



BASE RESOURCES LTD

Right sector. Right project. Right time.

Investor Presentation
July 2011

Statements



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Competent Persons Statement

Information in this announcement that relates to Mineral Resources at the Kwale Project is based on information compiled by BSE's Manager – Geology, Scott Curruthers, who is a member of The Australasian Institute of Mining and Metallurgy. Mr Curruthers 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'. Mr Curruthers consents to the inclusion in this announcement of the information based on his work in the form and context in which it appears..

Information in this presentation that relates to mineral resources at the Kilfi and Mambrui Projects is based on information compiled by Snowden Mining Industry Consultants in 2005 and reviewed by Mr Terry Parker. Mr Parker is a Fellow of the Australian Institute of Mining and Metallurgy (AusIMM) and is currently employed by Snowden.

Mr Parker 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'. Mr Parker consents to the inclusion in this presentation of the information based on his work in the form and context in which it appears on the basis that no additional information has been obtained since the 2005 information.

Base Resources Limited



A snapshot.

- Based in Perth, Australia.
- ASX listed with code **BSE**.
- 100% owner of the advanced Kwale mineral sands project in Kenya.
- A quality share register.

Substantial Shareholders

| | <i>Interest</i> |
|---------------------------|-----------------|
| Passport Capital | 10.8% |
| Platypus Asset Management | 8.9% |
| Contango Asset Management | 5.3% |
| Acorn Capital | 5.2% |

Total interest of Substantial Shareholders **30.2%**

Total interest of top 10 shareholders **approx 55%**



- Strong market liquidity.
- Market capitalisation of approximately \$100 million at \$0.59 per share.
- Increasing broker coverage and valuations:
 - Goldman Sachs (Buy - \$0.80), RBC (Buy - \$0.90), Baillieu (Buy - \$0.98), Euroz (Buy - \$1.30)

The Kwale Opportunity



A “globally significant” advanced project well positioned to capitalise on a forecast sustained opportunity in the mineral sands market.

Right sector.

- “Late cycle” minerals with demand driven by urbanisation and wealth.
- A forecast emergence of supply shortfall by 2013.
- Creating upward pressure on prices to motivate sufficient supply.

Right project.

- Large scale, robust and highly competitive with a quality product suite.
- Well supported by existing infrastructure.
- A motivated Government of Kenya that is prepared to play its role.

Right time.

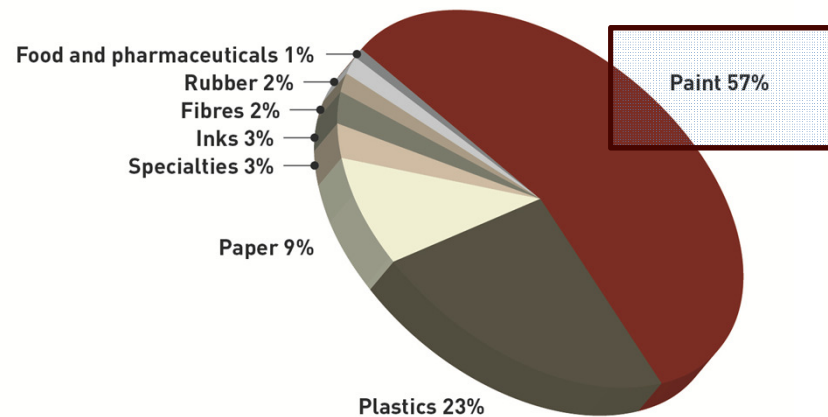
- 15 years and US\$65+ million invested – fully permitted, studied and can be in production in 2013.
- TiO₂ and zircon industries undergoing a paradigm shift right along the value chain.
- Increasing equity markets recognition of the sector’s significant potential.

Mineral Sands.....

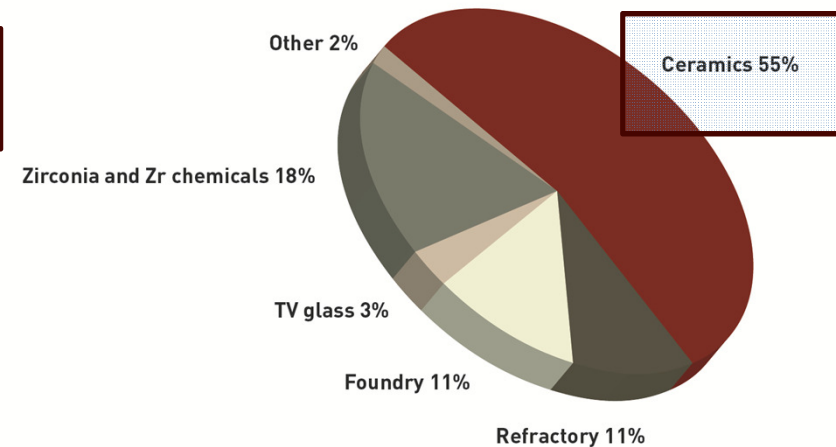


Ilmenite, rutile and zircon are essentially “lifestyle products” by virtue of their dominant end-uses.

