



**BASE
RESOURCES LTD**

AND ITS CONTROLLED ENTITIES

ABN 88 125 546 910

**Annual Report
For the Year ended
30 June 2011**

Table of Contents

Corporate Directory	3
Directors' Report	4
Auditor's Independence Declaration	20
Consolidated Statement of Comprehensive Income	21
Consolidated Statement of Financial Position	22
Consolidated Statement of Changes in Equity	23
Consolidated Statement of Cash Flows	24
Notes to the Consolidated Financial Statements	25
Directors' Declaration	54
Independent Auditor's Report	55
Additional Shareholder Information	57
Tenement Schedule	59

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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WEST PERTH, WA 6005

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SOLICITORS

Blake Dawson Waldron
Level 32, Exchange Plaza
2 The Esplanade
PERTH WA 6000

AUDITORS

KPMG
235 St Georges Terrace
PERTH WA 6000

SHARE REGISTRY

Security Transfer Registrars
Alexandria House
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Applecross WA 6153
Tel: + 61 (8) 9315 2333
Fax: + 61 (8) 9315 2233

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 2011.

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 Bwyne
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 Bwyne 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 activity of the Group during the financial year was the acquisition and evaluation of the Kwale Mineral Sand Project in Kenya as well as continued negotiations to progress the grant of the suite of tenements in the Midwest region of Western Australia.

Subsequent to the end of the financial year, share placements were completed and credit approvals obtained for a syndicated project finance facility in order to finance the development of the Kwale Mineral Sands Project. (Refer to shares issued since the end of the financial year on page 9.)

Operating Results

The loss of the Group after providing for income tax amounted to \$3,259,732 (2010: \$1,667,134).

Dividends Paid or Recommended

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

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 initial \$8 million capital raising.

Following the completion of the Kwale acquisition, 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").

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. In February, an updated JORC compliant resource estimate was announced showing an increase in resource tonnes, contained mineral and value of the mineral assemblage. This Resource has formed the basis of the EDFs and, with improved economics, has resulted in an Ore Reserve estimate of 140.6 million tonnes at 4.9% THM, an increase in tonnes of 20% over the previous Reserve, with 61% in the "Proven" category.

Directors Report

With the results of the Process Design review having established the scope, the EDFS was completed in May. The major highlights were:

- Pre-production capital cost estimate of US\$256 million (including allowance for a US\$20 million contingency).
- Ore reserve increased by 20% to 140.6 million tonnes at 4.9% THM, increasing mine life from 11 to 13 years.
- Changes to mining method and processing flow sheet design for simplicity and reduced risk.
- Further improved long term product price outlook with TZMI increasing their price forecasts for ilmenite, rutile and zircon.
- Project NPV₁₀ 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 4th quarter of 2013.

In March Base announced that it had appointed WestLB AG, London Branch as the mandated lead arranger for a US\$170 million syndicated project finance facility (Debt Finance Facility), with credit approvals received from a syndicate of banks sufficient to complete the Debt Finance Facility received in July. The Debt Finance Facility forms part of the overall funding package for development of the Kwale Project in conjunction with an equity capital raising of A\$162.3 million which was completed in September.

The Company has made significant progress in relation to securing off-take arrangements and expects to execute a core suite of agreements progressively over the next six months.

With funding in place, the Company has commenced pre-implementation activities and is working towards formal project development to commence in October with a realistic timeline which should see production commence in 2013.

In relation to the company's Mid-West exploration projects, appropriate exploration programs have been previously 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 have been executed by all relevant parties, with all but one of the tenements granted in August 2011.

Financial Position

The net assets of the Group have increased by \$14,446,707 from \$1,168,783 at 30 June 2010 to \$15,615,490 at 30 June 2011. This net increase is predominantly due to the acquisition and ongoing evaluation of the Kwale Project and associated capital raisings.

The Group's working capital, being current assets less current liabilities, has increased from \$764,568 at 30 June 2010 to \$6,782,047 at 30 June 2011, largely due to the capital raising, which took place in July 2010, December 2010 and January 2011.

Credit approval was received for the finance debt facility on 27 July 2011 and a \$162.3 million capital raising was completed on 20 September 2011. 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.

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

Directors Report

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 receipt of net proceeds of \$17.64 million from the issue of 127,341,113 shares during the financial year.
- b.** The acquisition of the Kwale Mineral Sands Project for \$3.45 million.
- c.** The completion of the enhanced feasibility study on the Kwale Mineral Sands Project as announced on 13 May 2011.
- d.** Credit approval for the debt finance facility for the development of the Kwale Mineral Sands Project on 27 July 2011.
- e.** The receipt of the following net proceeds from share issues completed since year end:
 - \$12.94 million from the issue of 24,800,000 shares on 11 August 2011 at \$0.55 per share;
 - \$119.58 million with the issue of 229,190,909 shares on 2 September 2011 at \$0.55 per share; and
 - \$21.85 million with the issue of 41,108,006 shares on 20 September 2011 under a rights issue.

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 obtaining credit approval for the debt finance facility for 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.

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.

Directors Report

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 35 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 including Goldstar Resources NL and Alcyone Resources Ltd. In addition to experience covering corporate, strategic and operational roles in gold, iron ore, coal and base metals, he holds qualifications in accounting and financial management.

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

Interests in Shares and Options: 820,000 ordinary shares and options to acquire a further 800,000 ordinary shares.

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

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: 1,148,334 ordinary shares and options to acquire a further 5,000,000 ordinary shares.

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

Mr Colin Bwye *Executive Director*

Qualifications: BEng(Hons)

Appointed: 12 July 2010

Experience: Mr Bwye 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 Bwye 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: 778,980 ordinary shares and options to acquire a further 10,000,000 ordinary shares.

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

Directors Report

INFORMATION ON DIRECTORS (continued)

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).

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: 200 000 ordinary shares and options to acquire a further 600,000 ordinary shares.

Past Public Company Directorships Held Over the Last Three Years: Northern Energy Corporation Ltd (NEC).

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 in the small capitalisation sector of ASX. He brings a broad range of experience in company administration, corporate governance, merger and acquisition transactions and corporate finance from his background with listed and unlisted public and other companies.

As well as his position with Base Resources, Mr Willesee is currently the Chairman of Cove Resources Limited (appointed 4 June 2008), Mining Group Limited (appointed 14 March 2011) and Bioprospect Limited (appointed 16 September 2011), and a Director of Coretrack Limited (appointed 4 October 2010), Newera Resources Limited (appointed 31 March 2007) and Otis Energy Limited (appointed 18 Jan 2008).

Interests in Shares and Options: 500,000 ordinary shares and options to acquire a further 600,000 ordinary shares.

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

Meetings of Directors

During the financial year ten meetings of the full board of directors were held. Attendances by each director during the year were as follows:

Directors	Directors' Meetings	
	Number eligible to attend	Number attended
Andrew King	10	10
Tim Carstens	10	10
Colin Bwy	10	10
Samuel Willis	10	10
Winton Willesee	10	9

Andrew King, Sam Willis and Winton Willesee attended three meetings of the Audit committee and two meetings of the Remuneration committee.

