

26 October 2010

Rising Market and Project Developments Enhance Kwale

HIGHLIGHTS

- Improved long term price outlook with TZMI increasing their price forecasts for ilmenite, rutile and zircon.
- The first phase of work towards an enhanced DFS (“EDFS”) concluded on schedule with the completion of the capital cost update and process design review study.
- Scope of works for EDFs established with definition of improvement initiatives and due for delivery in Q2 2011.
- Kwale Project now projected to be larger and more robust:
 - Capital cost of between US\$225 million and \$255 million
 - NPV₁₀ of between US\$160 million and US\$210 million

Base Resources Ltd (“Base”) (ASX:BSE) is pleased to announce the first key milestone in the Kwale Project’s progression towards development, with the completion of both the capital cost update on the original DFS and the Process Design Review study evaluating improvement opportunities.

Managing Director, Tim Carstens said this work has resulted in a more refined view of the project.

“We now have a considerably clearer view of the shape of the project as it is likely to emerge from the enhanced DFS process which, together with a predicted increase in long term price forecasts published by respected industry experts TZ Minerals International (“TZMI”), reinforces our belief that we are in the right sector with the right project at the right time.

“The acquisition of the Kwale Project was motivated by the view that it represents a “world class” advanced project that is well positioned to take advantage of a sustained opportunity in the mineral sands market.

“This view has been reinforced by the latest long term price forecasts published by TZMI. Following a review of projected industry supply/demand balances, TZMI are now forecasting long term real prices for sulphate ilmenite, rutile and zircon of US\$130/tonne, US\$715/tonne and US\$1,300/tonne respectively from 2015,” Mr Carstens said.

In May, Base advised an initial estimate of capital development cost for the Kwale Project of US\$180 million, generating a post tax operating surplus of US\$570 million, representing an NPV₁₀ of US\$136 million and an IRR of 28%. This initial estimate was based on the due diligence review of the 2006 DFS completed by the project’s prior owners, Vaaldiam Mining Inc¹ (“Vaaldiam”).

On completion of the acquisition in July, Base initiated a comprehensive re-estimate of the capital cost for the original DFS and a Process Design Review study. The purpose of these exercises was to provide the basis, scope and a refined estimate of the outcome of the EDFs. The capital cost re-estimate has been undertaken by Ausenco, the authors of the original DFS, and incorporates several changes in approach from the original DFS, including a decision to owner operate the mobile fleet and the adoption of more conservative approaches to procurement and costing. The Process Design Review study has identified and evaluated to scoping study level a suite of design and concept changes that will improve the project in terms of enhanced returns and risk profile.

On the basis of the current TZMI price forecasts, the capital cost update and the Process Design Review, the capital development cost and economic returns from the Kwale Project have been updated and are now projected to be within the following ranges:

	Capital Cost (US\$m)	Operating Cashflow (US\$m)	NPV₁₀ (US\$m)	IRR
High	225	840	210	29%
Low	255	735	160	25%

“We now regard Kwale as an even more attractive project in terms of potential returns, albeit with a greater capital investment required to unlock those returns,” Mr Carstens said.

“It is also a more robust project. Considerably more work has now been completed in relation to key components such as the raw water supply, grid power supply and process simplification in the mineral separation plant, including significant confirmatory metallurgical test work. It is important to point out that the above capital cost estimate range also includes an additional US\$20 million in project contingency and a more conservative approach to input pricing than adopted in the original DFS.”

With the results of the Process Design review having established the scope, work has commenced on the EDFs with completion targeted in the 2nd quarter of 2011.

The drilling program to better define lithology, grade and assemblage within the dunes for detailed mine planning and process design confirmation is underway. This will also form the basis of an updated mineral resource estimate due in the 1st quarter of 2011. The project economics set out above are based on the JORC-compliant mineral resource estimate as previously reported by Vaaldiam:

Dune	Classification	Tonnes	THM (%)	Ilmenite (%)	Rutile (%)	Zircon (%)
Central	Measured	38.51	6.79	3.95	0.90	0.50
	Indicated	30.24	4.54	2.47	0.63	0.32
South	Indicated	70.10	3.50	1.40	0.40	0.20
All		138.85	4.64	2.34	0.59	0.31

Mr. Carstens said that on the financing front, encouraging progress has been made in securing both off-take commitments and the required development funding.

“Discussions are underway with potential off-take 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 the 3rd quarter of 2011. On this basis we reasonably expect the Kwale Project to be in production in mid-2013,” Mr. Carstens said.

ENDS

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Attribution 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 announcement 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.

SRK has also consented to the publication of this Competent Person Statement on the basis that the resources and modifying factors have not changed since its last review in 2006/2007 which used essentially the same resources as were reviewed in 2001.

Forward-Looking Statements

Certain statements made during or in connection with this announcement contain or comprise certain forward-looking statements regarding the capital cost and production and financial performance of the Kwale Project. Although Base believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes in the regulatory environment and other government actions, fluctuations in commodity prices and exchange rates and business and operational risk management. Base undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events.

Corporate Details:

Board of Directors:

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Tim Carstens	Managing Director
Colin Bwy	Executive Director
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About Base Resources:

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 in the June quarter of 2011 with a view to completing off-take and financing arrangements in the 3rd quarter 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 the consideration of the various development alternatives to maximize realized 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