TiO₂ PIGMENT CONSUMPTION 2009

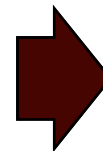
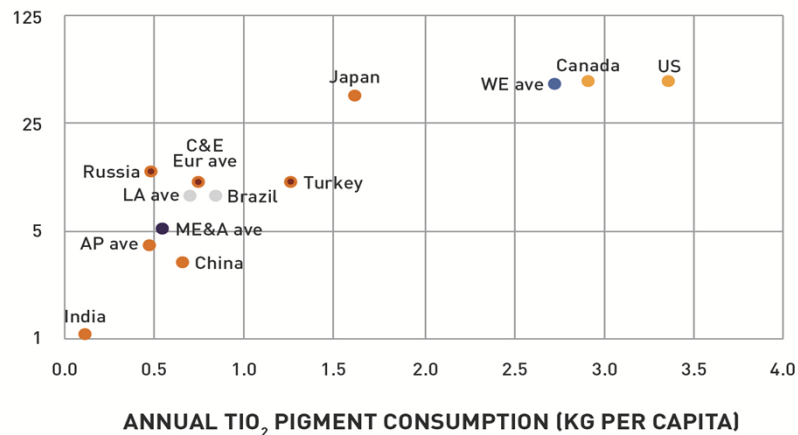


ZIRCON CONSUMPTION 2009



Source: TZMI

GDP (US\$'000 PER CAPITA)



- Consumption intensifies with income levels.
- China is the new driver of world demand growth.

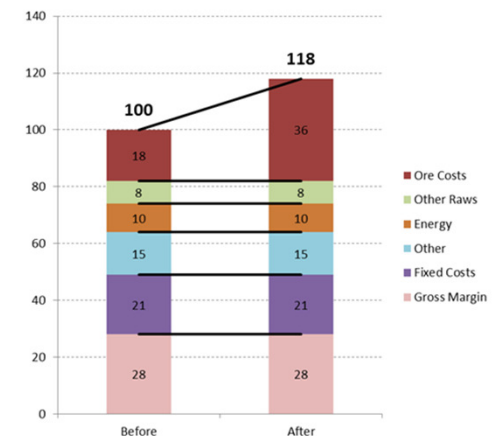
Market and downstream themes.



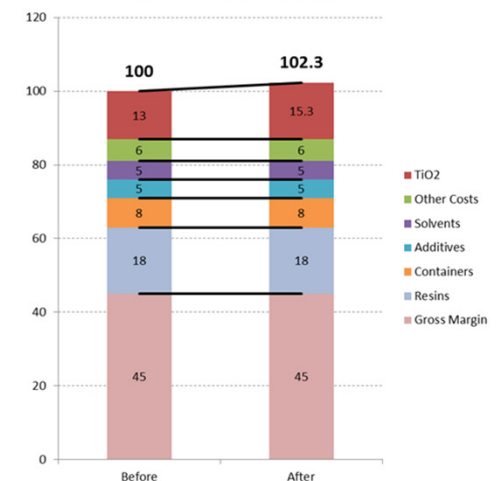
Impending shortfall is not just increasing prices, it is changing the way material is contracted and is creating a more transparent logistics chain.

- Ore costs are a relatively small component of final end-use products:
 - 100% increase in TiO₂ feedstock prices = <3% increase in paint price
- Imperatives for customers are now:
 - “Secure our supply”
 - “Ensure we don't pay any more than our competitors”; and
 - “Ensure sufficient warning of price increases so they can be passed on”
- Contract terms are shifting to more market based pricing:
 - Cap and collars are disappearing.
 - Index linked contracts and quarterly negotiations.
 - Support provided for new producers.
- Logistics chain is becoming less opaque as it evolves to facilitate the flow of price increases down the chain.
 - Key producers are managing the market.
 - TiO₂ Pigment producers have already achieved significant price rises, ahead of ore price increases.
 - “We believe the inflationary environment across the TiO₂ value chain can benefit all participants” – Goldman Sachs

