be found at Note 15.

ENVIRONMENTAL ISSUES

The Group is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out any exploration work. National Greenhouse and Energy Reporting Act (NGER) legislation was considered and determined not to be applicable to the Company at the current stage.

INFORMATION ON DIRECTORS



Mr Andrew King
*Non-executive
Chairman*

Qualifications:

DipMinEng,
GradCertAcc&FinMgt,

MAusIMM, MIEAust, MAICD

Appointed: 28 May 2008

Experience: A mining engineer with over 30 years experience in the mineral resources industry, Mr King brings to Base Resources Limited a considerable depth of knowledge and expertise in technical disciplines as well as in the successful establishment of new companies having founded and developed Goldstar Resources NL.

In addition to experience covering corporate, strategic and operational roles in gold, iron ore, coal and base

metals, he also holds qualifications in accounting and financial management and is a member of the Australian Institute of Mining and Metallurgy and the Australian Institute of Company Directors.

In addition Mr King is the Managing Director of Alcyone Resources Ltd (appointed 21 August 2009).

Interests in Shares and Options:

500,000 ordinary shares and options to acquire a further 1,300,000 ordinary shares.

Past Public Company Directorships Held Over the Last Three Years:

Goldstar Resources N.L.



Mr Tim Carstens
Managing Director

Qualifications:

BCom, ACA

Appointed:

5 May 2008

Experience: Mr Carstens brings a diverse and substantial skill set to the development of Base Resources Limited, having previously held senior executive roles with Perilya Limited, North Limited, Robe River Iron Associates, Iron Ore Company of Canada and St Barbara Mines Limited in operations, strategy, corporate development and finance, both in Australia and overseas. A chartered accountant by profession, he has successfully managed all aspects of business strategy development and implementation, acquisitions and divestments, debt and equity financing, organisational development and operational performance.

Most recently he was Executive General Manager – Operations and Development with Perilya Limited with responsibility for all operational and project development

activities in the Broken Hill field, comprising two operating mines and three advanced development projects.

Interests in Shares and Options:

100,000 ordinary shares and options to acquire a further 7,000,000 ordinary shares.

Past Public Company Directorships Held Over the Last Three Years: None.



Mr Colin Bwyne
Executive Director

Qualifications:

BEng(Hons)

Appointed:

12 July 2010

Experience: Mr Bwyne has over 20 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. Most recently he was Managing Director of Western Australian mineral sands producer, Doral Mineral Industries Ltd, a subsidiary of Iwatani Corporation of Japan.

Mr Bwyne has an extensive knowledge of all aspects of the mineral sands industry, including downstream processing and marketing of mineral sands products and he has also been integral in bringing a number of development projects into production.

He was born in Kenya and lived there prior to migrating to Australia in 1987 and so brings a deep understanding of the country and its culture.

Interests in Shares and Options:

667,869 ordinary shares and options to acquire a further 10,000,000 ordinary shares.

Past Public Company Directorships Held Over the Last Three Years: None.

**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. He is currently Managing Director of oil and gas explorer New Standard Energy Limited (appointed 28 July 2008) and a Non-executive Director of coal explorer and developer Northern Energy Corporation Limited (appointed 30 April 2004).

With a background in the capital and corporate advisory fields with Hartleys, Red Dingo, Deutsche Bank and Schroders Investment Management, Mr Willis also provides Base Resources Limited with expertise in small company management, specifically in relation to ASX listing, M&A assessment, deal co-ordination and capital raisings.

Interests in Shares and Options:

options to acquire 1,100,000 ordinary share.

Past Public Company Directorships Held Over the Last Three Years:

Future Corporation Australia Limited, Incitive Limited (now Hawkley Oil and Gas Limited).

**Mr Winton Willesee**

*Non-executive
Director / Company
Secretary*

Qualifications:

BBus, DipEd,

PGDipBus, MCom, FFin, CPA

Appointed: 23 May 2007

Experience: Mr Willesee is an experienced director and company secretary in the small capitalisation sector of the ASX and brings to Base Resources Limited a broad range of experience in

company administration, corporate governance and corporate finance.

Mr Willesee is also currently a Director of listed companies Future Corporation Australia Limited (appointed 18 January 2008) and Newera Uranium Limited (appointed 31 March 2007). He is currently also the Company Secretary of listed companies, Boss Energy Limited, Future Corporation Australia Limited, Greenvale Mining NL, Mantle Mining Corporation Ltd, Newera Uranium Limited and is joint Company Secretary of Uran Limited and Tawana Resources NL.

Interests in Shares and Options: 200,000 ordinary shares and options to acquire a further 1,100,000 ordinary shares.

Past Public Company Directorships Held Over the Last Three Years: Hawk Resources Limited (now New Standard Energy Limited), Boss Energy Limited and Incitive Limited (now Hawkley Oil and Gas Limited).

MEETINGS OF DIRECTORS

During the financial year sixteen meetings of the full Board of Directors were held. Attendance by each Director during the year was as follows:

DIRECTORS' MEETINGS		
DIRECTORS	NUMBER ELIGIBLE TO ATTEND	NUMBER ATTENDED
Andrew King	16	16
Tim Carstens	16	15
Colin Bwyne	Nil	Nil
Samuel Willis	16	14
Winton Willesee	16	16

Andrew King, Sam Willis and Winton Willesee attended one meeting of the Audit Committee and four meetings of the Remuneration Committee.

INDEMNIFYING OFFICERS OR AUDITOR

During or since the end of the financial year, the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The Company has paid premiums to insure all of the Directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of Director of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

OPTIONS

At the date of this report, the unissued ordinary shares of Base Resources Limited under option are as follows:

GRANT DATE	DATE OF EXPIRY	EXERCISE PRICE	NUMBER UNDER OPTION
19.6.2008	19.6.2011	\$0.25	2,150,000
2.7.2008	2.7.2011	\$0.25	3,580,000
2.7.2008	31.12.2011	\$0.25	3,000,000
9.7.2010	9.7.2015	\$0.25	8,500,000
9.7.2010	9.7.2015	\$0.09	8,500,000
30.7.2010	30.7.2015	\$0.25	1,000,000
			26,730,000

Option holders do not have any rights to participate in any issues of shares or other interests in the Company or any other entity.

For details of options issued to Directors and executives as remuneration, refer to the Remuneration Report.

During the year ended 30 June 2010, no ordinary shares in Base Resources Limited were issued on the exercise of options granted. No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

SHARES ISSUED SINCE THE END OF THE FINANCIAL YEAR

91,611,113 shares have been issued since year end. No amounts are unpaid on any of the issued shares.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of a Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking

responsibility on behalf of the Company for all or any part of those proceedings. The Company 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 satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Audit Committee to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- 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 payable to external auditors for non-audit services provided during the year ended 30 June 2010:

	2010	2009
	\$	\$
Taxation services	2,000	1,200
Corporate services	-	10,500
	2,000	11,700

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2010 has been received and can be found on page 17 of the Annual Report.

08

REMUNERATION REPORT

This report details the nature and amount of remuneration for each Director of Base Resources Limited. There are no executives involved in the Company other than the Directors.

REMUNERATION POLICY

This policy governs the operations of the Remuneration Committee. The Committee shall review and reassess the policy at least annually and obtain the approval of the Board.

General Director Remuneration

Shareholder approval must be obtained in relation to the overall limit set for directors' fees. The Directors shall set individual Board fees within the limit approved by shareholders. Shareholders must also approve the framework for any equity based compensation schemes and if a recommendation is made for a Director to participate in an equity scheme, that participation must be approved by the shareholders.

Executive Remuneration

The Company's remuneration policy for executive Directors and senior management is designed to promote superior performance and long

term commitment to the Company. Executives receive a base remuneration which is market related, and may be entitled to performance based remuneration at the ultimate discretion of the Board.

Overall remuneration policies are subject to the discretion of the Board and can be changed to reflect competitive market and business conditions where it is in the interests of the Company and shareholders. Executive remuneration and other terms of employment are reviewed annually by the Remuneration Committee having regard to performance, relevant comparative information and expert advice.

The Committee's reward policy reflects its obligation to align executive's remuneration with shareholders' interests and to retain appropriately qualified executive talent for the benefit of the Company. The main principles of the policy are:

- reward reflects the competitive market in which the Company operates;
- individual reward should be linked to performance criteria; and

- executives should be rewarded for both financial and non-financial performance.