Directors Report

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. The policies prohibit disclosure of details of the policies or the premiums paid.

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
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
			<u>18,000,000</u>

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.

1,000,000 options were issued to RFC Corporate Finance on 30 July 2010 for services provided in connection with the acquisition of the Kwale Mineral Sands Project. Refer to note 22 for further details.

During the year ended 30 June 2011, the following ordinary shares in Base Resources Limited were issued on the exercise of options granted:

Grant Date	Date of Expiry	Exercise Price	Number of shares issued
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

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

The following shares in Base Resources Ltd have been issued since year end and no amounts are unpaid on any of the issued shares:

Date	Number of shares issued	Issue Price per Share	Proceeds	Share Issue Costs
			\$	\$
11.08.2011	24,800,000	\$0.55	13,640,000	(699,050)
02.09.2011	229,190,909	\$0.55	126,055,000	(6,477,856)
20.09.2011	41,108,006	\$0.55	22,609,403	(755,357)
	<u>295,098,915</u>		<u>162,304,403</u>	<u>(7,932,263)</u>

Directors Report

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 2011:

	2011	2010
	\$	\$
Taxation services	10,252	-

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2011 has been received and can be found on page 20 of the Annual Report.

Remuneration Report - Audited

This report details the nature and amount of remuneration for each key management personnel of Base Resources Limited. Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group and comprise the Directors of the Company. There were no other key management personnel other than directors during the financial year ended 30 June 2011.

The following directors and executives have been included in this report:

Name	Position	Appointed during the period
<i>Executive</i>		
T Carstens	Managing Director	
C Bwe	Executive Director, Operations and Development	12 July 2010
<i>Non-executive</i>		
A King	Chairman	
S Willis	Director	
W Willesee	Director and Company Secretary	

Changes since the end of the reporting period

J Fitzgerald was appointed as the Manager - Finance & Commercial on 4 July 2011.

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 key management personnel consists of the following:

- fixed compensation;
- short term incentives - cash incentive bonuses as determined by the Board from time to time; and
- long term incentives - participation in share option schemes with the prior approval of shareholders and 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, retains the flexibility to issue options to executives outside of approved employee option plans in other circumstances.

Remuneration Report - Audited

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Other benefits

Other benefits include consulting fees paid to related party entities.

Performance linked compensation

Performance linked compensation includes both short-term and long-term incentives, and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The short-term incentive (STI) is an 'at risk' bonus provided in the form of cash, while the long-term incentive (LTI) is provided as options over ordinary shares of the Company under the rules of the Executive Share Option Plan. No bonuses were paid during the 2011 financial year. There is no policy on the hedging of securities.

Consequence of performance on shareholders wealth

The Group's activities are currently focused on exploration and evaluation in preparation for future development of its mining properties. As a consequence, Group financial performance does not provide a suitable link to potential shareholder wealth development.

For this reason the remuneration policy at this time does not link remuneration to shareholder wealth other than directly through the issue of options. Performance hurdles have been set for the Director options and these affect the vesting periods.

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, historically the Company was small and the full Board, including the non-executive directors, were included in the operations of the Company more closely than may be the case with larger companies and the non-executive directors were entitled to participate in equity based remuneration schemes.

All directors have their indemnity insurance paid by the Company.

The following fees have applied:

	2011	2010
Base fees		
Chair	71,000	40,000
Other non-executive directors	45,000	30,000
Additional fees		
Company secretarial services	54,000	54,000

Remuneration Report - Audited

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

Key Management Person	Post employment benefits		Share based payment total	Total	Value of options as proportion of total remuneration	Proportion performance related
	Salary and fees	Non-cash benefit	Superannuation	Options		
	\$	\$	\$	\$	\$	%
2011						
<i>Executive</i>						
T Carstens ⁽ⁱ⁾	249,416	26,704	24,750	214,167	515,037	41.6
C Bwye ⁽ⁱⁱ⁾	340,319	-	24,670	428,333	793,322	54.0
<i>Non-executive</i>						
A King	71,000	-	-	34,267	105,267	32.6
S Willis	45,000	-	-	25,700	70,700	36.4
W Willesee ⁽ⁱⁱⁱ⁾	99,000	-	-	25,700	124,700	20.6
Total	804,735	26,704	49,420	728,167	1,609,026	-
2010						
<i>Executive</i>						
T Carstens	251,648	23,352	24,750	587	300,337	0.3
C Bwye ⁽ⁱⁱ⁾	-	-	-	1,174	1,174	100
<i>Non-executive</i>						
A King	40,000	-	-	94	40,094	0.2
S Willis	30,000	-	-	70	30,070	0.3
W Willesee ⁽ⁱⁱⁱ⁾	84,000	-	-	70	84,070	0.1
Total	405,648	23,352	24,750	1,995	455,745	-

(i) Includes fringe benefits tax adjustments.

(ii) Appointed to Base Resources Board on 12 July 2010 and to the Base Titanium Ltd Board on 4 June 2010.

(iii) Includes company secretarial fees.

Options granted as part of remuneration for the period ended 30 June 2010

Options were granted on 30 June 2010 (issued on 9 July 2011) as performance incentives to the Managing Director (5,000,000), the Executive Director (10,000,000), the Non-executive Chairman (800,000) and the other two Non-executive Directors (600,000 each).

Options are issued to key management personnel as part of their remuneration. The options are issued to the key management personnel of Base Resources Limited to provide a market linked incentive package.

Remuneration Report - Audited

The following 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:

Key Management Personnel	Vested No.	Granted No.	Grant Date	Grant Value	Terms & Conditions for Each Grant			
					Fair value per option at grant date	Exercise Price Per Option	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
A King	-	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
T Carstens	-	2,500,000	30/06/2010	150,000	\$0.06	\$0.25	Vesting conditions exist	9 July 2015
C Bwye	-	5,000,000	30/06/2010	350,000	\$0.07	\$0.09	Vesting conditions exist	9 July 2015
C Bwye	-	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
S Willis	-	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
W Willesee	-	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; and the remaining 50% vest upon first production from the Kwale Project which is currently scheduled for the 2013 financial year.

The terms of the options were modified at a General Meeting of the Company on 24 January 2011. The existing terms were amended to provide that the options will vest immediately upon a change in the control of the Company.

There were no options granted as part of remuneration for the year ended 30 June 2011. None of the options granted in the above table vested during 2011.