Components of TiO₂ Sales Dollar - Ore costs rise 100%



Components of Architectural Paint Sales Dollar - TiO₂ costs rise 18%

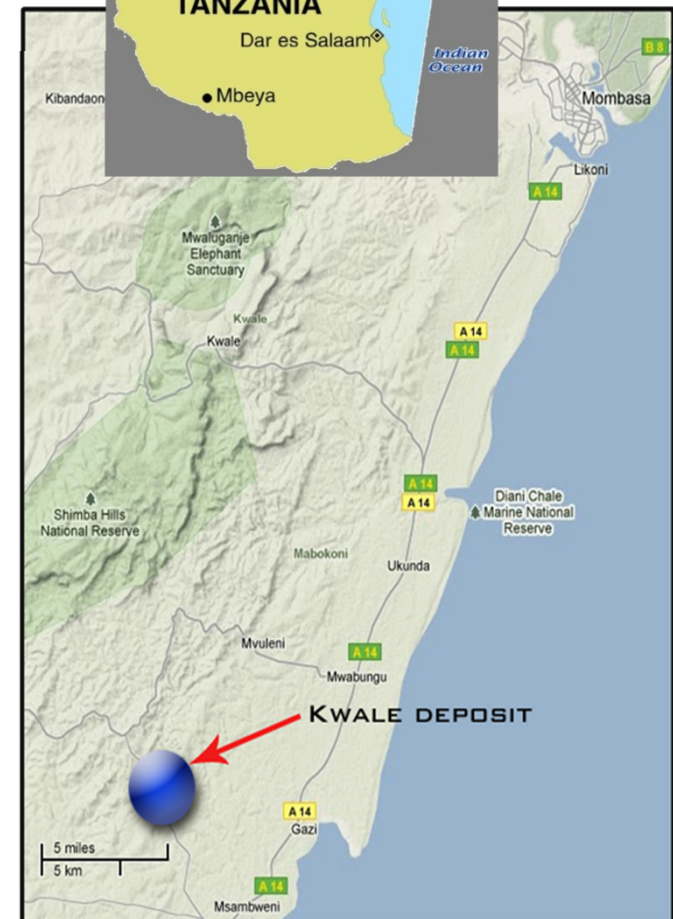
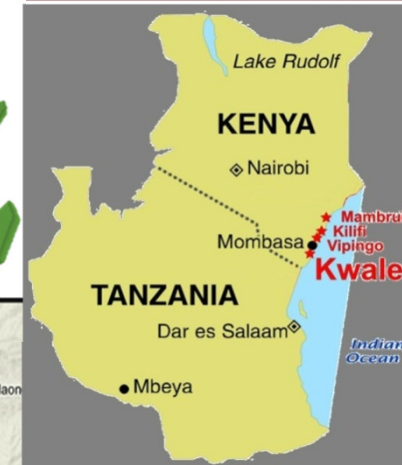


A project with history.....



Previous impediments to development have now been cleared.

- 1995–7** Project areas identified and exploration licenses secured.
- 2000** First feasibility study completed.
- 2001** Court injunction granted to landowners halted all activities - lifted in 2002.
- 2002–5** EIA approved and environmental license issued.
Environmental management plan approved.
Pilot plant constructed and design criteria confirmed for DFS.
Special Mining Lease issued.
Fiscal Investment Agreement with Government of Kenya signed.
- 2006** US\$50m in equity raised and US\$155m project debt facilities established, contractors appointed, construction commenced.
- 2007** Project halted pending resolution of resettlement and compensation disputes - all land compensation matters settled and relocation completed.
- 2008-9** Jinchuan provisionally agreed to provide US\$200m for a 70% project interest. Terminated by Jinchuan in October 2009 for reasons undisclosed.
- 2010** In February, Base a HOA to acquire the Kwale Project and exploration projects further to the north.
Government approval secured in April.
Key licences and permits transferred. Acquisition completed 30 July.
- 2011** Enhanced Definitive Feasibility Study completed.



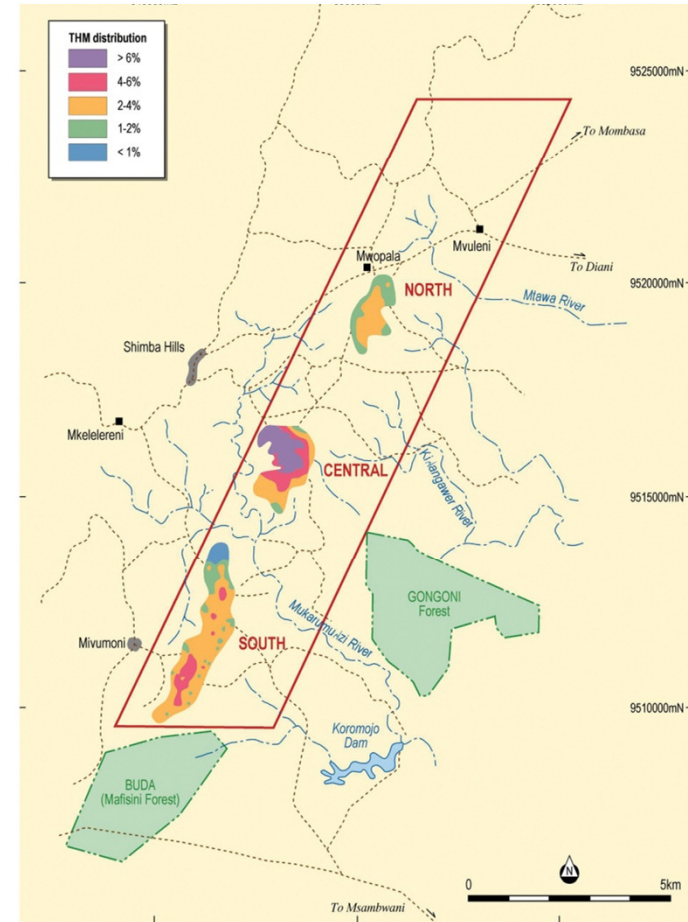
A quality resource base.