The total remuneration of senior executives and other senior managers consists of the following:

- salary - executive Directors and senior managers receive a fixed sum payable in cash;
- short term incentives - executive Directors and senior managers are eligible to receive short term incentives as determined by the Board from time to time;
- long term incentives - executive Directors may participate in share option schemes with the prior approval of shareholders. Executives may also participate in employee share option schemes, with any option issues generally being made in accordance with thresholds set in plans approved by shareholders. The Board however, considers it appropriate to retain the flexibility to issue options to executives outside of approved employee option plans in exceptional circumstances; and
- other benefits - executive Directors



// REWARD REFLECTS THE
COMPETITIVE MARKET IN WHICH
THE COMPANY OPERATES //

and senior managers are eligible to participate in superannuation schemes.

Remuneration of other executives consists of the following:

- salary – executives receive a fixed sum payable monthly in cash;
- long term incentives – each executive may participate in share option schemes which have been approved by shareholders; and
- other benefits – executives are eligible to participate in superannuation schemes.

Non-executive Remuneration

Shareholders approve the maximum aggregate remuneration for Non-executive Directors. The Remuneration Committee recommends the actual payments to Directors and the Board is responsible for ratifying any recommendations, if appropriate. The maximum aggregate remuneration approved for Non-executive Directors is currently \$500,000.

It is recognised that Non-executive Directors' remuneration is ideally structured to exclude equity based remuneration. However, the full Board, including the Non-executive Directors, are included in the operations of the Company more intimately than may be the case with larger companies, therefore the Non-executive Directors are entitled to participate in equity based remuneration schemes.

All Directors are entitled to have their indemnity insurance paid by the Company.

The remuneration for each Director of the Company was as follows:

2010										
Key Management Person	Short-term Benefits					Other Long-term Benefits	Share based Payment		Total	Performance Related
	Cash, salary and commissions	Cash profit share	Non-cash benefit	Other	Super-annuation		Equity	Options		
	\$	\$	\$	\$	\$		\$	\$	\$	%
T Carstens	251,648	-	23,352	-	24,750	-	-	587	300,337	0.3
C Bwe	-	-	-	-	-	-	-	1,174	1,174	100
A King	40,000	-	-	24,000	-	-	-	94	64,094	0.2
S Willis	30,000	-	-	-	-	-	-	70	30,070	0.3
W Willesee	84,000*	-	-	-	-	-	-	70	84,070	0.1
Total	405,648	-	23,352	24,000	24,750	-	-	1,995	479,745	-

*Includes company secretarial fees.

2009										
Key Management Person	Short-term Benefits					Other Long-term Benefits	Share based Payment		Total	Performance Related
	Cash, salary and commissions	Cash profit share	Non-cash benefit	Other	Super-annuation		Equity	Options		
	\$	\$	\$	\$	\$		\$	\$	\$	%
T Carstens	257,486	-	17,514	-	24,750	-	-	800	300,550	0.3
A King	40,000	-	-	-	-	-	-	200	40,200	0.5
S Willis	30,000	-	-	-	-	-	-	200	30,200	0.7
W Willesee	91,000*	-	-	-	-	-	-	200	91,200	0.2
Total	418,486	-	17,514	-	24,750	-	-	1,400	462,150	-

*Includes company secretarial fees and fees for executive work during the Company's IPO.

PERFORMANCE INCOME AS A PROPORTION OF TOTAL REMUNERATION

Options were granted on 30 June 2010 as performance incentives to the Managing Director (5,000,000), the Executive Director (10,000,00), the Non-executive Chairman (800,000) and the other two Non-executive Directors (600,000 each).

Options granted on 2 July 2008 as performance incentives to the Managing Director (2,000,000) and the three Non-executive Directors (500,000 each).

OPTIONS ISSUED SINCE THE END OF THE FINANCIAL YEAR

Options are issued to Directors and executives as part of their

remuneration. The options are issued to the majority of Directors and executives of Base Resources Limited to provide a market linked incentive package. Options were issued on 9 July 2010 in accordance with shareholder approval at the General Meeting held on 30 June 2010 and thus proportionately included in the 2010 remuneration.

TERMS & CONDITIONS FOR EACH GRANT								
Key Management Personnel	Vested No.	Granted No.	Grant Date	Grant Value	Value per option	Exercise Price	First Exercise Date	Last Exercise Date
				\$	\$	\$		
A King	-	400,000	30/06/2010	28,000	\$0.07	\$0.09	Vesting conditions exist	9 July 2015
	-	400,000	30/06/2010	24,000	\$0.06	\$0.25	Vesting conditions exist	9 July 2015
T Carstens	-	2,500,000	30/06/2010	175,000	\$0.07	\$0.09	Vesting conditions exist	9 July 2015
	-	2,500,000	30/06/2010	150,000	\$0.06	\$0.25	Vesting conditions exist	9 July 2015
C Bwyne	-	5,000,000	30/06/2010	350,000	\$0.07	\$0.09	Vesting conditions exist	9 July 2015
	-	5,000,000	30/06/2010	300,000	\$0.06	\$0.25	Vesting conditions exist	9 July 2015
S Willis	-	300,000	30/06/2010	21,000	\$0.07	\$0.09	Vesting conditions exist	9 July 2015
	-	300,000	30/06/2010	18,000	\$0.06	\$0.25	Vesting conditions exist	9 July 2015
W Willesee	-	300,000	30/06/2010	21,000	\$0.07	\$0.09	Vesting conditions exist	9 July 2015
	-	300,000	30/06/2010	18,000	\$0.06	\$0.25	Vesting conditions exist	9 July 2015
Total	-	17,000,000						

All options were granted for nil consideration. Options have been valued using a Monte-Carlo simulation model. Vesting conditions are such that 50% of each tranche vest upon the Company making a decision to commence construction at the Kwale Project following the securing of the required development financing in place, and the remaining 50% vest upon first production from the Kwale Project.

OPTIONS ISSUED AS PART OF REMUNERATION FOR THE PERIOD ENDED 30 JUNE 2009

Options are issued to Directors and executives as part of their remuneration. The options are issued to the majority of Directors and executives of Base Resources Limited to increase goal congruence between executives, directors and shareholders.

TERMS & CONDITIONS FOR EACH GRANT								
Key Management Personnel	Vested No.	Granted No.	Grant Date	Value per option at Grant Date	Exercise Price	First Exercise Date	Last Exercise Date	
				\$	\$			
A King	500,000	500,000	2/07/2008	\$0.0004	\$0.25	2 July 2008	2 July 2011	
T Carstens	2,000,000	2,000,000	2/07/2008	\$0.0004	\$0.25	5 Nov 2008	2 July 2011	
S Willis	500,000	500,000	2/07/2008	\$0.0004	\$0.25	2 July 2008	2 July 2011	
W Willesee	500,000	500,000	2/07/2008	\$0.0004	\$0.25	2 July 2008	2 July 2011	
Total	3,500,000	3,500,000						

All options were granted for nil consideration. Options have been valued using the Black & Scholes valuation method.

SHARES ISSUED ON EXERCISE OF COMPENSATION OPTIONS

No options granted as compensation in prior periods were exercised through the period or the previous period.

CHANGES IN DIRECTORS AND EXECUTIVES SUBSEQUENT TO YEAR END

On 12 July 2010, Mr Colin Bwye commenced as an Executive Director.

EMPLOYMENT CONTRACTS OF DIRECTORS AND SENIOR EXECUTIVES

The employment conditions of the Executive Director, Operations and Development, Colin Bwye, are formalised in a standard contract of employment. The principal features of which are as follows:

- Remuneration – \$375,000 per annum (including superannuation)
- Notice Period – 3 months
- Redundancy Payments – 6 Months remuneration

The employment conditions of the Managing Director, Tim Carstens, are formalised in a standard contract of employment. The principal features of which are as follows:

- Remuneration – \$299,750 per annum (including superannuation)
- Notice Period – 3 months
- Redundancy Payments

- » 6 Months remuneration after 12 months employment
- » 12 Months remuneration after 36 months employment

All of Messrs King, Willis and Willesee are engaged under formal contracts with their respective consulting companies. None of the contracts provide for a termination payment.

