BASE RESOURCES LTD

BASE RESOURCES LIMITED

AND ITS CONTROLLED ENTITIES

ABN 88 125 546 910

Interim Financial Report
For the Half-year ended
31 December 2010

Table of Contents

Corporate Directory

DIRECTORS
Mr Andrew King *Non-Executive Chairman*
Mr Tim Carstens *Managing Director*
Mr Colin Bwye *Executive Director*
Mr Samuel Willis *Non-Executive Director*
Mr Winton Willesee *Non-Executive Director*

COMPANY SECRETARY
Mr Winton Willesee

PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE
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Directors Report

Your directors submit the interim financial statements of the Group, being the Company, Base Resources Limited, and its controlled entities for the half-year ended 31 December 2010.

Directors

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

Mr Andrew King
Mr Tim Carstens
Mr Colin Bwye
Mr 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 Bwye who was appointed on 12 July 2010.

Company Secretary

Mr Winton Willesee held the position of company secretary at the end of the half year.

Principal Activities and Significant Changes in Nature of Activities

The principal activities of the Group during the half-year were the evaluation and development of the Kwale Mineral Sands Project in Kenya and the exploration of its suite of tenements in the Midwest region of Western Australia.

Other than the acquisition of the Kwale Mineral Sands Project, there were no significant changes in the nature of the Group's principal activities during the half-year.

Operating Results

The loss of the Group after providing for income tax amounted to $1,934,440 (2010: $430,289).

Dividends Paid or Recommended

There were no dividends paid or declared for payment during the period ended 31 December 2010.

Review of Operations

In July, Base completed the acquisition of the Kwale Mineral Sands Project in Kenya from Vaaldiam Mining Inc ("Vaaldiam") (TSX:VMI). Completion of the acquisition followed a substantial due diligence exercise, the securing of both Government of Kenya and Base shareholder approval and completion of an $8 million capital raising.

The capital raising, which was completed in July, comprised a 1 for 1 rights issue and $4.6 million placement, was priced at $0.09 per share 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 substantial shareholdings in the Company.

Following the completion of the Kwale acquisition in July, Base initiated a comprehensive re-estimate of the capital cost for the original DFS and a Process Design Review study, which were both completed in October. The purpose of these exercises was to provide the basis, scope and a refined estimate of the outcome of the Enhanced Definitive Feasibility Study ("EDFS") . The capital cost re-estimate was undertaken by Ausenco, the authors of the original DFS, and incorporated 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.

With the results of the Process Design review having established the scope, work was commenced on the EDFS with completion targeted by the 2nd quarter of 2011. A drilling program to better define lithology, grade and assemblage within the dunes for detailed mine planning and process design confirmation was completed in December. This drilling will form the basis of an updated mineral resource estimate due in the March quarter.

Directors Report

Review of Operations (continued)

In December, firm commitments were received from institutional and other sophisticated investors for an $8.1 million share placement at $0.30 per share to provide additional funding for the completion of the EDFS as well as providing greater flexibility in the timing of implementation and development funding activities for the Kwale Project. The placement, arranged by RFC Corporate Finance Ltd, was completed in two stages with an initial 18 million shares issued within the 15% discretionary placement limit in December and a further 9 million shares issued following shareholder approval at a general meeting held on 24 January. The raising has seen several additional significant institutional investors join the register and represents a strong vote of confidence in Base Resources' value proposition.

Following their successful role in advising on the Kwale Acquisition and arranging the $8 million acquisition funding, specialist resource sector corporate advisory firm RFC Corporate Finance Ltd have been mandated to work with the Company to develop the financing strategy and arrange the required funding for the development of the Kwale Project with encouraging progress made during the period. Discussions with a number of potential off-take and joint venture partners, debt providers and equity investors are ongoing.

Base is working towards having studies completed, off-take arrangements concluded and development funding in place by the 3rd quarter of 2011 which would see the Kwale Project in production by mid-2013.

In relation to the company's Mid-West exploration projects, appropriate exploration programs have been developed to test these targets but their implementation has been on hold pending the finalisation of heritage agreements with native title claimants that are required for the granting of the tenements. These agreements have now been finalised and are in the process of execution by the parties, clearing the way for the granting of the tenements in the June quarter.

Financial Position

The Group's working capital, being current assets less current liabilities was $6,928,186 at 31 December 2010 (30 June 2010: $747,519).

A substantial capital raisings were completed during July, December 2010 and January 2011 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 Mineral Sands Project.

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

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 6 for the half-year ended 31 December 2010.