The “Kwale Project” is focused on the Central and South dunes only.

Kwale Project.

| <i>Dune</i> | <i>Classification</i> | <i>tonnes x 10⁶</i> | <i>THM (%)</i> | <i>Ilmenite (%)</i> | <i>Rutile (%)</i> | <i>Zircon (%)</i> | <i>tonnes HMC x 10⁶</i> |
|-------------|-----------------------|------------------------------------|--------------------|-------------------------|-----------------------|-----------------------|--|
| Central | Measured | 46.21 | 7.06 | 4.01 | 0.93 | 0.43 | 3.26 |
| Central | Indicated | 29.94 | 4.56 | 2.47 | 0.61 | 0.26 | 1.37 |
| South | Measured | 40.02 | 3.77 | 1.95 | 0.54 | 0.22 | 1.51 |
| South | Indicated | 29.85 | 3.36 | 1.36 | 0.39 | 0.17 | 1.00 |
| North | Indicated | 116.0 | 2.1 | 1.0 | 0.2 | 0.1 | 2.44 |
| All | Total | 255.0 | 3.48 | 1.73 | 0.41 | 0.21 | 8.87 |



A quality resource base.



The Kwale Project is focused on the Central and South dunes only.
Vast additional resources provide a range expansion options.

Kwale Project.

| <i>Dune</i> | <i>Classification</i> | <i>tonnes x 10⁶</i> | <i>THM (%)</i> | <i>Ilmenite (%)</i> | <i>Rutile (%)</i> | <i>Zircon (%)</i> | <i>tonnes HMC x 10⁶</i> |
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| South | Indicated | 29.85 | 3.36 | 1.36 | 0.39 | 0.17 | 1.00 |
| North* | Indicated | 116.0 | 2.1 | 1.0 | 0.2 | 0.1 | 2.44 |
| All | Total | 255.0 | 3.48 | 1.73 | 0.41 | 0.21 | 8.87 |

Extension Projects.

| <i>Dune</i> | <i>Classification</i> | <i>tonnes x 10⁶</i> | <i>THM (%)</i> | <i>tonnes HMC x 10⁶</i> |
|-------------|-----------------------|------------------------------------|--------------------|--|
| Kilifi | Indicated | 809.7 | 3.20 | 25.9 |
| Kilifi | Inferred | 148.4 | 3.40 | 5.0 |
| Mambrui | Indicated | 301.4 | 5.10 | 15.4 |
| Mambrui | Inferred | 129.3 | 4.80 | 6.2 |
| All | Total | 1,338.8 | 3.80 | 52.5 |



The right project.



Kwale is large scale, technically relatively straightforward and supported by well developed physical and social infrastructure.



A project of scale.



The EDFS capital cost estimate reflects a range of improvement opportunities identified in the Process design Review.

| Area | Preproduction (US\$M) |
|---|--------------------------|
| Mining | 8.3 |
| Process Plant | 64.6 |
| Tailings Storage Facility | 17.2 |
| Onsite Infrastructure | 20.1 |
| Off Site Infrastructure | 16.4 |
| Marine Loading Facilities | 17.8 |
| Temporary Construction Facilities | 12.7 |
| EPCM and Fee | 37.2 |
| Process Plant and Infrastructure | 194.2 |
| | |
| Mobile Equipment/Spares/First Fills | 18.0 |
| Owners Costs | 24.1 |
| Ancillary Costs | 42.1 |
| Capital Cost Estimate | 236.3 |
| Project Contingency | 20.0 |
| | 256.3 |