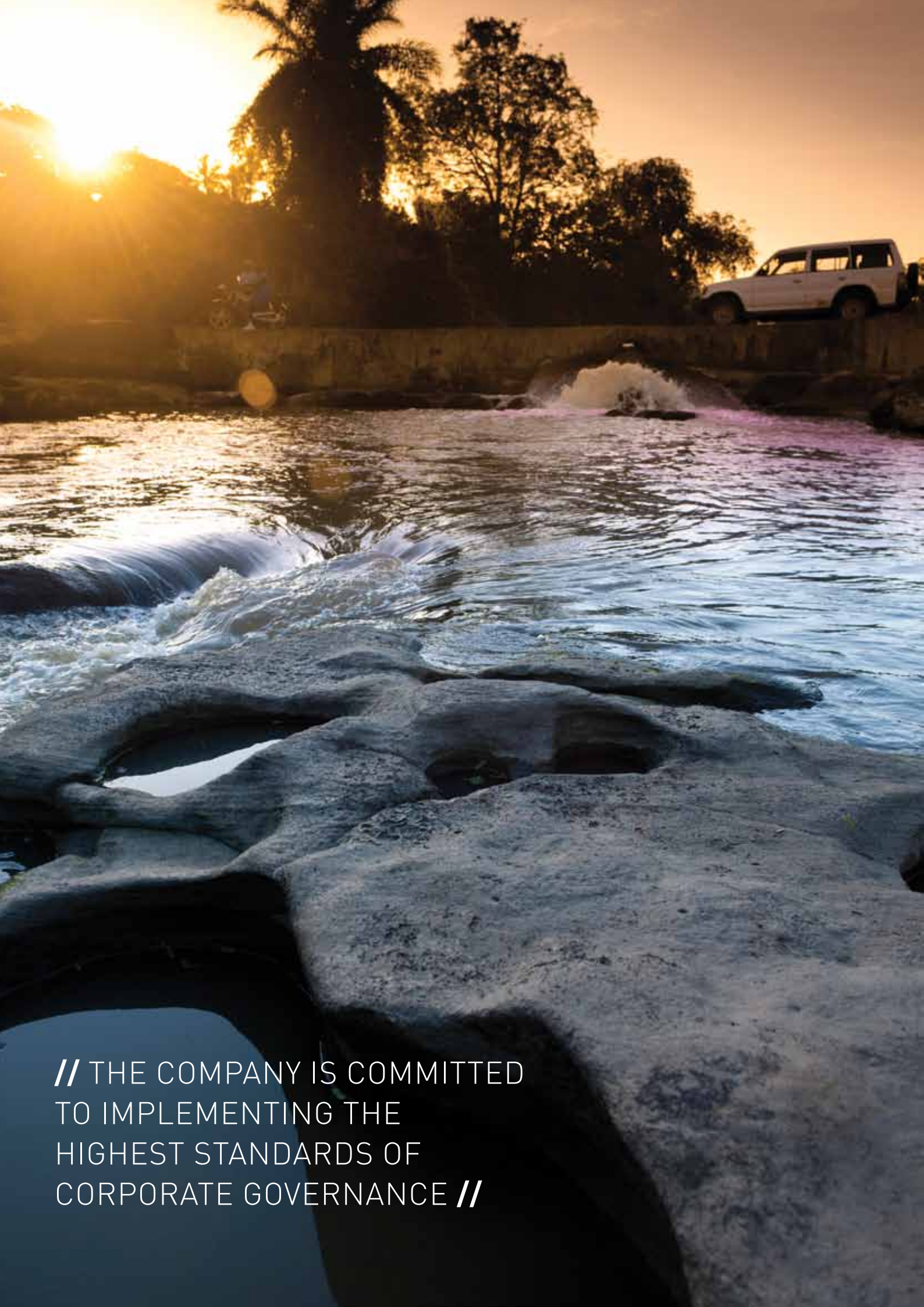
This Directors' Report, incorporating the Remuneration Report is signed in accordance with a resolution of the Board of Directors.



Andrew King

Chairman

Dated: 3 September 2010



// THE COMPANY IS COMMITTED
TO IMPLEMENTING THE
HIGHEST STANDARDS OF
CORPORATE GOVERNANCE //

09

CORPORATE GOVERNANCE

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has turned to the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations.

The Company is pleased to advise that the Company's practices are largely consistent with those ASX guidelines.

Unless disclosed below, all best practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2010.

BOARD COMPOSITION

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the Directors' Report.

The names of the independent Directors of the Company are:
Mr Samuel Willis
Mr Andrew King
Mr Winton Willesee

Directors have the right to seek independent professional advice in the furtherance of their duties as Directors at the Company's expense.

RECOMMENDATION		BASE RESOURCES LIMITED CURRENT PRACTICE
1.1	Companies should establish the functions reserved for the board and those delegated to senior executives and disclose those functions.	Satisfied. Board Charter is available at www.baseresources.com.au in the Corporate Governance Statement.
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Satisfied. Board Performance Evaluation Policy is available at www.baseresources.com.au in the Corporate Governance Statement.
1.3	Companies should provide the information indicated in the Guide for reporting on Principle 1.	Satisfied. The Board Charter is available at www.baseresources.com.au in the Corporate Governance Statement. Whilst the performance of management is appraised on an ongoing informal basis, during the year no formal appraisal of management was conducted.
2.1	A majority of the board should be independent directors.	Satisfied. Mr Willis, Mr King and Mr Willesee are all independent.

RECOMMENDATION	BASE RESOURCES LIMITED CURRENT PRACTICE
2.2 The chair should be an independent director.	Satisfied. Mr King is Chairman and independent.
2.3 The roles of chair and chief executive officer should not be exercised by the same individual.	Satisfied. Mr King is Chair and Mr Carstens fulfils the role of Chief Executive Officer.
2.4 The board should establish a Nomination Committee.	Not Satisfied. The Board consider that given the current size of the board (5), this function is efficiently achieved with full board participation. Accordingly, the Board has not established a separate Nomination Committee.
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Satisfied. Board Performance Evaluation Policy is available at www.baseresources.com.au in the Corporate Governance Statement.
2.6 Companies should provide the information indicated in the guide to reporting on Principle 2.	Satisfied. Whilst the performance of the Board is appraised on an ongoing basis, during the year no formal appraisal was conducted.
3.1 Companies should disclose a code of conduct and disclose the code or a summary of the code as to: • The practices necessary to maintain confidence in the Company's integrity • The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Satisfied. The Code of Conduct is available at www.baseresources.com.au in the Corporate Governance Statement.
3.2 Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	Satisfied. The Securities Trading Policy is available at www.baseresources.com.au in the Corporate Governance statement.
3.3 Companies should provide the information indicated in the Guide to reporting on Principle 3.	Satisfied.
4.1 The board should establish an Audit Committee.	Satisfied. The Committee consists of Messrs King, Willis (Chairman) and Willesee. All members attended the one meeting held during the year.
4.2 The board Audit Committee should be structured so that it: • Consists only of Non-executive Directors	Satisfied.

RECOMMENDATION	BASE RESOURCES LIMITED CURRENT PRACTICE
• Consists of a majority of independent directors • Is chaired by an independent chair, who is not chair of the board • Has at least three members	
4.3 The Audit Committee should have a formal charter.	Satisfied. Audit Committee Charter is available at www.baseresources.com.au in the Corporate Governance statement.
4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4.	Satisfied.
5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	Satisfied. Continuous Disclosure Policy is available at www.baseresources.com.au in the Corporate Governance statement.
5.2 Companies should provide the information indicated in the Guide to reporting on Principle 5.	Satisfied.
6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of their policy.	Satisfied. Shareholders Communication Policy is available at www.baseresources.com.au in the Corporate Governance statement.
6.2 Companies should provide the information indicated in the Guide to reporting on Principle 6.	Satisfied.
7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Satisfied. Risk Management Program is available at www.baseresources.com.au in the Corporate Governance statement.
7.2 The board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Satisfied. The Board, including the Managing Director, routinely consider risk management matters.

RECOMMENDATION	BASE RESOURCES LIMITED CURRENT PRACTICE
7.3 The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Satisfied. The Board has received a section 295A declaration pursuant to 2010 financial period.
7.4 Companies should provide the information indicated in the Guide to reporting on Principle 7.	Satisfied.
8.1 The board should establish a remuneration committee.	Satisfied. The Committee consists of Messrs King (Chairman), Willis and Willesee. All members attended the four meetings held during the year.
8.2 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Satisfied. The structure of Directors' remuneration is disclosed in the Remuneration Report of the annual report.
8.3 Companies should provide the information indicated in the Guide to reporting on Principle 8.	Satisfied. Remuneration Committee Charter is available at www.baseresources.com.au in the Corporate Governance statement.

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AUDITOR'S INDEPENDENCE DECLARATION

Auditor's Independence Declaration under S 307C of the Corporations Act 2001 to the Directors of Base Resources Limited

To The Board of Directors



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

**Bentleys Audit
& Corporate (WA) Pty Ltd**
ABN 33 121 222 802

Level 1
12 Kings Park Road
West Perth WA 6005

PO Box 44
West Perth WA 6872

T +61 8 9226 4500
F +61 8 9226 4300

www.bentleys.com.au

This declaration is made in connection with our audit of the financial report of Base Resources Limited and Base Resources Limited and Controlled Entities for the year ended 30 June 2010 and in accordance with the provisions of the Corporations Act 2001.