Exercise of options granted as remuneration

During the reporting period, the following shares were issued on the exercise of options previously granted as compensation and no amounts remain unpaid on the shares issued as a result of the exercise of these options:

Key Management Personnel	Number of shares	Amount paid (\$/share)
A King	500,000	\$0.25
T Carstens	2,000,000	\$0.25
C Bwye	-	-
S Willis	500,000	\$0.25
W Willesee	500,000	\$0.25

Remuneration Report - Audited

KMP Options Holdings and Movements

	Balance 1 July	Granted as Compensation	Exercised	Balance 30 June	Vested during the year	Vested and exercisable at 30 June
2011						
A King	1,300,000	-	(500,000)	800,000	-	-
T Carstens	7,000,000	-	(2,000,000)	5,000,000	-	-
C Bwee	10,000,000	-	-	10,000,000	-	-
S Willis	1,100,000	-	(500,000)	600,000	-	-
W Willesee	1,100,000	-	(500,000)	600,000	-	-
	20,500,000	-	(3,500,000)	17,000,000	-	-
2010						
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 Bwee	-	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

Employment contracts of directors and senior executives

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)
- Term – Ongoing
- Notice Period – 3 months
- Redundancy Payments – 12 Months remuneration

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

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

The employment contracts for the Managing Director and Executive Director are currently under review and if required external advice will be obtained.

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 or have a specified notice period and are ongoing unless terminated.

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



Andrew King,
Chairman

Dated: 20 September 2011

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 the best practice recommendations of the ASX Corporate Governance Council have been applied for the financial year ended 30 June 2011.

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.
2.2	The chair should be an independent director.	Satisfied. Mr King, the Chairman, is 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.

Corporate Governance

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. The skills, experience and relevant expertise of each director is disclosed in the directors' report of this Annual Report. The Board is currently developing a diversity policy for adoption. 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: <ul style="list-style-type: none"> ▪ 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 diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	Not Satisfied. The Board is currently developing a diversity policy for adoption.
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	The Board is currently developing a diversity policy for adoption. Once adopted the Company will be in a position to disclose the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	All five board members are male. Senior management consists of ten people of whom three are female. The balance of the organisations workforce consists of thirty one people of whom four are female.
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Satisfied. The Board is currently developing a diversity policy for adoption which will be made available at that time.
4.1	The board should establish an Audit Committee.	Satisfied. The Committee consists of Messrs King, Willis (Chairman) and Willesee. All members attended the three meetings held during the year.

Corporate Governance

4.2	<p>The Audit Committee should be structured so that it:</p> <ul style="list-style-type: none"> ▪ Consists only of non-executive directors ▪ 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 	Satisfied.
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 and seek external advice as appropriate.
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	Satisfied. The Board has received a section 295A declaration pursuant to the 2011 financial year.

Corporate Governance

	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.	
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 two meetings held during the year.
8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> • consists of a majority of independent directors • is chaired by an independent chair • has at least three members. 	Satisfied
8.3	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.
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Remuneration Committee charter is available at www.baseresources.com.au in the Corporate Governance statement.

The Company's full Corporate Governance policies and procedures can be found on the Company's website. The Company is currently reviewing these policies and procedures to ensure they are appropriate for the Company as it moves into the next phase of its operations.



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 audit for the financial year ended 30 June 2011, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

GTH

Graham Hogg
Partner

Perth

20 September 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	Note	Group 2011 \$	Group 2010 \$
Other income	2	343,357	89,055
Accounting, Audit and related services fees		(150,572)	(56,326)
Consultants fees		(1,314,842)	(849,156)
Employee benefits expense		(406,021)	(333,147)
Directors' and related fees		(215,000)	(112,338)
Share based payments		(728,167)	(1,995)
Administrative expense		(694,321)	(268,006)
Tenement expense		(4,093)	(100,969)
Depreciation		(13,578)	(9,968)
Other expenses from ordinary activities		(76,495)	(24,284)
Loss before income tax		(3,259,732)	(1,667,134)
Income tax expense	5	-	-
Net loss for the year		(3,259,732)	(1,667,134)
Other comprehensive income			
Foreign currency translation differences - foreign operations		(726,172)	-
Other comprehensive loss		(726,172)	-
Total comprehensive loss for the year		(3,985,904)	(1,667,134)
Loss per share			
Basic / diluted loss per share (cents per share)	4	(2.27)	(4.38)

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Note	Group 2011 \$	Group 2010 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	7,284,459	1,170,725
Trade and other receivables	7	250,088	39,252
Other current assets	8	34,542	8,038
TOTAL CURRENT ASSETS		7,569,089	1,218,015
NON-CURRENT ASSETS			
Capitalised exploration and evaluation expenses	9	8,608,613	371,458
Property, plant and equipment	10	282,202	49,806
Other non-current assets	11	38,787	-
TOTAL NON CURRENT ASSETS		8,929,602	421,264
TOTAL ASSETS		16,498,691	1,639,279
CURRENT LIABILITIES			
Trade and other payables	12	787,042	453,447
Employee benefits	13	96,159	17,049
TOTAL CURRENT LIABILITIES		883,201	470,496
TOTAL LIABILITIES		883,201	470,496
NET ASSETS		15,615,490	1,168,783
EQUITY			
Issued capital	14	21,882,774	4,244,330
Reserves	15	73,458	5,463
Accumulated losses	15	(6,340,742)	(3,081,010)
TOTAL EQUITY		15,615,490	1,168,783

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2011

	Issued Capital	Accumulated Losses	Options Reserve	Translation Reserve	Total
	\$	\$	\$	\$	\$
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 loss	-	-	-	-	-
Total comprehensive loss for the year	-	(1,667,134)	-	-	(1,667,134)
Transactions with owners of the Company, recognised directly in equity					
Contributions by and distributions to owners of the Company					
Share based payments	-	-	1,995	-	1,995
Balance at 30.6.2010	4,244,330	(3,081,010)	5,463	-	1,168,783
Balance at 1.7.2010	4,244,330	(3,081,010)	5,463	-	1,168,783
Loss for the year	-	(3,259,732)	-	-	(3,259,732)
Other comprehensive loss	-	-	-	(726,172)	(726,172)
Total comprehensive loss for the year	-	(3,259,732)	-	(726,172)	(3,985,904)
Transactions with owners of the Company, recognised directly in equity					
Contributions by and distributions to owners of the Company					
Shares issued during the year, net of costs	15,455,944	-	-	-	15,455,944
Shares issued during the year on the exercise of options	2,182,500	-	-	-	2,182,500
Share based payments	-	-	794,167	-	794,167
Balance at 30.6.2011	21,882,774	(6,340,742)	799,630	(726,172)	15,615,490

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011

	Note	Group 2011 \$	Group 2010 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments in the course of operations		(2,254,055)	(1,687,088)
Net cash used in operating activities	19b	(2,254,055)	(1,687,088)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest receipts		316,844	86,028
Purchase of Kwale mineral rights		(3,322,162)	-
Payments for exploration and evaluation		(5,540,606)	(99,788)
Purchase of plant and equipment		(312,416)	(20,764)
Proceeds on sale of plant and equipment		24,245	-
Option fee for acquisition of land		(38,787)	-
Net cash used in investing activities		(8,872,882)	(34,524)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share applications		-	394,009
Proceeds from exercise of share options		2,182,500	-
Proceeds from issue of shares		15,798,891	-
Payment of share issue costs		(736,956)	-
Net cash provided by financing activities		17,244,435	394,009
Net increase / (decrease) in cash held		6,117,498	(1,327,603)
Cash at beginning of the year		1,170,725	2,498,328
Effect of exchange fluctuations on cash held		(3,764)	-
Cash at end of the year	19a	7,284,459	1,170,725

The accompanying notes form part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**Reporting Entity**

Base Resources Limited is a company domiciled in Australia. The registered address is located at Level 1, 50 Kings Park Road, West Perth, WA 6005. The consolidated financial statements of the Company as at and for the year ended 30 June 2011 comprises the Company and its wholly owned subsidiaries (together referred to as the "Group").