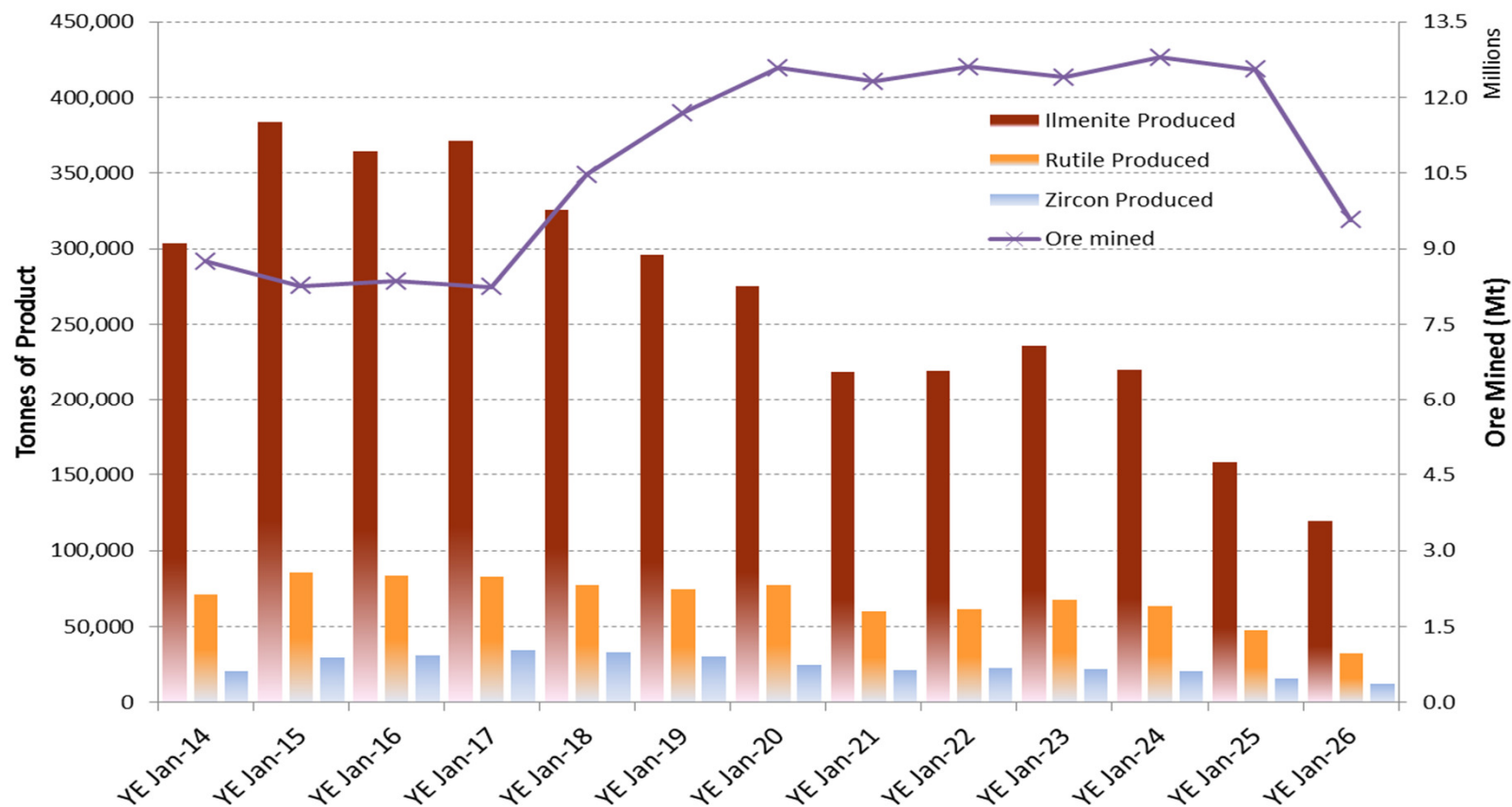
- Key changes include:
 - Mining method
 - Flowsheet simplification
 - Improved tailings management strategy
 - Grid power
 - Port enhancements
- Total includes both an 8.7% estimating contingency and a US\$20 million project contingency.



Production profile.



A “globally significant” producer, with a front ended production profile over a 13-year mine life.



A quality product suite.



Two pilot plant operations and extensive test work give good definition to products.

Ilmenite

- Suitable for sulphate route TiO_2 pigment manufacture as well as both chloride and sulphate slag production.
- Relatively low grade at 48.5%.
- Impurity profile is favourable - particularly radionuclide and chromium.

Rutile

- Meets the specification for “premium” grade, with exception of slightly higher Fe_2O_3 .
- Impurity profile is generally favourable, particularly radionuclide .

Zircon

- Premium quality and suitable for ceramic applications.
- Radionuclide levels are amongst the lowest in the industry.