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

Winton Willesee
Director
Dated this 11th day of March 2011

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

To: the directors of Base Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2010 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Graham Hogg
Partner

Perth
11 March 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Note	31 Dec 10	31 Dec 09
		$	$
Other income	2	114,067	55,458
Accounting, audit and related services fees		(69,862)	(21,996)
Consultant fees		(324,704)	(59,488)
Employee benefits expense		(200,074)	(164,599)
Directors' and related fees		(107,500)	(89,338)
Share based payment expense		(367,076)	-
Administrative expense		(390,811)	(106,237)
Tenement expense		(4,096)	(38,322)
Other Expenses from ordinary activities		(25,587)	(5,767)
Loss before income tax		(1,375,643)	(430,289)
Income tax expense		-	-
Net Loss for the period		(1,375,643)	(430,289)
Other comprehensive income			-
Foreign currency translation differences - foreign operations		(558,797)	-
Total other comprehensive income for the period		(558,797)	-
Total comprehensive loss for the period		(1,934,440)	(430,289)
Basic and diluted loss per share (cents per share)		1.09	1.13

The above Condensed Consolidated Statement of Comprehensive Income should read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Note	31 Dec 10	30 Jun 10
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		7,199,685	1,170,725
Trade and other receivables		121,329	39,252
Other current assets		61,190	8,038
TOTAL CURRENT ASSETS		7,382,204	1,218,015
NON-CURRENT ASSETS			
Capitalised exploration and evaluation expenses	3	5,497,007	371,458
Plant and equipment		145,851	49,806
TOTAL NON-CURRENT ASSETS		5,642,858	421,264
TOTAL ASSETS		13,025,062	1,639,279
CURRENT LIABILITIES			
Trade and other payables		389,695	453,447
Employee benefits		64,323	17,049
TOTAL CURRENT LIABILITIES		454,018	470,496
TOTAL LIABILITIES		454,018	470,496
NET ASSETS		12,571,044	1,168,783
EQUITY			
Issued capital	4	17,147,955	4,244,330
Reserves		(120,258)	5,463
Accumulated losses		(4,456,653)	(3,081,010)
TOTAL EQUITY		12,571,044	1,168,783

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Issued Capital Ordinary	Accumulated Losses	Options Reserve	Translation Reserve	Total
	$	$	$	$	$
Balance at 01.07.2009	4,244,330	(1,413,876)	3,468	-	2,833,922
Loss for the period	-	(430,289)	-	-	(430,289)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	(430.289)	-	-	(430,289)
Balance at 31.12.2009	4,244,330	(1,844,165)	3,468	-	2,403,633
Balance at 01.07.2010	4,244,330	(3,081,010)	5,463	-	1,168,783
Loss for the period	-	(1,375,643)	-	-	(1,375,643)
Other comprehensive income	-	-	-	(558,797)	(558,797)
Total comprehensive income for the period	-	(1,375,643)	-	(558,797)	(1,934,440)
Transactions with owners					
Shares issued during the period, net of costs	12,903,625	-	-	-	12,903,625
Share based payment transactions	-	-	433,076	-	433,076
Balance at 31.12.2010	17,147,955	(4,456,653)	438,539	(558,797)	12,571,044

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	31 Dec 10 $	31 Dec 09 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments in the course of operations	(1,010,229)	(424,012)
Interest receipts	95,896	46,234
Net cash used in operating activities	(914,333)	(377,778)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Kwale mineral rights	(3,322,162)	-
Payments for exploration and evaluation	(2,087,931)	(86,419)
Purchase of plant and equipment	(149,368)	(3,860)
Proceeds on sale of plant and equipment	24,000	-
Security deposits	(7,382)	-
Net cash used in investing activities	(5,542,843)	(90,279)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	12,509,617	-
Net cash provided by financing activities	12,509,617	-
Net increase/(decrease) in cash held	6,052,441	(468,057)
Cash at beginning of period	1,170,725	2,498,328
Effect of exchange fluctuations on cash held	(23,481)	-
Cash at end of period	7,199,685	2,030,271

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

NOTE 1: BASIS OF PREPARATION

(a) Introduction

The condensed consolidated financial statements of the Company as at and for the six months ended 31 December 2010 comprises the Company and its wholly owned subsidiaries (together referred to as the "Group") and is a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Base Resources Limited and its controlled entities. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2010.

The condensed consolidated financial statements were approved by the Board of Directors on 11th March 2011.

(b) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency. The functional currency for the subsidiaries is United States dollars.

(c) Accounting policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the 30 June 2010 annual financial statements except for the newly applied policy below.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Foreign operations

The assets and liabilities of foreign operations are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations, are translated to Australian dollars at exchange rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the translation reserve in equity.

(d) Estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. Except as described below, in preparing this consolidated interim financial report, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2010.

During the six months ended 31 December 2010 the Group assessed the fair value of fixed assets acquired under the Kwale acquisition in order to determine the allocation of the consideration paid. In addition the Company valued the options issued to RFC Corporate Finance Ltd as part of the consideration for advisory services related to the Kwale acquisition using the Black & Scholes valuation method.