Basis of PreparationStatement of compliance

The consolidated financial statements is a general purpose financial report prepared in accordance Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were approved by the Board of Directors on 20th September 2011.

Basis of measurement

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.

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.

Critical Accounting Estimates and Judgements

The directors make estimates and judgements in the preparation of the financial report that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses 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. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Exploration and Evaluation Expenditure

Determining the recoverability of exploration and evaluation expenditure capitalised in accordance with the Group's accounting policy (refer note 1f), requires estimates and assumptions as to the future events and circumstances in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. Critical to this assessment is estimates and assumptions as to the timing of expected cash flows, exchange rates, commodity prices and future capital requirements. Changes in these estimates and assumptions as new information about the presence or recoverability of an ore reserve becomes available, may impact the assessment of the recoverable amount of exploration and evaluation assets. If, after having capitalised the expenditure under accounting policy (note 1f), a judgment is made that recovery of the expenditure is unlikely, an impairment loss is recorded in profit or loss in accordance with accounting policy (note 1h). The carrying amounts of exploration and evaluation assets are set out in note 9.

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 22.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Basis of Preparation (continued)*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. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office. In accordance with the group's accounting policies for deferred taxes (refer note 1(d)), a deferred tax asset is recognised for unused tax losses only if it is probable that future taxable profits will be available to utilise those losses. Determination of future taxable profits requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively, sale of the respective areas of interest will be achieved. This includes estimates and judgements about commodity prices, exchange rates, future capital requirements, future operational performance and the timing of estimated cash flows. Changes in these estimates and assumptions could impact on the amount and probability of estimated taxable profits and accordingly the recoverability of deferred tax assets. The carrying amount of deferred tax assets are set out in note 5.

Significant Accounting Policies**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 21 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 (ie 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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Significant Accounting Policies**b. Business Combinations (continued)**

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.

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

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 acquisition date.

c. 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. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated to the functional currency 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. Income Tax

The income tax expense / benefit for the year comprises current income tax expense / benefit and deferred tax expense / benefit.

Current income tax expense charged to the profit or loss is the expected tax payable or recoverable on the taxable income or loss calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date, and any adjustment to tax payable in respect of previous years. 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 unused tax losses.

Current and deferred income tax expense / benefit 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Significant Accounting Policies (Continued)**d. Income Tax (continued)**

Current and deferred income tax expense / benefit 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.

e. Property, Plant and Equipment

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

Plant and Equipment

Plant and equipment is measured on the historical cost basis. Costs include expenditure that is directly attributable to the acquisition of the asset. 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 recognised in profit or loss during the financial period in which they are incurred. The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income / other expenses in profit or loss.

Depreciation

The depreciable amount of all plant and equipment, but excluding freehold land, is depreciated on a straight line 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 Plant and Equipment	Depreciation Rate
Furniture & Fixtures	12.5%
Plant and Equipment	25% to 40%
Motor Vehicles	25%

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Significant Accounting Policies (Continued)**f. Exploration and evaluation expenditure**

Exploration for and evaluation of mineral resources is the search for mineral resources after the entity has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the mineral resource. Accordingly, exploration and evaluation expenditure are those expenditures incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Accounting for exploration and evaluation expenditure is assessed separately for each 'area of interest'. An 'area of interest' is an individual geological area which is considered to constitute a favourable environment for the presence of a mineral deposit or has been proved to contain such a deposit.

For each area of interest the expenditure is recognised as an exploration and evaluation asset when the rights of tenure to that area of interest are current and the expenditure is expected to be recouped through success development and exploitation of an area of interest, or alternatively by its sale, and where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

General and administrative costs are allocated to, and included in, the cost of exploring and evaluation assets only to the extent that those costs can be related directly to operational activities in the area of interest to which the exploration and evaluation assets relate. In all other instance, these costs are expenses as incurred.

Impairment testing of exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viable or facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

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

g. Leases

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.

h. 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 profit or loss.

i. Other Income

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

All income is stated net of indirect taxes.

j. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Significant Accounting Policies (Continued)**k. Financial Instruments***Non-derivative financial assets*

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and trade and other receivables.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks.

Non derivative financial liabilities

The Group initially recognises financial liabilities on the trade date at which the Group becomes a party to the contractual provisions of the instrument. Such liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised costs using the effective interest rate method.

The Group derecognised a financial liability when its contractual obligations are discharges or cancelled or expire.

Other financial liabilities comprise trade and other payables.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

l. Loss per Share

The Group presents basic and diluted loss per share for its ordinary shares. Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of shares outstanding during the year. Diluted loss per share is determined by adjusting the loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares which comprise of share options granted to employees or other parties for the provision of services.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Significant Accounting Policies (Continued)**m. Employee Benefits***Short-term benefits payable*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past services by the employee, and the obligation can be estimated reliably.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contributions plan that are due more than 12 months after the end of the period in which the employee render the service are discounted to their present value.

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 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.

n. Goods and Services Tax (GST) and Other Indirect Taxes

Revenues, expenses and assets are recognised net of the amount of indirect taxes, except where the amount of indirect tax incurred is not recoverable from the Tax Office in the relevant jurisdiction. In these circumstances the indirect tax 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 indirect taxes.

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

o. Segment Reporting*Determination and presentation of operating segments*

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Board to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and exploration and evaluation expenditure.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Significant Accounting Policies (Continued)**p. Comparative Figures**

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

q. New Accounting Standards for Application in Future Periods

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2010, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for AASB 9 *Financial Instruments*, which becomes mandatory for the Group's 2014 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 2: OTHER INCOME

	Group 2011 \$	Group 2010 \$
Other income		
Interest received from external parties	337,710	89,055
Gain on disposal of vehicle	5,647	-
Total other income	<u>343,357</u>	<u>89,055</u>

NOTE 3: AUDITORS' REMUNERATION

	Group 2011 \$	Group 2010 \$
Remuneration of previous auditor		
- Auditing or reviewing financial reports	3,400	31,265
- Taxation services	5,360	2,000
Remuneration of current auditor		
- Auditing or reviewing financial reports	30,700	-
- Taxation services	10,252	-
	<u>49,712</u>	<u>33,265</u>

NOTE 4: LOSS PER SHARE

	Group 2011 \$	Group 2010 \$
a. Loss used to calculate basic / diluted loss per share	<u>(3,259,732)</u>	<u>(1,667,134)</u>

	Group 2011 No.	Group 2010 No.
b. Issued ordinary shares at 1 July	38,000,001	38,000,001
Effect of shares issued	103,095,131	-
Effect of share options exercised	2,765,380	-
Weighted average number of ordinary shares at 30 June	<u>143,860,512</u>	<u>38,000,001</u>

There were no dilutive ordinary shares during the year.