We declare that, to the best of our knowledge and belief, there have been:

- ☐ no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit;
- ☐ no contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to the audit.

Yours faithfully

BENTLEYS
Chartered Accountants

CHRIS WATTS CA
Director

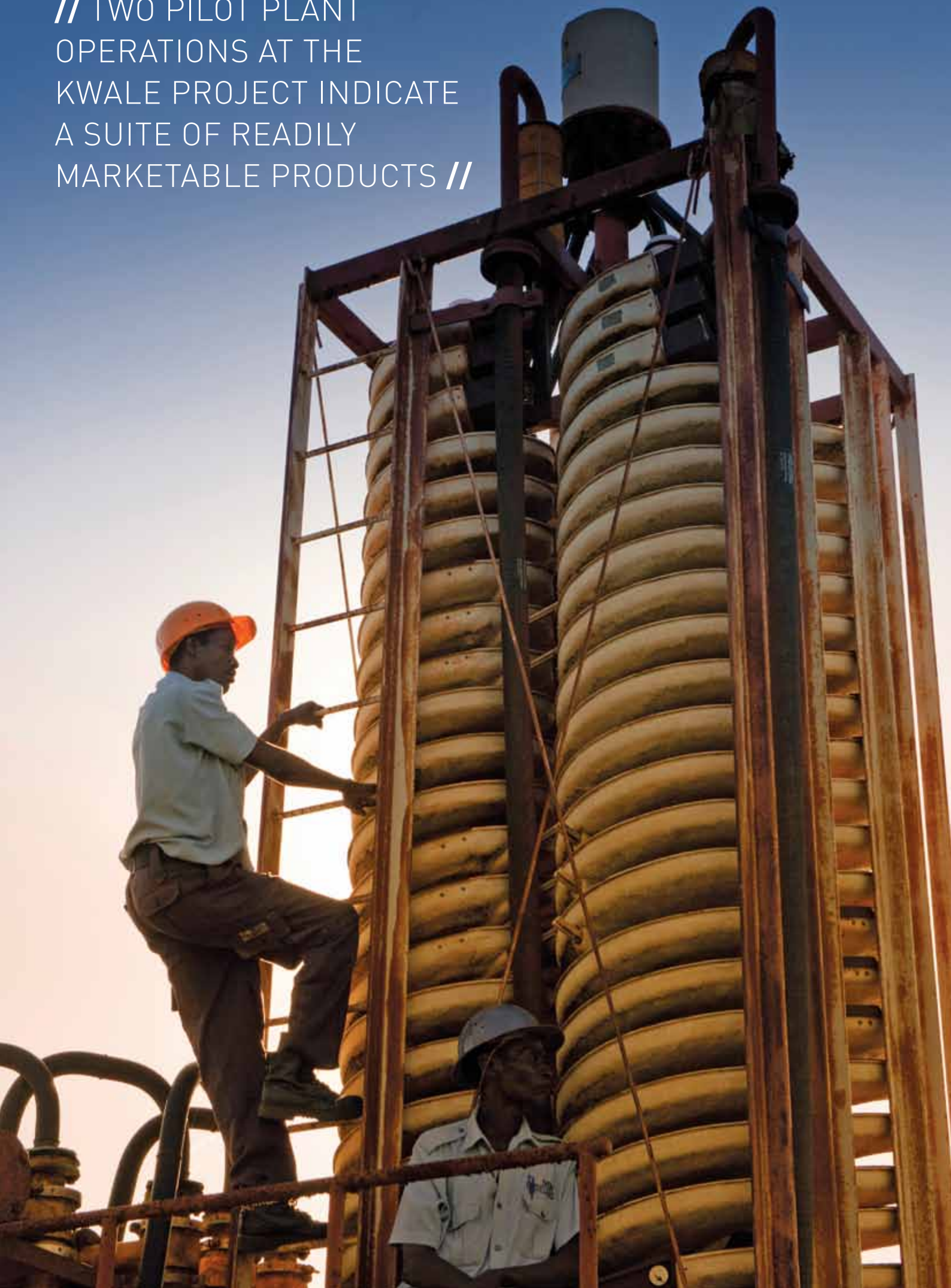
DATED at PERTH this 3rd day of September 2010



A member of Bentleys, an association of independent accounting firms in Australia.
The member firms of the Bentleys association are affiliated only and not in partnership
Liability limited by a scheme approved under Professional Standards Legislation



// TWO PILOT PLANT
OPERATIONS AT THE
KWALE PROJECT INDICATE
A SUITE OF READILY
MARKETABLE PRODUCTS //



11

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

BASE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

	Note	Group 2010 \$	Parent 2009 \$
Revenue	2	89,055	118,883
Accounting, Audit and related services fees		(56,326)	(41,520)
Consultants fees		(131,650)	(250,444)
Employee benefits expense		(333,147)	(275,539)
Directors' and related fees		(112,338)	(102,364)
Administrative expense		(268,006)	(259,076)
Tenement expense		(100,969)	(396,654)
Acquisition costs		(717,506)	-
Other expenses from ordinary activities		(36,247)	(35,261)
Loss before income tax		(1,667,134)	(1,241,975)
Income tax expense		-	-
Loss for the year		(1,667,134)	(1,241,975)
Other comprehensive income		-	-
Total comprehensive loss for the year		(1,667,134)	(1,241,975)
Loss per share			
Basic loss per share (cents per share)	6	(4.38)	(6.81)

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

BASE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Note	Group 2010 \$	Parent 2009 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	1,170,725	2,498,328
Trade and other receivables	8	39,252	29,047
Other current assets	10	8,038	17,596
TOTAL CURRENT ASSETS		1,218,015	2,544,971
NON-CURRENT ASSETS			
Property, plant and equipment	9	49,806	39,010
Other non-current assets	10	371,458	315,003
TOTAL NON CURRENT ASSETS		421,264	354,013
TOTAL ASSETS		1,639,279	2,898,984
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	453,447	51,581
TOTAL CURRENT LIABILITIES		453,447	51,581
NON-CURRENT LIABILITIES			
Other long-term provisions	12	17,049	13,481
TOTAL LIABILITIES		470,496	65,062
NET ASSETS		1,168,783	2,833,922
EQUITY			
Issued capital	13	4,244,330	4,244,330
Option Reserve		5,463	3,468
Accumulated losses		(3,081,010)	(1,413,876)
TOTAL EQUITY		1,168,783	2,833,922

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

BASE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2010

	Issued Capital	Accumulated Losses	Options Reserve	Total
	\$	\$	\$	\$
PARENT				
Balance at 1.7.2008	223,164	(171,901)	860	52,123
Loss for the year	-	(1,241,975)	-	(1,241,975)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	(1,241,975)	-	(1,241,975)
Transactions with owners				
Shares issued during the year	4,021,166	-	-	4,021,166
Options issued during the year	-	-	2,608	2,608
Balance at 30.6.2009	4,244,330	(1,413,876)	3,468	2,833,922
GROUP				
Balance at 1.7.2009	4,244,330	(1,413,876)	3,468	2,833,922
Loss for the year	-	(1,667,134)	-	(1,667,134)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	(1,667,134)	-	(1,667,134)
Transactions with owners				
Shares issued during the year	-	-	-	-
Options granted during the year	-	-	1,995	1,995
Balance at 30.6.2010	4,244,330	(3,081,010)	5,463	1,168,783

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS

BASE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2010

	Note	Group 2010 \$	Parent 2009 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(929,240)	(1,004,497)
Interest received		86,028	118,883
Payments for due diligence and associated transaction costs		(700,212)	-
Payments for exploration and evaluation		(157,424)	(437,732)
Net cash used in operating activities	17b	(1,700,848)	(1,323,346)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(20,764)	(43,567)
Purchase of tenement assets		-	(175,000)
Net cash used in investing activities		(20,764)	(218,567)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share applications		394,009	-
Proceeds from issue of shares		-	3,621,165
Net cash provided by financing activities		394,009	3,621,165
Net (decrease) / increase in cash held		(1,327,603)	2,079,252
Cash at beginning of the year		2,498,328	419,076
Cash at end of the year	17a	1,170,725	2,498,328

The accompanying notes form part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

BASE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

This financial report includes the consolidated financial statements and notes of Base Resources Limited and its controlled entities ('Group'), a Company domiciled and incorporated in Australia. The financial report is prepared in Australian Dollars (\$).

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions.

Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

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.

a. 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. A controlled entity is any entity over which Base Resources Limited has the power to govern the financial and operating policies so as to obtain benefits from the entities activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the

existence and effect of holdings of actual and potential voting rights are also considered.