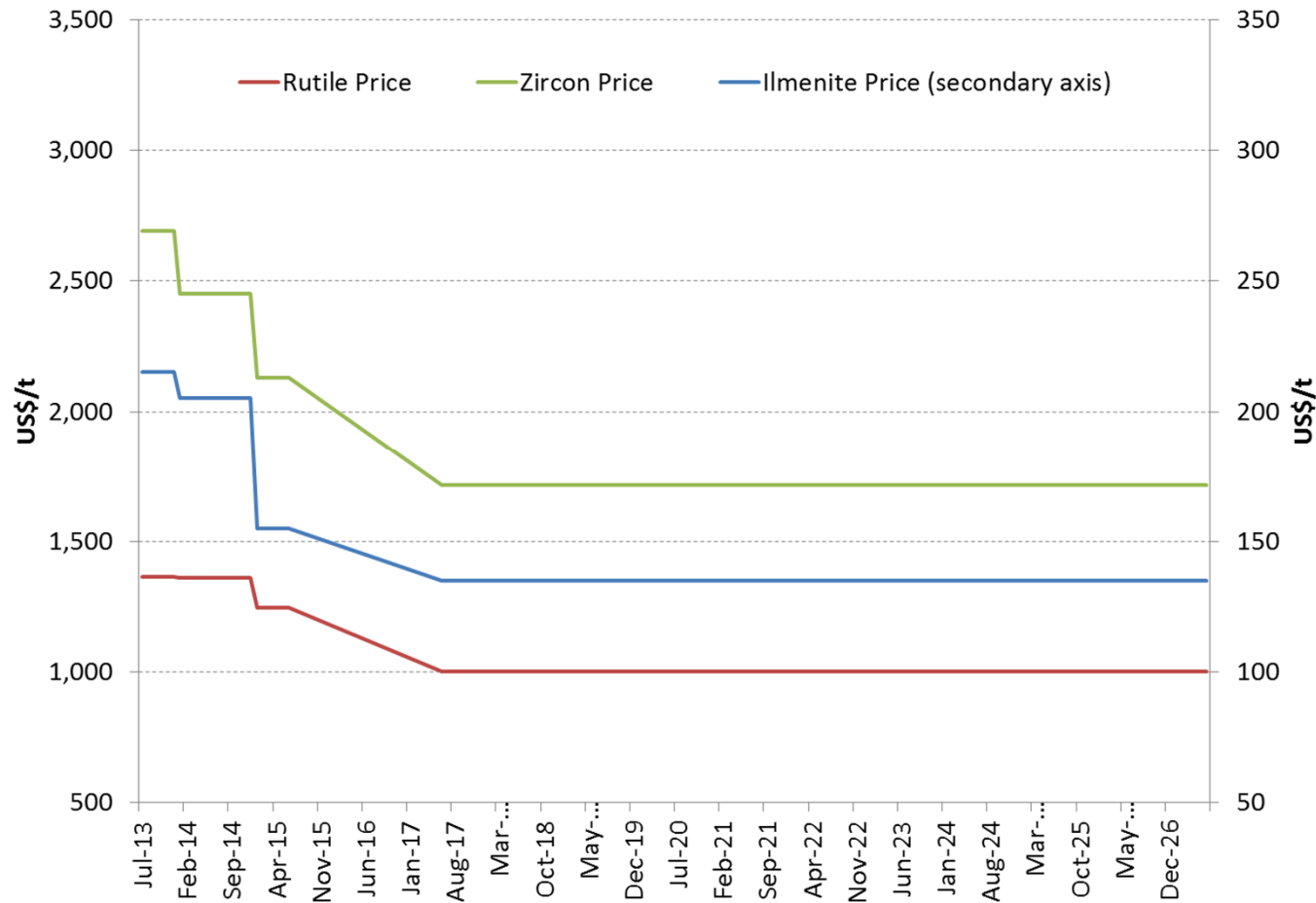
Key contract negotiations are well advanced with terms agreed.



Product price assumptions.



TZMI's long-term real price forecasts as published in May 2011 have been adopted for the base case EDFS financial evaluation.



Key EDFS financial statistics.



With the latest price outlook, the project is extremely robust, producing a LOM cash surplus approaching US\$1 billion.

| | Unit | Total |
|---------------------------------|------------|-------|
| NPV (at a discount rate of 10%) | US\$ M | 395 |
| NPV (at a discount rate of 15%) | US\$ M | 261 |
| IRR | % | 41.8 |
| Capital Payback Period | Months | 23 |
| Initial Capex | US\$ M | 256.3 |
| LOM Operating Costs | US\$/t ore | 4.67 |
| LOM Cash Margin | US\$/t ore | 10.10 |
| LOM Free Cash Flow (post-tax) | US\$ M | 930 |

All Project statistics and cash flows:

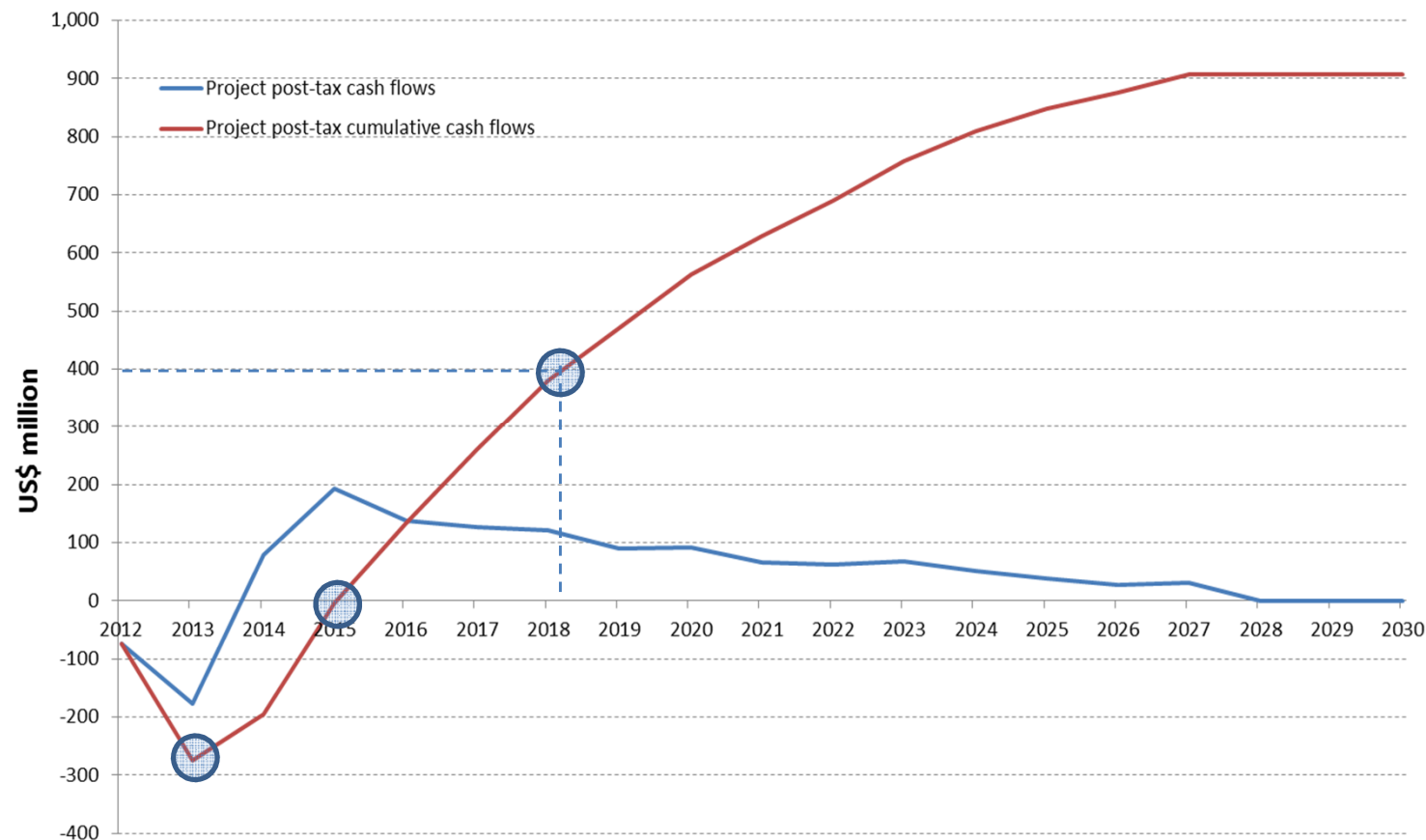
- Are post-tax and in 2011 real terms
- Exclude financing
- Exclude corporate overheads
- Assume that the US\$20m project contingency is spent



An enviable cash flow profile...



.....with US\$400 million coming in the first 5 years of operations. This will provide the capital base to capitalise on a pipeline of opportunities.



But what about Kenya?



While “still Africa”, Kenya is on the right path for an influx of investment.

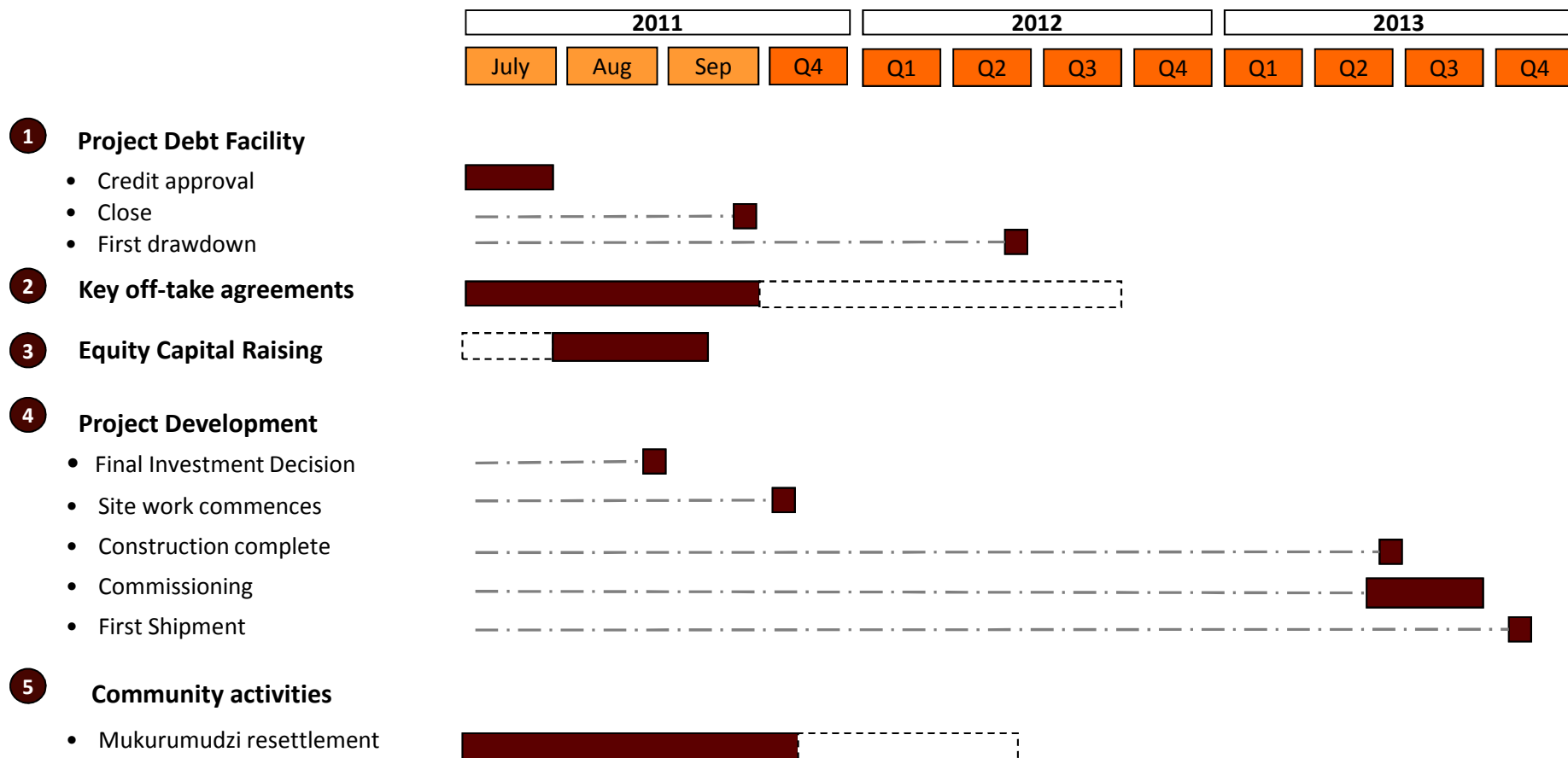
- New constitution has been an inflection point.
- Political stability improved heading towards 2012 elections.
- Corruption is still an issue but now being tackled with some resolve.
- Government actively encouraging development:
 - Vision 2030 as a blueprint
 - Investment agreements
 - Backed by action.
- Seeking to develop a mining industry with Australia as the model:
 - Kwale recognised as a project of national significance.
 - Sees the opportunity to establish a model for effective mining investment in Kenya.