295,098,915 ordinary shares were issued subsequent to the period end which would have changed the weighted average number of shares used in the loss per share calculation had they occurred prior to the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 5: INCOME TAX

	Note	Group 2011 \$	Group 2010 \$
a. Major components of income tax (benefit) for the year			
<i>Current income tax</i>			
Current tax benefit		-	-
		-	-
<i>Deferred tax expense</i>			
Deferred tax asset not brought to account as realisation is not considered probable		-	-
		-	-
Income tax expense reported in comprehensive income		-	-
		-	-
<i>Items related to equity</i>			
Deferred income tax related to items charged or credited directly to equity			
- Share issue costs		-	-
		-	-
		-	-
b. Reconciliation of income tax expense to prima facie tax payable			
The prima facie tax payable on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Accounting loss before tax		(3,259,732)	(1,667,134)
Prima facie tax on operating profit at 30% (2010: 30%)		(977,920)	(500,140)
Add / (Less)			
Tax effect of:			
Non deductible expenses		-	210,327
Exploration expenses deducted		-	(29,936)
Share based payments		218,450	599
Deferred tax asset not brought to account		759,470	319,150
Income tax attributable to operating loss		-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 5: INCOME TAX (CONTINUED)

	Note	Group 2011 \$	Group 2010 \$
c. Deferred tax assets			
Provisions and Accruals		17,891	16,721
Share issue costs		256,669	78,041
		274,560	94,762
Set-off deferred tax liabilities	5(d)	(101,930)	(94,762)
Deferred tax asset not recognised		(172,630)	-
Net deferred tax assets		-	-
d. Deferred tax liabilities			
Interest receivable		7,168	-
Exploration expenditure		94,762	94,762
		101,930	94,762
Set-off deferred tax assets	5(c)	(101,930)	(94,762)
Net deferred tax liabilities		-	-

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward have not been brought to account at 30 June 2011 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.

e. Tax losses

Unused tax losses for which no deferred tax asset has been recognised	5,136,627	2,559,551
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 6: CASH AND CASH EQUIVALENTS

	Group	Group
	2011	2010
	\$	\$
Cash at bank and in hand	284,459	670,725
Short-term bank deposits	7,000,000	500,000
	<hr/> 7,284,459	<hr/> 1,170,725

The effective interest rate on short-term bank deposits, having an average maturity of 47 days was 5.58%.

NOTE 7: TRADE AND OTHER RECEIVABLES

	Group	Group
	2011	2010
	\$	\$
Other receivables	250,088	39,252
	<hr/> 250,088	<hr/> 39,252

NOTE 8: OTHER CURRENT ASSETS

	Group	Group
	2011	2010
	\$	\$
Prepayments	21,549	3,028
Security deposits	12,993	5,010
	<hr/> 34,542	<hr/> 8,038

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 9: CAPITALISED EXPLORATION AND EVALUATION EXPENSES

	Group 2011 \$	Group 2010 \$
Exploration expenses (Australia)	371,458	371,458
Exploration and evaluation expenses (Kenya)	8,237,155	-
	<hr/> 8,608,613	<hr/> 371,458
<i>Movement in carrying value</i>		
Opening balance	371,458	371,458
Mineral rights acquired	3,322,162	-
Evaluation expenditure during the period	5,519,305	-
Depreciation capitalised on fixed assets used in evaluation	21,301	-
Adjustment for the effect of foreign exchange movements	(625,613)	-
	<hr/> 8,608,613	<hr/> 371,458

Exploration 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 had been on hold pending the finalisation of heritage agreements with native title claimants that are required for the granting of the tenements. Seven of the eight tenements were granted subsequent to the end of the financial year.

Exploration and evaluation expenses (Kenya) relate to the acquisition of the mineral rights as part of the Kwale Mineral Sands Project transaction and additional evaluation expenditure incurred during the period. 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, being mineral rights of \$3,332,162 as noted above and plant and equipment of \$105,500.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

	Group 2011 \$	Group 2010 \$
PLANT AND EQUIPMENT		
At cost	70,121	26,397
Accumulated depreciation	(18,064)	(4,340)
Total Plant and Equipment	52,057	22,057
VEHICLES		
At cost	138,682	26,614
Accumulated depreciation	(11,847)	(7,815)
Total Vehicles	126,835	18,799
FURNITURE & FIXTURES		
At cost	112,945	11,319
Accumulated depreciation	(9,635)	(2,369)
Total Furniture and Fixtures	103,310	8,950
TOTAL PROPERTY, PLANT AND EQUIPMENT	282,202	49,806

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

	Plant and Equipment \$	Furniture & Fixtures \$	Vehicles \$	Total \$
Group				
Balance at 1 July 2009	5,331	8,614	25,065	39,010
Additions	19,289	1,475	-	20,764
Depreciation expense	(2,563)	(1,139)	(6,266)	(9,968)
Balance at 30 June 2010	22,057	8,950	18,799	49,806
Group				
Balance at 1 July 2010	22,057	8,950	18,799	49,806
Additions	49,797	111,062	151,557	312,416
Adjustment for foreign exchange movements	(4,231)	(9,436)	(12,876)	(26,543)
Disposals	(971)	-	(17,627)	(18,598)
Depreciation capitalised to exploration and evaluation expenses	(5,735)	(3,720)	(11,846)	(21,301)
Depreciation expense	(8,860)	(3,546)	(1,172)	(13,578)
Balance at 30 June 2011	52,057	103,310	126,835	282,202

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 11: OTHER NON-CURRENT ASSETS

	Group 2011 \$	Group 2010 \$
Investment deposit	38,787	-
	<u>38,787</u>	<u>-</u>

A refundable option fee of \$31,815 (KES 3,000,000) was paid in respect of land to be acquired for enhancing the port facility in Mombasa, Kenya which has been recorded as a non-current asset together with associated expenses of \$6,972 (KES 657,426). The full purchase consideration is \$371,178 (KES 35,000,000). The balance is payable should the Company wish to exercise its option to complete the purchase, however this decision had not yet been taken at or since the reporting date.