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. A list of controlled entities is contained in Note 18 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated 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.

b. Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is

a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at the acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

c. Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

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 also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

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.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

d. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and Equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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 charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a diminishing value basis over the asset's useful life to the Group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Furniture and Fixtures	12.5%
Plant and Equipment	25%
Motor Vehicles	25%
Software	40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet 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.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

e. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the

ownership of the asset, but not the legal ownership that is transferred to the Group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a diminishing value basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

f. Financial Instruments

Recognition and Initial Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- a. the amount at which the financial asset or financial liability is measured at initial recognition;
- b. less principal repayments;
- c. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- d. less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated

future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

ii. Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

iii. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

iv. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

v. Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair Value

Fair value is determined based on last trade prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Group

assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

g. Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

h. Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Equity-settled Compensation

The Group operates equity-settled share-based payment employee share and option schemes. 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 shares is ascertained as the market bid price. The fair value of options is ascertained using a recognised pricing model which incorporates all market vesting conditions.

The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

i. 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.

j. Cash and Cash Equivalents

Cash and cash equivalents include

cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of twelve months or less.

k. Revenue and Other Income

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and services tax (GST).

l. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

m. Comparative Figures

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. As a consolidated Group was formed with the acquisition of a controlled entity during the course of the

current year, the comparative figures are for the Parent only and the current year figures reflect the position of the consolidated Group.

n. Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial report 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.

i Impairment

The Directors have determined that the appropriate carrying values of the exploration assets, as shown at Note 10(b) is \$371,458. As a consequence an amount of \$43,333 that has been expended on the Company's tenement assets has not been capitalised.

Other than the above, nothing has come to the attention of the Group to suggest an impairment of the assets is required.

ii Taxation

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the Company as they pertain to current income taxation legislation, and the Directors understanding thereof. No adjustment has been made

for pending or future taxation legislation as detailed in Note 3. The current income tax position represents the Directors' best estimate, pending an assessment by the Australian Taxation Office.

iii Environmental

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the Directors understanding thereof. At the current stage of the Group's development and its current environmental impact, the Directors believe such treatment is reasonable and appropriate.

iv Exploration and Evaluation Expenditure

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the Directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at reporting date at \$371,458, see Note 10.

v Share Based Payment Transactions

The Group measures the cost of equity-settled transactions

with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by a recognised valuation model, using the assumptions detailed in Note 20.

o. Adoption of New and Revised Accounting Standards

During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of Base Resources Limited.

AASB 8: Operating Segments

In February 2007 the Australian Accounting Standards Board issued AASB 8 which replaced AASB 114: Segment Reporting. As a result, some of the required operating segment disclosures have changed with the addition of a possible impact on the impairment testing of goodwill allocated to the cash generating units (CGUs) of the entity. Below is an overview of the key changes and the impact on the Group's financial statements:

Measurement impact

Identification and measurement of segments — AASB 8 requires the 'management approach' to the identification measurement and disclosure of operating segments.

The 'management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance. This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments. Under AASB 114, segments were identified by business and geographical areas, and only segments deriving revenue from external sources were considered. The adoption of the 'management approach' to segment reporting has resulted in the identification of reportable segments largely consistent with the prior year.

Under AASB 8, operating segments are determined based on management reports using the 'management approach', whereas under AASB 114 financial results of such segments were recognised and measured in accordance with Australian Accounting Standards. This has resulted in changes to the presentation of segment results, with inter-segment sales and expenses such as depreciation and impairment now being reported for each segment rather than in aggregate for total group operations, as this is how they are reviewed by the chief operating decision maker.

Impairment testing of the segment's goodwill

AASB 136: Impairment of Assets, para 80 requires that

goodwill acquired in a business combination shall be allocated to each of the acquirer's cash generating unit (CGU), or group of CGUs that are expected to benefit from the synergies of the combination. Each CGU which the goodwill is allocated to must represent the lowest level within the entity at which goodwill is monitored, however it cannot be larger than an operating segment. Therefore, due to the changes in the identification of segments, there is a risk that goodwill previously allocated to a CGU which was part of a larger segment could now be allocated across multiple segments if a segment had to be split as a result of changes to AASB 8.

Management have considered the requirements of AASB 136 and determined the implementation of AASB 8 has not impacted the CGUs of each operating segment.

Disclosure impact

AASB 8 requires a number of additional quantitative and qualitative disclosures, not previously required under AASB 114, where such information is utilised by the chief operating decision maker. This information is now disclosed as part of the financial statements.

AASB 101: Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information

within the financial statements. Below is an overview of the key changes and the impact on the Group's financial statements:

Disclosure impact

Terminology changes — the revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity — the revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income — the revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income.

The previous version of AASB 101 required only the presentation of a single income statement. The Group's financial statements

now contain a statement of comprehensive income.

Other comprehensive income — The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

p. New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the

classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value; simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:
 - a. the objective of the entity's business model for managing the financial assets; and

- b. the characteristics of the contractual cash flows

AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Group.

AASB 2009-4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

AASB 2009-8: Amendments to Australian Accounting Standards — Group Cash-settled Share-based Payment Transactions [AASB 2]

(applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

AASB 2009-9: Amendments to Australian Accounting Standards — Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the Group.

AASB 2009-10: Amendments to Australian Accounting Standards

— Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Group.

AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Group.

AASB 2009-13: Amendments to Australian Accounting Standards

arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Group.

case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group.

The Group does not anticipate the early adoption of any of the above Australian Accounting Standards.

AASB 2009-14: Amendments to Australian Interpretation — Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which

NOTE 2: REVENUE AND OTHER INCOME

	Note	Group 2010 \$	Parent 2009 \$
Revenue			
Interest received from external parties		89,055	116,333
Other revenue		-	2,550
Total Revenue		89,055	118,883

NOTE 3: INCOME TAX

	Group 2010 \$	Parent 2009 \$
a. Income tax expense		
Current tax	-	-
Deferred tax	-	-
	-	-

b. Reconciliation of income tax expense to prima facie tax payable

The prima facie tax payable on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:

Prima facie tax on operating profit at 30% (2009: 30%)	(500,140)	(372,593)
Add / (Less)		
Tax effect of:		
Non deductible expenses	234,433	-
Exploration expenses deducted	(29,936)	-
Share Issue costs	(24,106)	-
Deferred tax asset not brought to account	319,739	372,593
Income tax attributable to operating loss	-	-

The applicable weighted average effective tax rates are as follows:

	Nil%	Nil%
c. Deferred tax assets		
Provisions and accruals	16,721	4,044
Other	78,041	20,617
	94,762	24,661
Set-off deferred tax liabilities	3(d) (94,762)	(24,661)
Net deferred tax assets	-	-

d. Deferred tax liabilities

Exploration expenditure	94,762	16,676
Plant and equipment	-	7,985
	94,762	24,661
Set-off deferred tax assets	3(c) (94,762)	(24,661)
Net deferred tax liabilities	-	-

e. Tax losses

NOTE 3: INCOME TAX

	Group	Parent
	2010	2009
	\$	\$
Unused tax losses for which no deferred tax asset has been recognised	2,559,551	534,858

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward have not been brought to account at 30 June 2010 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:

- i. the Company 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;
- ii. the Company continues to comply with conditions for deductibility imposed by law; and
- iii. no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the loss and exploration expenditure.

NOTE 4: INTERESTS OF KEY MANAGEMENT PERSONNEL (KMP)

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Company's KMP for the year ended 30 June 2010.

The totals of remuneration paid to KMP of the Company and the Group during the year are as follows:

	Group	Parent
	2010	2009
	\$	\$
Short-term employee benefits	453,000	436,000
Post-employment benefits	24,750	24,750
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	1,995	1,400
	479,745	462,150

NOTE 4: INTERESTS OF KEY MANAGEMENT PERSONNEL (KMP) (CONTINUED)**KMP Options and Rights Holdings****KMP Options Holdings**

2010	Balance 30.6.2009	Granted as Compensation	Lapsed during the year	Net Change Other	Balance 30.6.2010	Vested at reporting date	Vested and exercisable
A King	500,000	800,000	-	-	1,300,000	500,000	500,000
T Carstens	2,000,000	5,000,000	-	-	7,000,000	2,000,000	2,000,000
C Bwyne	-	10,000,000	-	-	10,000,000	-	-
S Willis	500,000	600,000	-	-	1,100,000	500,000	500,000
W Willesee	500,000	600,000	-	-	1,100,000	500,000	500,000
	3,500,000	17,000,000	-	-	20,500,000	3,500,000	3,500,000

2009	Balance 30.6.2008	Granted as Compensation	Lapsed during the year	Net Change Other	Balance 30.6.2009	Vested at reporting date	Vested and exercisable
A King	-	-	-	500,000	500,000	500,000	500,000
T Carstens	-	-	-	2,000,000	2,000,000	2,000,000	2,000,000
S Willis	-	-	-	500,000	500,000	500,000	500,000
W Willesee	-	-	-	500,000	500,000	500,000	500,000
	-	-	-	3,500,000	3,500,000	3,500,000	3,500,000

KMP Shareholdings

The number of ordinary shares in Base Resources Limited held by each KMP of the Company during the financial year and the previous financial year is as follows:

	Balance 30.6.2009	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2010
A King	250,000	-	-	-	250,000
T Carstens	50,000	-	-	-	50,000
C Bwyne	-	-	-	-	-
S Willis	-	-	-	-	-
W Willesee	100,000	-	-	-	100,000
	400,000	-	-	-	400,000

	Balance 30.6.2008	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2009
A King	250,000	-	-	-	250,000
T Carstens	50,000	-	-	-	50,000
S Willis	-	-	-	-	-
W Willesee	100,000	-	-	-	100,000
	400,000	-	-	-	400,000

Other KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above. There have been no loans to KMP during the period or since.