Timetable to production.



Base is working towards the rapid development of the Kwale Project with a plan for first production in mid-2013.



Development Finance.



US\$310 million is required to develop Kwale. Credit approval in place for US\$170 million debt facilities. Net equity required is US\$140 million.

| Development Funding Summary | US\$m |
|---|--------------|
| Total capital cost including US\$20m contingency | 256.3 |
| Working capital and debt facility costs through to positive cash flow | 53.7 |
| Total project funding | 310.0 |
| | |
| Debt facilities (credit approved) | 170.0 |
| Equity component | 140.0 |
| Total project funding | 310.0 |

Debt facilities:

- Debt syndicate comprises: WestLB, Nedbank, Standard Bank, Caterpillar Finance, DEG, Proparco and FMO.
- Credit commitments in place for US\$170 million.
- Financiers are committed subject to finalisation of loan documentation.
- CPs to draw down are all manageable.
- Comprises US\$80 million for a 6 year term, US\$70 million for an 8 year term and a US\$20 million cost overrun facility to fund the project contingency.
- Including PRI the debt cost is approximately LIBOR + 6% pa.
- Upfront fees for the banking syndicate are 2.5% of the principal.

Equity Capital Raising.



Equity issue for up to A\$170 million being undertaken via a 1:3 renounceable rights issue and a share placement - both at \$55 cents.

| | Shares (m) | A\$m |
|---|--------------|--------------|
| Existing shares | 165.3 | N/A |
| Rights issue * (1 for 3 to existing shareholders) | 55.1 | 30.3 |
| Share placement (in 2 Tranches) | | |
| Tranche 1 – unconditional (15% capacity) | 24.8 | 13.7 |
| Tranche 2 – subject to shareholder approval (31 Aug) | 229.2 | 126.0 |
| Post equity issues/total (rights issue fully subscribed) | 474.1 | 170.0 |

* The rights issue is being underwritten so that a minimum of 22.7 million new shares will be issued to raise A\$12.5 million. The underwriting of the rights issue being conditional upon shareholders approving the second tranche share placement.

In the event the rights issue subscriptions are restricted to the underwritten shortfall Base will raise A\$152 million through the shares issues and have 441.4 million share on issue.

Application of Funds.



With the share issues completed, Base will be fully funded to develop Kwale and have to progress Mambrui and Kilifi and other opportunities.

| Application of equity raised | A\$m |
|---|--------------|
| US\$140 million contribution to Kwale Project development (at assumed exchange rate of US\$1.06 = A\$1.00) | 132.1 |
| Corporate costs of the company until positive cash flows are available from the Kwale Project | 10.3 |
| Funds for advancing Mambrui and Kilifi plus general corporate purposes | 19.8 * |
| Variable costs of the share issues | 7.8 |
| Total equity sought | 170.0 |

* Would reduce to a minimum of A\$2.2 million in the event that shares issued under the rights issue are limited to the underwritten shortfall of \$12.5 million.

www.baseresources.com.au



Right sector.
Right project.
Right time.