NOTE 12: TRADE AND OTHER PAYABLES

	Group 2011 \$	Group 2010 \$
Trade and other creditors	481,103	27
Share application monies received	-	394,009
Accruals	305,939	59,411
	<u>787,042</u>	<u>453,447</u>

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

NOTE 13: EMPLOYEE BENEFITS

	Group 2011 \$	Group 2010 \$
CURRENT		
Provision for annual leave	96,159	17,049

	Employee Annual Leave \$	Total \$
Opening balance at 1 July 2010	17,049	13,481
Additional provisions	109,168	26,803
Amounts incurred and charged against the provision	(30,058)	(23,235)
Balance at 30 June 2011	<u>96,159</u>	<u>17,049</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 14: ISSUED CAPITAL

	Parent 2011 \$	Parent 2010 \$
a. Ordinary share capital		
Issued and fully paid	21,882,774	4,244,330

Movement in ordinary share capital

	Price per share	VWAP ⁽ⁱ⁾ on date of exercise	2011 No.	2011 \$	2010 No.	2010 \$
At the beginning of the year			38,000,001	4,244,330	38,000,001	4,244,330
Ordinary shares issued						
- 9 Jul 2010	9 cents		38,000,001	3,420,000	-	-
- 13 Jul 2010	9 cents		53,611,112	4,825,000	-	-
- 3 Dec 2010	30 cents		18,000,000	5,400,000	-	-
- 31 Jan 2011	30 cents		9,000,000	2,700,000		
Ordinary shares issued on the exercise of options						
- 24 Jan 2011	25 cents	40 cents	1,382,143	345,536	-	-
- 23 Feb 2011	25 cents	45 cents	1,617,857	404,464	-	-
- 16 Mar 2011	25 cents	44 cents	2,230,000	557,500	-	-
- 23 May 2011	25 cents	57 cents	3,300,000	825,000	-	-
- 26 May 2011	25 cents	55 cents	200,000	50,000	-	-
Share issue costs			-	(889,056)	-	-
			165,341,114	21,882,774	38,000,001	4,244,330

(i) Volume average weighted price - refer to note 22 for further details on options exercised.

All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

b. Options

For information relating to share options issued to key management personnel during the financial year, refer to note 22 Share-based Payments.

c. Capital Management

Management controls the capital of the Group in order to maintain an appropriate working capital position to ensure that the Group can fund its operations and continue as a going concern. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 14: ISSUED CAPITAL (CONTINUED)

c. Capital Management (continued)

	Group 2011 \$	Group 2010 \$
Cash and cash equivalents	7,284,459	1,170,725
Trade and other receivables	250,088	39,252
Other current assets	34,542	8,038
Trade and other payables	(787,042)	(453,447)
Working capital position	6,782,047	764,568

NOTE 15: RESERVES AND ACCUMULATED LOSSES

	Group 2011 \$	Group 2010 \$
a. Option reserve	799,630	5,463
<i>Movement</i>		
Balance 1 July	5,463	3,468
Employee option expense	728,167	1,995
Non-employee option expense	66,000	-
Balance 30 June	799,630	5,463

Nature and purpose of reserve

The option reserve records items recognised as expenses on valuation of employee share options as well as options issued to RFC Corporate Finance for services provided in respect of the acquisition of the Kwale Mineral Sands project.

b. Translation reserve	(726,172)	-
<i>Movement</i>		
Balance 1 July	-	-
Currency translation differences arising during the year	(726,172)	-
Balance 30 June	(726,172)	-

Nature and purpose of reserve

Exchange differences arising on translation of the foreign controlled entities are recognised in other comprehensive losses as described in note 1c and accumulated in a separate reserve within equity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 15: RESERVES AND ACCUMULATED LOSSES (CONTINUED)

	Group 2011 \$	Group 2010 \$
c. Accumulated losses	(6,340,742)	(3,081,010)
<i>Movement</i>		
Balance 1 July	(3,081,010)	(1,413,876)
Net loss for the year	(3,259,732)	(1,667,134)
Balance 30 June	(6,340,742)	(3,081,010)

NOTE 16: COMMITMENTS

	Group 2011 \$	Group 2010 \$
a. Exploration Expenditure Commitments		
The Group has rental and expenditure commitments in respect of its tenement holdings of:		
Payable		
– not later than 12 months	501,644	293,348
	501,644	293,348
b. Operating Lease Commitments		
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	122,946	119,388
– between 12 months and 5 years	20,491	139,286
	143,437	258,674

NOTE 17: CONTINGENT LIABILITIES

In July 2010 the Company 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.

Subsequent to year end the required capital raisings were completed and credit approval was received for a syndicated project finance facility and the following costs were paid or incurred to the date of this report in respect of these activities:

- Share issue costs of \$7,932,263
- Debt arrangement fees of \$2,059,109

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 18: CALL OPTION*Option to acquire further exploration projects*

Under the terms of the Kwale Project acquisition, Base Titanium Ltd has a four year call option to acquire 100% of the shares of Tiomin Kenya Limited (the owner of the Kilifi, Mamburi and Vipingo exploration projects). Until exercised, Base Titanium Ltd are required to meet the minimum exploration commitments on each exploration project. 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. This option has not yet been exercised but the potential of these projects is currently being evaluated.

NOTE 19: CASH FLOW INFORMATION

	Group 2011 \$	Group 2010 \$
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	7,284,459	1,170,725
b. Reconciliation of Cash Flow from Operations with Loss after Income Tax		
Loss after income tax	(3,259,732)	(1,667,134)
Cash flows excluded from loss attributable to operating activities		
Adjustments for		
Interest receipts	(316,844)	(86,028)
Depreciation	13,578	9,968
Share based payments	728,167	1,995
Tenement valuation write down	-	43,333
Profit on sale of fixed assets	(5,647)	-
Changes in assets and liabilities		
Increase in receivables and other assets	(237,340)	(647)
Increase in trade and other payables	429,754	11,425
Adjustment for share proceeds monies received	394,009	-
Cash flow from operations	(2,254,055)	(1,687,088)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 20: 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 the following functional areas of responsibility:

Australia corporate - This segment includes all corporate and managerial responsibility for the Group, including Australian exploration.

Kenya operational - This segment includes all operational activities associated with the evaluation of the Kwale Mineral Sands Project.

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

All amounts reported 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.

e. Unallocated items

There are currently no unallocated items.

Reportable Segment	2011			2010		
	Australia corporate	Kenya operational	Total	Australia corporate	Kenya operational	Total
	\$	\$	\$			
Other income	343,357	-	353,357	89,055	-	89,055
Depreciation	(13,578)	-	(13,578)	(9,968)	-	(9,968)
Reportable loss	(2,378,219)	(881,513)	(3,259,732)	(949,628)	(717,506)	(1,667,134)
Total assets	7,835,831	9,315,016	17,150,847	1,639,279	-	1,639,279
Capital expenditure	88,206	9,086,978	9,175,184	20,764	-	20,764
Total liabilities	(678,797)	(204,404)	(883,201)	(470,496)	-	(470,496)

Reconciliation of reportable segment assets

	2011 \$	2010 \$
Total assets for reportable segments	17,150,847	1,639,279
Foreign exchange adjustments	(652,156)	-
Consolidated total assets	16,498,691	1,639,279

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 21: RELATED PARTIES**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 Ltd, a Kenya incorporated Company.

Key Management Personnel

Refer to the Remuneration Report contained in the Report of the Directors for details of the remuneration paid or payable to the Company's key management personnel (KMP) for the year ended 30 June 2011.