NOTE 5: AUDITORS' REMUNERATION

	Group 2010 \$	Parent 2009 \$
Remuneration of the auditor for:		
• auditing or reviewing the financial reports	31,265	16,500
• taxation services	2,000	1,200
• corporate services	-	10,500
	33,265	28,200

NOTE 6: LOSS PER SHARE

	Group 2010 \$	Parent 2009 \$
a. Loss used to calculate basic EPS	(1,667,134)	(1,241,975)

	Group 2010 No.	Parent 2009 No.
b. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	38,000,001	35,223,745

NOTE 7: CASH AND CASH EQUIVALENTS

	Group 2010 \$	Parent 2009 \$
Cash at bank and in hand	670,725	398,328
Short-term bank deposits	500,000	2,100,000
	1,170,725	2,498,328

The effective interest rate on short-term bank deposits, having an average maturity of 90 days was 4.45%.

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows reconciles to cash in the statement of financial position:

Cash and cash equivalents	1,170,725	2,498,328
	1,170,725	2,498,328

NOTE 8: TRADE AND OTHER RECEIVABLES

	Group 2010 \$	Parent 2009 \$
Other receivables	39,252	29,047
Total receivables	39,252	29,047

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

	Group 2010 \$	Parent 2009 \$
PLANT AND EQUIPMENT		
At cost	24,324	7,108
Accumulated depreciation	(4,327)	(1,777)
Total Plant and Equipment	19,997	5,331
VEHICLES		
At cost	26,614	26,614
Accumulated depreciation	(7,815)	(1,549)
Total Vehicles	18,799	25,065
SOFTWARE		
At cost	2,073	-
Accumulated depreciation	(13)	-
Total Software	2,060	-
FURNITURE & FIXTURES		
At cost	11,319	9,844
Accumulated depreciation	(2,369)	(1,230)
Total Plant and Equipment	8,950	8,614
Total Property, Plant and Equipment	49,806	39,010

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	Software \$	Plant and Equipment \$	Furniture and Fixtures \$	Vehicle \$	Total \$
Parent					
Balance at 1 July 2008	-	-	-	-	-
Additions	-	7,108	9,844	26,614	43,568
Depreciation expense	-	(1,777)	(1,230)	(1,549)	(4,558)
Balance at 30 June 2009	-	5,331	8,614	25,065	39,010
Group					
Balance at 1 July 2009	-	5,331	8,614	25,065	39,010
Additions	2,073	17,216	1,475	-	20,764
Disposals	-	-	-	-	-
Depreciation expense	(13)	(2,550)	(1,139)	(6,266)	(9,968)
Capitalised borrowing costs and depreciation	-	-	-	-	-
Balance at 30 June 2010	2,060	19,997	8,950	18,799	49,806

NOTE 10: OTHER ASSETS

	Group 2010 \$	Parent 2009 \$
CURRENT		
Prepayments	3,028	12,586
Security deposits	5,010	5,010
	8,038	17,596
NON-CURRENT		
Exploration and evaluation expenditure capitalised	371,458	315,003
	371,458	315,003

The value of Company interest in exploration expenditure is dependent upon the:

- a. continuance of the economic entity rights to tenure of the areas of interest;
- b. results of future exploration; and
- c. recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

The exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

Accordingly the capitalised exploration expenditure has been reduced by \$43,333 (2009: \$379,882) to reflect the assessed potential of the tenement holdings to host commercial mineral deposits.

Capitalised costs of \$157,424 (2009: \$437,732) have been included in cash flows from investing activities in the statement of cash flows.

NOTE 11: TRADE AND OTHER PAYABLES

	Group 2010 \$	Parent 2009 \$
CURRENT		
Trade and other creditors	27	37,581
Share application monies received	394,009	-
Accruals	59,411	14,000
	453,447	51,581

Trade creditors are non-interest bearing and are normally settled on 30 day terms.

NOTE 12: PROVISIONS

	Group 2010 \$	Parent 2009 \$
NON-CURRENT		
Provision for annual leave	17,049	13,481
	Employee Annual Leave \$	Total \$
Opening balance at 1 July 2009	13,481	-
Additional provisions	26,803	19,277
Amounts incurred and charged against the provision	(23,235)	(5,796)
Balance at 30 June 2010	17,049	13,481

NOTE 13: ISSUED CAPITAL

	Parent 2010 \$	Parent 2009 \$
38,000,001 (2008:14,000,001) fully paid ordinary shares	4,244,330	4,244,330
	4,244,330	4,244,330

The Company has issued share capital amounting to 38,000,001 ordinary shares.
The shares were issued without a par value.

	Parent 2010 No.	Parent 2009 No.
a. Ordinary Shares		
At the beginning of the year	38,000,001	14,000,001
Shares issued during the year		
– 2 July 2008	-	4,000,000
– 17 Sept 2008	-	20,000,000
At reporting date	38,000,001	38,000,001

On 2 July 2008 the Company issued 4,000,000 ordinary shares at \$10c each as Seed Capital.

On 17 Sept 2008 the Company issued 20,000,000 ordinary shares at \$20c each in the Initial Public Offering.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

b. Options

For information relating to share options issued to key management personnel during the financial year, refer to Note 20 Share-based Payments.

NOTE 13: ISSUED CAPITAL (CONTINUED)**c. Capital Management**

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern. The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements. Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

	Group 2010 \$	Parent 2009 \$
Cash and cash equivalents	1,170,725	2,498,328
Trade and other receivables	39,252	29,047
Other current assets	8,038	17,596
Trade and other payables	(453,447)	(51,581)
Working capital position	764,568	2,493,390

NOTE 14: COMMITMENTS

	Group 2010 \$	Parent 2009 \$
a. Rental and Expenditure Commitments		
The Group has rental and expenditure commitments in respect of its tenement holdings of:		
Payable:		
– not later than 12 months	293,348	39,739
– between 12 months and 5 years	-	106,489
– greater than 5 years	-	-
	293,348	146,228
b. Operating Lease		
The Company entered into a non-cancellable lease agreement for its office premises for a term of 32 months, with rent payable monthly in advance.		
Payable:		
– not later than 12 months	119,388	75,491
– between 12 months and 5 years	139,286	75,491
– greater than 5 years	-	-
	258,674	150,982

NOTE 15: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Other than contingencies relating to a mandate entered into with RFC Corporate Finance Ltd as detailed below, there are no other contingent liabilities or assets.

The Company has engaged RFC Corporate Finance Ltd to assist the Company to procure the necessary funding should it take a final investment decision on the Kwale Mineral Sands Project and commit to build and commission a plant and bring the project into production.

The fees payable under the engagement are 1% of all funding raised via bank or quasi-bank loan facilities, 2% of funding contributed by any joint venture partner and 5% for funding raised via equity issues or convertible note issues.

The agreement can be terminated at any time however the fund raising fees payable under the engagement remain payable should the Company complete the Kwale funding transaction before 31 December 2011.

NOTE 16: SEGMENT REPORTING**Identification of reportable segments**

The Group has considered the operating segments standard. Base Resources Limited has operated in one business and geographical segment during the current financial year. The Company's financial information is presented to the chief decision maker, being the full Board, in an aggregated manner. There has been no activity in the controlled entity in the current financial year. Having initially focussed its exploration programs on the exploration for iron, the Company is reviewing its full suite of tenements for prospectivity in both iron and other minerals. It also conducted due diligence in relation to a number of potential project acquisitions. The due diligence and transactions costs in relation to the evaluation of the Kwale Mineral Sands Project, as well as the part consideration for the acquisition of the project have been separately disclosed in the current financial year. Subsequent to the end of the period, the acquisition of the Kwale Project in Kenya was completed and will be reported on as a separate segment in future years.

