

ASX and Media Release  
25 July 2011

## Quarterly Activities Report – June 2011

### HIGHLIGHTS

- **Enhanced Definitive Feasibility Study (“EDFS”) completed and presents a stronger Kwale Project**
  - **Project NPV<sub>10</sub> of US\$395 million and IRR of 42%.**
  - **Life of mine free cash flow (post-tax real) of US\$930 million.**
  - **Implementation plan for first shipment in 3<sup>rd</sup> quarter of 2013.**
- **Establishment of US\$170 million project finance facility progressing to plan with credit approvals expected in July.**

**Base Resources Limited (ASX:BSE)** (“Base”) has made further significant progress in the development of the Kwale Project over the June quarter, completing the Enhanced Definitive Feasibility Study (“EDFS”) and progressing on track to have the required development funding secured by the end of the September quarter.

### Kwale Project

In May, Base announced the completion of the Enhanced Definitive Feasibility Study (“EDFS”) for the Kwale Project. The EDFS confirmed Kwale as a highly robust project exceptionally well positioned to take advantage of the forecast sustained opportunity in the mineral sands market and a clear “company maker”. With a capital cost estimate of US\$256 million (including a US\$20 million project contingency), projected NPV<sub>10</sub> of US\$395 million and net cashflow surplus over the life of the project of US\$930 million, the EDFS clearly provides a sound basis on which to proceed with financing and development of the Kwale Project.

The outlook for mineral sands producers has continued to improve over the past 3 months, with prices achieved increasing steadily, greater acceptance of the likelihood of an enduring uplift in price ranges and shifts in the structure of contract arrangements to shorter tenors and market-based pricing mechanisms. Following their latest review of projected industry supply/demand balances, respected industry expert TZ Minerals International (“TZMI”) is now forecasting long term real prices of US\$145, US\$1,000 and US\$1,715 per tonne for sulphate ilmenite, rutile and zircon respectively beyond 2015.

There is strong interest from parties seeking to enter into arrangements to purchase ilmenite, rutile and zircon production from the Kwale Project and negotiations on product sales contracts with various counterparties are well advanced.

Solid progress was made during the quarter towards securing formal credit approvals for a \$170 million syndicated project finance facility. The banking syndicate has completed due diligence and are now progressing through the credit approval process. We expect to be in a position to make further announcements in relation to the facility in the very near future.

Once formal credit approval for the debt facility is secured, the equity capital raising required to complete the development funding package will be initiated. The preparatory work for this raising was undertaken during the quarter.

With the project studies now completed and all material licenses and permits in place, Base is working towards having key off-take arrangements concluded and development funding in place by the end of the September quarter of 2011 which would see the Kwale Project in production in mid-2013. With a cash balance of \$7.2 million at the end of the quarter, the company is well funded to execute this development plan.

### **Midwest Projects**

Previous work has resulted in the establishment of a series of specific iron, uranium, gold and base metal targets at the Poona East, Murgoo and Wandarrie Well projects. Appropriate exploration programs have been developed to test these targets but their implementation has been on hold pending the finalization of the heritage agreements with native title claimants that are required for the granting of the tenements. These agreements have now been finalized and are in the process of execution by the parties, clearing the way for the granting of the tenements in the near future. The first of these, EL59/1656, comprising the Wandarrie Well Project, was granted in June.

Ends.

### **For further enquiries contact:**

#### **Tim Carstens**

Managing Director  
Base Resources Ltd

Email: [tcarstens@baseresources.com.au](mailto:tcarstens@baseresources.com.au)

Phone: 08 9322 8910

#### **Stephen Allen**

Executive Director  
RFC Corporate Finance Ltd

Email: [stevea@rfc.com.au](mailto:stevea@rfc.com.au)

Phone: 08 9480 2500

#### **Annette Ellis / Warrick Hazeldine**

Media Relations  
Purple Communications

Email: [aellis@purplecom.com.au](mailto:aellis@purplecom.com.au)

[whazeldine@purplecom.com.au](mailto:whazeldine@purplecom.com.au)

Phone: 08 6314 6300

### **Corporate Details:**

#### **Board of Directors:**

Andrew King	Non Executive Chairman
Tim Carstens	Managing Director
Colin Bwyne	Executive Director
Sam Willis	Non Executive Director
Winton Willesee	Non Executive Director/ Company Secretary

#### **Principal & Registered Office:**

Level 1  
50 Kings Park Road  
West Perth  
WA 6005

#### **Contacts:**

Email: [info@baseresources.com.au](mailto:info@baseresources.com.au)  
Phone: (08) 9322 8910  
Fax: (08) 9322 8912

## **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\$65 million.

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 behaviour 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.

With completion of off-take and financing arrangements planned for the 3<sup>rd</sup> quarter of 2011, 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.