Key Management Personnel Compensation

Total remuneration paid to KMP	Group 2011 \$	Group 2010 \$
Short-term employee benefits	831,439	429,000
Post-employment benefits	49,420	24,750
Share-based payments	728,167	1,995
	<u>1,609,026</u>	<u>455,745</u>

KMP Options Holdings and Movements

	Balance 1 July	Granted as Compensation	Exercised	Balance 30 June	Vested during the year	Vested and exercisable a 30 June
2011						
A King	1,300,000	-	(500,000)	800,000	-	-
T Carstens	7,000,000	-	(2,000,000)	5,000,000	-	-
C Bwe	10,000,000	-	-	10,000,000	-	-
S Willis	1,100,000	-	(500,000)	600,000	-	-
W Willesee	1,100,000	-	(500,000)	600,000	-	-
	<u>20,500,000</u>	<u>-</u>	<u>(3,500,000)</u>	<u>17,000,000</u>	<u>-</u>	<u>-</u>
2010						
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 Bwe	-	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
	<u>3,500,000</u>	<u>17,000,000</u>	<u>-</u>	<u>20,500,000</u>	<u>3,500,000</u>	<u>3,500,000</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 21: RELATED PARTIES (CONTINUED)**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 1 July	Options Exercised	Purchased	Sold	Balance 30 June
2011					
A King	250,000	500,000	250,000	(260,000)	740,000
T Carstens	50,000	2,000,000	50,000	(1,150,000)	950,000
C Bweye	-	-	667,869	-	667,869
S Willis	-	500,000	-	(300,000)	200,000
W Willesee	100,000	500,000	100,000	(260,000)	440,000
	<u>400,000</u>	<u>3,500,000</u>	<u>1,067,869</u>	<u>(1,970,000)</u>	<u>2,997,869</u>
2010					
A King	250,000	-	-	-	250,000
T Carstens	50,000	-	-	-	50,000
C Bweye	-	-	-	-	-
S Willis	-	-	-	-	-
W Willesee	100,000	-	-	-	100,000
	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>400,000</u>

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's during the period or since.

Other Related Party Transactions

	Parent 2011 \$	Parent 2010 \$
Loans advanced to / (from) controlled entities during the financial year are as follows:		
Base Titanium Ltd	1,708,353	-
Base Titanium (Mauritius) Ltd	14,136	-
Base Titanium (Mauritius) Ltd	(944)	(1,078)
	<u>1,721,545</u>	<u>(1,078)</u>
Investments in subsidiaries are as follows:		
Base Titanium (Mauritius) Ltd	3,448,166	1,078
	<u>3,448,166</u>	<u>1,078</u>
Consulting fees paid to entities associated with KMP are as follows:		
Moonshadow Holdings Ltd	-	24,000
	<u>-</u>	<u>24,000</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 22: SHARE-BASED PAYMENTS

Granted options are as follows:

	Grant Date	Number	Issue Date
Other	27 May 2008	2,150,000	19 June 2008
Key management personnel (KMP)	2 July 2008	3,500,000	2 July 2008
Other	2 July 2008	3,080,000	2 July 2008
Key management personnel (KMP)	30 June 2010	17,000,000	9 July 2010
Other	30 July 2010	1,000,000	13 August 2010

Terms of granted options**2010**

Options granted to KMP on 30 June 2010 (issued on 9 July 2011) were as performance incentives to the Managing Director (5,000,000), the Executive Director (10,000,000), the Non-executive Chairman (800,000) and the other two Non-executive Directors (600,000 each). These are detailed under tranche 1a, 1b, 2a and 2b on page 48. 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; and the remaining 50% vest upon first production from the Kwale Project which is currently scheduled for the 2013 financial year.

2011

Options granted to RFC Corporate limited on 30 July 2010 were in respect of services provided. These options were granted for nil consideration, vested immediately and were measured based on the Black and Scholes formula. These are detailed under tranche 3 on page 48.

Summary of shares under option are as follows:

	Number	Weighted average exercise price
Options outstanding as at 1 July 2009	8,730,000	\$0.25
Granted - KMP	17,000,000	\$0.17
Forfeited	-	-
Exercised	-	-
Expired	-	-
Options outstanding as at 30 June 2010	25,730,000	\$0.19
Options outstanding as at 1 July 2010	25,730,000	\$0.19
Granted - Other	1,000,000	\$0.25
Forfeited	-	-
Exercised - KMP	3,500,000	\$0.25
Exercised - Other	5,230,000	\$0.25
Expired	-	-
Options outstanding as at 30 June 2011	18,000,000	\$0.17

Refer to note 14a for the weighted average share price as at the date the options were exercised.

Options exercisable as at 30 June 2010	8,730,000	\$0.25
Options exercisable as at 30 June 2011	1,000,000	\$0.25

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 22: SHARE BASED PAYMENTS (CONTINUED)**Shares under option**

The exercise price of outstanding shares at reporting date was \$0.25 for 9,500,000 options and \$0.09 for 8,500,000 options.

The options hold no voting or dividend rights but have been listed.

The grant-date fair value of the rights granted through the director option plan was measured based on Monte Carlo sampling. The grant-date fair value of all other share-based payments was measured based on the Black-Scholes formula.

Inputs for measurement of grant date fair values

The input used in measurement of the fair values at grant date of the share-based payments plans are the following:

Fair value of share options and assumptions	Tranche 1a	Tranche 1b	Tranche 2a	Tranche 2b	Tranche 3
	Key Management Personnel				Other
Date granted	30 June 2010				30 June 2010
Valuation model	Monte Carlo				Black Scholes
Number of options granted	4,250,000	4,250,000	4,250,000	4,250,000	1,000,000
Fair value of at grant date	\$0.070	\$0.059	\$0.069	\$0.058	\$0.066
Share price at grant date	\$0.09	\$0.09	\$0.09	\$0.09	\$0.10
Exercise price	\$0.09	\$0.25	\$0.09	\$0.25	\$0.25
Expected volatility (weighted average volatility)	104%	104%	104%	104%	104%
Option life (expected weighted average life)	5 Years	5 Years	5 Years	5 Years	5 Years
Expected dividends	-	-	-	-	-
Risk-free interest rate(based on government bonds)	5.39%	5.39%	5.39%	5.39%	4.6%

Monte Carlo Model*Expected volatility*

Share price volatility is generally calculated from either historical share prices or implied from exchange-trade options prices on the basis that these provide an accurate representation of future volatility

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 23: PARENT ENTITY DISCLOSURES

	Parent 2011 \$	Parent 2010 \$
a. Financial position		
Assets		
Current assets	7,358,538	1,218,015
Non-current assets	9,566,527	421,264
Total assets	16,925,065	1,639,279
Liabilities		
Current liabilities	679,741	470,496
Non-current liabilities	-	-
Total liabilities	679,741	470,496
Net assets	16,245,324	1,168,783
Equity		
Issued capital	21,882,774	4,244,330
Option Reserve	799,630	5,463
Retained losses	(6,437,080)	(3,081,010)
Total equity	16,245,324	1,168,783
b. Financial performance		
Loss for the year	(3,356,070)	(1,667,134)
Total comprehensive loss for the year	(3,356,070)	(1,667,134)
c. Exploration Expenditure Commitments		
Payable not later than 12 months	501,644	293,348
Payable between 12 months and 5 years	-	-
	501,644	293,348
d. Operating Lease Commitments		
Payable not later than 12 months	122,946	119,388
Payable between 12 months and 5 years	20,491	139,286
	143,437	258,674
e. 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.		
f. 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.		
g. Contingent liabilities of the parent entity		
Refer to note 17 for details of the fees payable to RFC Corporate Finance Ltd.		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 24: FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist of deposits with banks, 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 2011 \$	Group 2010 \$
Financial Assets			
Cash and cash equivalents	6	7,284,459	1,170,725
Other receivables	7	250,088	39,252
		<u>7,534,547</u>	<u>1,209,977</u>
Financial Liabilities			
Trade and other payables	12	787,042	453,447
		<u>787,042</u>	<u>453,447</u>

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 amortised cost, which approximates fair value.