Basis of accounting for the purpose of reporting operating segments**a. Accounting policies adopted**

All amounts reported to the Board of Directors, being the chief decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual report of the Group.

b. Inter-segment transactions

There were no intersegment transactions.

c. Segment assets

Segment assets are clearly identifiable on the basis of their nature and physical location.

d. Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities relate to the Group as a whole and are not allocated.

e. Unallocated items

There are currently no unallocated items.

f. Comparative information

This is the first reporting period in which AASB 8 has been adopted. Comparative information has been restated to conform to the requirements of this standard.

NOTE 16: SEGMENT REPORTING (CONTINUED)

	Australia	Kenya	Total
2010	\$	\$	\$
Interest revenue	89,055	-	89,055
Expenses	(1,038,683)	(717,506)	(1,756,189)
Total segment and group revenue	(949,628)	(717,506)	(1,667,134)
Assets			
Current assets	1,218,015	-	1,218,015
Non-current assets	421,264	-	421,264
Total group assets	1,639,279	-	1,639,279
Liabilities			
Current liabilities	(453,447)	-	(453,447)
Non-current liabilities	(17,049)	-	(17,049)
Total group liabilities	(470,496)	-	(470,496)
2009			
Interest revenue	118,883	-	118,883
Expenses	(1,360,858)	-	(1,360,858)
Total segment and group revenue	(1,241,975)	-	(1,241,975)
Assets			
Current assets	2,544,971	-	2,544,971
Non-current assets	354,013	-	354,013
Total group assets	2,898,984	-	2,898,984
Liabilities			
Current liabilities	(51,581)	-	(51,581)
Non-current liabilities	(13,481)	-	(13,481)
Total group liabilities	(65,062)	-	(65,062)

NOTE 17: CASH FLOW INFORMATION

	Group 2010 \$	Parent 2009 \$
a. Reconciliation of Cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash	1,170,725	2,498,328
b. Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Loss after income tax	(1,667,134)	(1,241,975)
Cash flows excluded from loss attributable to operating activities		
Non-cash flows in loss		
Depreciation	9,968	4,557
Share options expensed	1,995	2,608
Tenement valuation write down	43,333	379,282
Changes in assets and liabilities		
Increase in receivables and other assets	(647)	(46,081)
Increase in capitalised exploration expenditure	(99,788)	(436,425)
Increase in trade and other payables	11,425	14,688
Cash flow from operations	(1,700,848)	(1,323,346)

NOTE 18: CONTROLLED ENTITIES

The Company acquired 100% of Base Titanium (Mauritius) Ltd which was incorporated in Mauritius on 15th April 2010. Base Titanium (Mauritius) Ltd has been inactive during the current financial period.

NOTE 19: RELATED PARTY TRANSACTIONS

There have been no transactions with related parties other than auditor's remuneration as disclosed in Note 5.

NOTE 20: SHARE-BASED PAYMENTS

Options granted to key management personnel are as follows:

Grant Date	Number	Issue Date
30 June 2010	17,000,000	9 July 2011
2 July 2008	3,500,000	2 July 2008

NOTE 20: SHARE-BASED PAYMENTS (CONTINUED)

Further details of these options are provided in the Directors' Report. The options hold no voting or dividend rights but have been listed. The options lapse when a director ceases their employment with the Company.

	Number	Weighted average exercise price
Options outstanding as at 1 July 2008	2,150,000	\$0.25
Granted	6,580,000	\$0.25
Forfeited	-	-
Exercised	-	-
Expired	-	-
Options outstanding as at 30 June 2009	8,730,000	\$0.25
Options outstanding as at 1 July 2009	8,730,000	\$0.25
Granted	17,000,000	\$0.17
Forfeited	-	-
Exercised	-	-
Expired	-	-
Options outstanding as at 30 June 2010	25,730,000	\$0.19
Options exercisable as at 30 June 2010:	8,730,000	\$0.25
Options exercisable as at 30 June 2009:	8,730,000	\$0.25

The exercise price of outstanding shares at reporting date was \$0.25 for 17,230,000 options and \$0.09 for 8,500,000 options.

Valuation method	2010 Monte-Carlo simulation model	2009 Black Scholes option pricing model
Weighted average remaining contractual life of options outstanding at year end	3.30 years	2.16 years
The weighted average fair value of options granted	\$0.06	\$0.04
Weighted average exercise price	\$0.17	\$0.25
Weighted average life of the option	5 years	3 years
Underlying share price	\$0.09	\$0.10
Expected share price volatility	104%	20%
Risk-free interest rate	5.39%	7%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

NOTE 21: PARENT ENTITY DISCLOSURES

	Parent 2010 \$	Parent 2009 \$
a. Financial position		
Assets		
Current assets	1,218,015	2,544,971
Non-current assets	421,264	354,013
Total assets	1,639,279	2,898,984
Liabilities		
Current liabilities	453,447	51,581
Non-current liabilities	17,049	13,481
Total liabilities	470,496	65,062
Net assets	1,168,783	2,833,922
Equity		
Issued capital	4,244,330	4,244,330
Option Reserve	5,463	3,468
Retained losses	(3,081,010)	(1,413,876)
Total equity	1,168,783	2,833,922
b. Financial performance		
Loss for the year	(1,667,134)	(1,241,975)
Other comprehensive income	-	-
	(1,667,134)	(1,241,975)
c. Guarantees entered into by the parent entity in relation to the debts of its subsidiaries		
No guarantees were entered into in relation to the debts of its subsidiaries.		
d. Contingent liabilities of the parent entity		
Exploration expenditure commitments	293,348	146,228
Operating lease costs	258,674	150,983
	552,022	297,211
e. Commitments for the acquisition of property, plant and equipment by the parent entity		
No commitments have been undertaken for the acquisition of property, plant and equipment by the parent entity.		

NOTE 22: FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist of deposits with banks, short-term investments, accounts receivable and payables.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	Group 2010 \$	Parent 2009 \$
Financial Assets			
Cash and cash equivalents	7	1,170,725	2,498,328
Other receivables	8	39,252	29,047
		1,209,977	2,527,375
Financial Liabilities			
Financial liabilities at amortised cost			
– Trade and other payables	11	453,447	51,581
		453,447	51,581

Financial Risk Management Policies

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.

The overall risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Risk management policies are approved and reviewed by the Board on a regular basis.

Financial assets and liabilities of the Group are carried at the net fair value of each individual asset or liability.

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

Interest rate risk

The Group does not have any debt. The majority of the Group's cash deposits are held in at call high interest accounts with the National Australia Bank Ltd.

Liquidity risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash reserves or unutilised borrowing facilities are available and maintained.

NOTE 22: FINANCIAL RISK MANAGEMENT (CONTINUED)

	Within 1 Year		1 to 5 Years	
	2010	2009	2010	2009
<i>Financial liability and financial asset maturity analysis</i>				
Financial liabilities due for payment				
Trade and other payables (excluding estimated annual leave)	453,447	51,581	-	-
Total contractual outflows	453,447	51,581	-	-
Total expected outflows	453,447	51,581	-	-
Financial assets — cash flows realisable				
Cash and cash equivalents	670,725	398,328	-	-
Trade, term and loans receivables	539,252	2,129,047	-	-
Total anticipated inflows	1,209,977	2,527,375	-	-
Net (outflow)/inflow on financial instruments	756,530	2,475,794	-	-

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Group.

Sensitivity Analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates, exchange rates and commodity and equity prices. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Group 2010 \$	Parent 2009 \$
Change in Profit / (Loss)		
Increase of 200 basis points	(1,641,724)	(1,192,008)
Decrease of 200 basis points	(1,688,554)	(1,291,942)
Change in Equity		
Increase of 200 basis points	1,192,198	2,883,889
Decrease of 200 basis points	1,145,368	2,783,955

NOTE 23: EVENTS AFTER THE BALANCE SHEET DATE

As disclosed in the Directors' Report, significant subsequent events are comprised of:

- a. The completion of an \$8.02 million capital raising with the issue of 38,000,001 shares on 9 July 2010 at \$0.09 per share in a one for one rights issue, the issue of 51,111,112 shares on 13 July 2010 at \$0.09 per share; with a capital raising arrangement and underwriting fee of 5% of the total capital raised being paid to RFC Corporate Finance Limited.
- b. The issue of 2,500,000 shares at \$0.09 on 13 July 2010 and 1,000,000 options to subscribe for fully paid shares at a price of \$0.25 per share on 13 August 2010 to RFC Corporate Finance Limited for corporate advisory services provided in respect of the acquisition of the Kwale Mineral Sands Project.
- c. The issue of 17,000,000 options to Directors on 9 July 2010.
- d. The completion of the acquisition of the Kwale Mineral Sands Project from Vaaldiam Mining Inc (formerly Tiomin Resources Inc) on 30 July 2010 for the consideration of US\$3,000,000 and a 2% royalty on gross product revenue from the Kwale Central and South deposits. Under the terms of the acquisition, Base Resources Limited acquired:
 - The Kwale Project, including all intellectual property, rights and obligations directly associated with the Kwale Project and all other exploration rights in Kenya and Tanzania, excluding the Kilifi, Mambrui and Vipingo exploration projects; and
 - A four year option to acquire Tiomin Kenya Limited (the owner of the Kilifi, Mambrui and Vipingo exploration projects).On exercise of the option, Base Resources Limited will pay US\$1,000,000 for each of the three exploration projects then held by Tiomin Kenya.
- e. The engagement of RFC Corporate Finance Ltd as the Company's corporate advisor on 9 July 2010.