NOTE 2: OTHER INCOME

	31 Dec10	31 Dec 09
	$	$
Gain on disposal of vehicle	5,647	-
Interest income	108,420	55,458
	114,067	55,458

NOTE 3: CAPITALISED EXPLORATION AND EVALUATION EXPENSES

	31 Dec 10	30 Jun 10
	$	$
Exploration expenses (Australia)	371,458	371,458
Exploration and evaluation expenses (Kenya)	5,125,549	-
	5,497,007	371,458

Exploration and evaluation expenses (Australia) relate to capitalised expenditure on the Company's Mid-West exploration projects, recoupment of which will be dependent on the successful development and commercial exploitation of the areas of interest, or alternatively, by their sale. Progression of these projects have been on hold pending the finalisation of heritage agreements with native title claimants that are required for the granting of the tenements.

Exploration and evaluation expenses (Kenya) relate to the acquisition of the mineral rights as part of the Kwale Mineral Sands Project transaction of $3,322,162 and additional evaluation expenditure incurred during the period of $1,803,387. Recoupment of these capitalised expenses will be dependent on the successful development and commercial exploitation of the project, or alternatively, by its sale. The Kwale project acquisition has been treated as an asset acquisition and therefore the consideration paid has been allocated to the fair value of assets acquired.

NOTE 4: ISSUED CAPITAL

	31 Dec 10	30 Jun 10
Ordinary share capital:	$	$
Issued and fully paid	17,147,955	4,244,330

		31 Dec 10	31 Dec 10	31 Dec 09	31 Dec 09
		No.	$	No.	$
Movement in ordinary share capital					
At the start of the period		38,000,001	4,244,330	38,000,001	4,244,330
Shares issued during the period:	Price per share				
9 Jul 2010	9 cents	38,000,001	3,420,000	-	-
13 Jul 2010	9 cents	51,111,112	4,600,000	-	-
13 Jul 2010	9 cents	2,500,000	225,000	-	-
3 Dec 2010	30 cents	18,000,000	5,400,000	-	-
Share issue costs		-	(741,375)	-	-
		147,611,114	17,147,955	38,000,001	4,244,330

NOTE 5: SEGMENT REPORTING

Identification of reportable segments

The Group has considered the operating segments standard. The Group's financial information is presented to the chief decision maker, being the full Board, in an aggregated manner, however costs are also reviewed by geographical segment.

	Australia		Kenya		Total	
	31 Dec 10	31 Dec 09	31 Dec 10	31 Dec 09	31 Dec 10	31 Dec 09
	$	$	$	$	$	$
Other income	114,067	55,458	-	-	114,067	55,458
Reportable segment loss	(1,367,414)	(430,289)	(8,229)	-	(1,375,643)	(430,289)

	Australia		Kenya		Total	
	31 Dec 10	30 Jun 10	31 Dec 10	30 Jun 10	31 Dec 10	30 Jun 10
	$	$	$	$	$	$
Reportable segment assets	7,590,184	1,639,279	5,434,878	-	13,025,062	1,639,279
Reportable segment liabilities	(213,361)	(470,496)	(240,657)	-	(454,018)	(470,496)

NOTE 6: CONTROLLED ENTITIES

In April 2010 the Company incorporated its wholly owned subsidiary Base Titanium (Mauritius) Ltd, a Mauritian incorporated company. In July 2010 Base Titanium (Mauritius) Ltd acquired 100% of Base Titanium Limited, a Kenya incorporated Company. Base Titanium Limited acquired the Kwale Mineral Sands Project on 30 July 2010. The consideration was allocated to mineral rights of $3,322,160 and fixed assets of $105,500.

NOTE 7: DIVIDENDS

No dividends have been paid or declared during the period of this report.

NOTE 8: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTE 9: EVENTS SUBSEQUENT TO REPORTING DATE

There has been no subsequent events since the interim reporting date other than those listed below:

- The issue of 1,382,143 shares on 24 January 2011 at $0.25 per share on the exercise of options;
- The issue of 9,000,000 shares on 31 January 2011 at $0.30 per share as approved at general meeting on 24 January 2011; and
- The issue of 1,617,857 shares on 23 February 2011 at $0.25 per share on the exercise of options.

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 7 to 13 are in accordance with the Corporations Act 2001 including:
    a. giving a true and fair view of the Group's financial position as at 31 December 2010 and of its performance for the six month period ended on that date; and
    b. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. In the directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

Winton Willesee
Director
Dated this 11th day of March 2011

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

Report on the financial report

We have reviewed the accompanying interim financial report of Base Resources Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2010, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, notes 1 to 9 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half year.

Directors' responsibility for the interim financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2010 and its performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Base Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2010 and of its performance for the half year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Graham Hogg
Partner

Perth
11 March 2011