NOTE 24: RESERVES

Option Reserve

The option reserve records items recognised as expenses on valuation of employee share options.

NOTE 25: COMPANY DETAILS

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

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

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DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 21-51, are in accordance with the Corporations Act 2001 and:
 - a. comply with Accounting Standards;
 - b. are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in Note 1 to the financial statements; and
 - c. give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the company and consolidated group;
2. the chief executive officer and chief finance officer have each declared that:
 - a. the financial records of the company for the financial year have been properly maintained in accordance with s 286 of the Corporations Act 2001;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view.
3. in the Directors' opinion there are reasonable grounds to believe that the Company 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

Chairman

Dated at Perth this 3rd day of September 2010.

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report to the members of Base Resources Limited

We have audited the accompanying financial report of Base Resources Limited ("the Company") and Controlled Entities ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors Responsibility for the Financial Report

The directors of Base Resources Limited are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.



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**Bentleys Audit
& Corporate (WA) Pty Ltd**
ABN 33 121 222 802

Level 1
12 Kings Park Road
West Perth WA 6005

PO Box 44
West Perth WA 6872

T +61 8 9226 4500
F +61 8 9226 4300

www.bentleys.com.au

Independent Auditor's Report

To the Members of Base Resources Limited (Continued)



Auditor's Opinion

In our opinion:

- a. The financial report of Base Resources Limited and Controlled Entities is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the Company and the Consolidated Entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included within the report of the directors for the year ended 30 June 2010. The directors of Base Resources Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Base Resources Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

BENTLEYS
Chartered Accountants

CHRIS WATTS CA
Director

DATED at PERTH this 3rd day of September 2010

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ADDITIONAL INFORMATION

SHAREHOLDER INFORMATION

Additional information required by the Australian Securities Exchange Limited Listing Rules, and not disclosed elsewhere in this report.

SHAREHOLDINGS

At the date of this report the Company had received five current substantial shareholder notices;

- a) on 14 July 2010 a substantial shareholder notice was received by the Company notifying the Company that Asian Investment Management Services Ltd was a substantial shareholder holding a relevant interest in 28,888,889 shares representing 19.97% of the voting power.
- b) on 14 July 2010 a substantial shareholder notice was received by the Company notifying the Company that Alwaha Fund was a substantial shareholder holding a relevant interest in 6,500,000 shares representing 5.02% of the voting power.
- c) on 14 July 2010 a substantial shareholder notice was received by the Company notifying the Company that Polaris Capital Limited was

a substantial shareholder holding a relevant interest in 6,500,000 shares representing 5.02% of the voting power.

- d) on 15 July 2010 a substantial shareholder notice was received by the Company notifying the Company that Seaspin Pty Ltd as trustee for the Aphrodite Trust was a substantial shareholder holding a relevant interest in 11,111,112 shares representing 8.57% of the voting power.

- e) On 15 July 2010 a substantial shareholder notice was received by the Company notifying the Company that RMB Resources Group of Companies was a substantial shareholder holding a relevant interest in 22,222,222 shares representing 17.17% of the voting power.

CLASS OF SHARES AND VOTING RIGHTS

The voting rights attached to the Fully Paid Ordinary Shares of the Company are:

- a) at a meeting of members or classes of members each member entitled to vote may vote in person or by proxy or by attorney; and

- 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.

Options do not carry any voting rights. On the 21 September 2010 there were 9 holders of unmarketable parcels comprising a total of 2,572 ordinary shares.

At the date of this report there were 7,825,000 shares and 6,500,000 options subject to escrow until 2 October 2010.

OTHER INFORMATION

There is no current on-market buy back taking place.

During the reporting period the Company used its cash assets in a manner consistent with its business objectives.

The largest registered holders of Shares as at 21 September 2010 were:

	NAME	NUMBER OF SHARES	%
1.	HSBC CUSTODY NOMINEES AUST LTD	42,222,223	32.58
2.	J P MORGAN NOM AUST LTD	22,222,222	17.15
3.	SEASPIN PL <APRHODITE A/C>	11,111,112	8.57
4.	DECK CHAIR HOLDINGS PL	6,000,000	4.63
5.	STATE RESOURCES PL	3,562,500	2.75
6.	MAHSOR HOLDINGS PL <ROSHAM FAMILY SUPER A/C>	3,400,000	2.62
7.	ALCHEMY SEC PL	2,500,000	1.93
8.	RAPTOR SEC PL	2,500,000	1.93
9.	KEA HOLDINGS PL <IOS HOLDING A/C>	2,142,045	1.65
10.	ANZ NOMINEES LTD <CASH INCOME A/C>	2,000,000	1.54
11.	RITA MARIAN & W T BROOKS <T/A BROOKS S/F A/C>	805,971	0.62
12.	ANDREW WILLIAM BLACKMAN	800,000	0.62
13.	SEASPIN PTY LTD <APHRODITE A/C>	762,998	0.59
14.	KATONE INVESTMENTS PL	713,391	0.55
15.	SIXTH ERRRA PL <I COLLIE FAMILY A/C>	700,000	0.54
16.	HARRY ARTHUR & J N HILL <HARRY ARTHUR HILL A/C>	600,000	0.46
17.	COLOGNE NOMINEES LTD <KOSMIC ELECT IND P>	590,000	0.46
18.	JACINTA ANN LAING	555,556	0.43
19.	ANDREW & LYNNE KING <LYANDDDJI S/FA/C>	500,000	0.39
20.	SIXTH ERRRA PL <STAFF S/F A/C>	500,000	0.39
		104,188,018	80.40

SHARES RANGE	HOLDERS	UNITS	%
1 – 1,000	9	2,572	0.00
1,001 – 5,000	11	45,682	0.04
5,001 – 10,000	78	728,540	0.56
10,001 – 100,000	250	10,816,851	8.35
> 100,001	78	118,017,469	91.05
Total	426	129,611,114	100.00

Options

At 21 September 2010 the following options were on issue;

STREAM	DATE OF EXPIRY	EXERCISE PRICE	NUMBER UNDER OPTION	NUMBER OF HOLDERS
1	19.6.2011	\$0.25	2,150,000	2
2	2.7.2011	\$0.25	3,580,000	7
3	31.12.2011	\$0.25	3,000,000	1
4	9.7.2015	\$0.25	8,500,000	5
5	9.7.2015	\$0.09	8,500,000	5
6	30.7.2015	\$0.25	1,000,000	1
			26,730,000	

Holders of greater than 20% of any stream of options;

Stream 1: Baracus Pty Ltd – 570,000 Options

Stream 1: State Resources Pty Ltd – 1,580,000 Options

Stream 2: Tim Carstens – 2,000,000 Options

Stream 3: Cygnet Capital Pty Ltd – 3,000,000 Options

Stream 4: Colin Bwye – 5,000,000 Options

Stream 4: Tim Carstens – 2,500,000 Options

Stream 5: Colin Bwye – 5,000,000 Options

Stream 5: Tim Carstens – 2,500,000 Options

Stream 6: Alchemy Securities Pty Ltd – 1,000,000 Options

TENEMENT SCHEDULE

The Company holds a 100% interest in the following tenements, all of which are located in Western Australia:

Tenement Number	Status
E 20/0673	Application
E 20/0674	Application
E 20/0675	Application
E 20/0718	Application
E 59/1448	Application
E 59/1547	Application
E 59/1556	Application
E 70/3329	Application
E 59/1656	Application

The Group holds a 100% interest in the following tenements, all of which are located in Kenya:

Tenement Number	Status
Exploration Licence 173	Granted
Special Mining Licence 23	Granted