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are interest rate risk, currency risk, credit risk and liquidity 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 at fixed interest rates. Term deposits usually mature in less than 3 months so as to take advantage of interest rate changes.

	Carrying amount		Realisable / payable within 6 months	
	2011 \$	2010 \$	2011 \$	2010 \$
Fixed rate instruments				
Financial assets	7,000,000	500,000	7,000,000	500,000
Financial liabilities	-	-	-	-
	<u>7,000,000</u>	<u>500,000</u>	<u>7,000,000</u>	<u>500,000</u>
Variable rate instruments				
Financial assets	284,459	670,725	284,459	670,725
Financial liabilities	-	-	-	-
	<u>284,459</u>	<u>670,725</u>	<u>284,459</u>	<u>670,725</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 24: FINANCIAL RISK MANAGEMENT (CONTINUED)**Interest rate risk (continued)****Fair value sensitivity analysis for fixed rate instruments**

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased or decreased equity and profit or loss by the amounts shown below. This analysis assume that all other variables remain constant.

	2011 \$	2011 \$	2010 \$	2010 \$
Variable rate instruments	100bp increase	100bp decrease	100 bp increase	100 bp decrease
Profit or loss	2,845	(2,845)	6,707	(6,707)
Equity	(2,845)	2,845	(6,707)	6,707

Currency risk

The Group is exposed to currency risk on expenditure and bank balances that are dominated in a currency other than the respective functional currencies of Group entities, being the Australian dollar (AUD) and United States dollar (USD). The currencies in which these transactions primarily are denominated are AUD, USD and Kenyan shillings (KES).

The Group's exposure to foreign currency risk based on notional amounts was as follows:

	2011			2010		
	AUD	USD	KES	AUD	USD	KES
CURRENT ASSETS						
Cash and cash equivalents	7,191,135	77,737	15,587	1,170,725	-	-
Trade and other receivables	145,217	-	104,871	39,252	-	-
Other current assets	22,186		12,356	8,038		
NON- CURRENT ASSETS						
Other non- current assets	-	-	38,787	-	-	-
CURRENT LIABILITIES						
Trade and other payables	(621,212)	(76,577)	(89,253)	(453,447)	-	-
Employee benefits	(57,585)	-	(38,574)	(17,049)	-	-
Net exposure	6,679,741	1,160	43,774	747,519	-	-

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2011	2010	2011	2010
AUD				
USD 1	1.01	N/A	0.944	N/A
KES 1	0.011	N/A	0.011	N/A

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 24: FINANCIAL RISK MANAGEMENT (CONTINUED)**Currency risk (continued)****Sensitivity analysis**

The strengthening of the AUD, as indicated below, against the USD and KES at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. Foreign currency did not have an impact in 2010, and is thus excluded from this analysis.

2011	Strengthening		Weakening	
	Equity	Profit or loss	Equity	Profit or loss
	\$	\$	\$	\$
AUD				
USD 1 (10 percent movement)	116	N/A	(116)	N/A
KES 1 (10 percent movement)	4,377	N/A	(4,377)	N/A

Credit risk

Credit risk is the risk of financial loss to the Group, if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment securities.

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 statement of financial position and notes to the financial statements.

	2011	2010
	\$	\$
Financial assets — cash flows realisable		
Cash and cash equivalents	7,284,459	1,170,725
Other receivables	250,088	39,252
Total anticipated inflows	7,534,547	1,209,977

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 24: FINANCIAL RISK MANAGEMENT (CONTINUED)**Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash.

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

Financial liability maturity analysis

	2011			2010		
	Carrying amount	Contractual cash flow	6 months or less	Carrying amount	Contractual cash flow	6 months or less
	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment						
Trade and other payables	787,042	787,042	787,042	453,447	453,447	453,447
Total	787,042	787,042	787,042	453,447	453,447	453,447

NOTE 25: EVENTS AFTER THE REPORTING DATE

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

- a.** Credit approval for the debt finance facility for the development of the Kwale Mineral Sands Project on 27 July 2011.
- b.** Net proceeds of \$12.94 million with the issue of 24,800,000 shares on 11 August 2011 at \$0.55 per share.
- c.** Net proceeds of \$119.58 million with the issue of 229,190,909 shares on 2 September 2011 at \$0.55 per share.
- d.** Net proceeds of \$21.85 million with the issue of 41,108,006 shares on 20 September 2011 under a rights issue.

NOTE 26: 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

DIRECTORS' DECLARATION

- 1 In the opinion of the directors of Base Resources:
 - (a) the consolidated financial statements and notes that are set out on pages 21 to 53 and the Remuneration Report in pages 11 to 15 in the Directors' report, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 3 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2011.
4. The directors draw attention to note 1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:



Andrew King
Chairman

DATED at PERTH this 20th day of September 2011.



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

Report on the financial report

We have audited the accompanying financial report of Base Resources Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2011, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 26 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 year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

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 judgement, 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 of the financial report that gives a true and fair view 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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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 have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards 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 in pages 11 to 15 of the directors' report for the year ended 30 June 2011. The directors of the company 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 auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Base Resources Limited for the year ended 30 June 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

G-TM

Graham Hogg
Partner

Perth
20 September 2011

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 the following current substantial shareholder notices:

- a) On 1 September 2011 a substantial shareholder notice was received by the Company notifying the Company that Pacific Road Capital Management GP II Limited was a substantial shareholder holding a relevant interest in 83,636,384 shares representing 19.9% of the voting power.
- b) On 1 September 2011 a substantial shareholder notice was received by the Company notifying the Company that Taurus SM Holdings Pty Limited was a substantial shareholder holding a relevant interest in 41,095,631 shares representing 9.8% 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 20 September 2011 there were 80 holders of unmarketable parcels comprising a total of 28,718 ordinary shares.

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 20 September 2011 were:

	Name	Number of Shares	%
1.	JP Morgan Nom Aust Ltd	93,880,827	20.39
2.	Pacific Road Cap Mgnt GP	80,252,238	17.43
3.	National Nom Ltd	51,044,247	11.09
4.	HSBC Custody Nom Aust Ltd	34,649,967	7.53
5.	HSBC Custody Nom Aust Ltd	23,249,817	5.05
6.	JP Morgan Nom Aust Ltd	17,005,388	3.69
7.	Alchemy Sec PI	15,636,363	3.40
8.	Zero Nom PI	15,439,068	3.35
9.	Brispot Nom PI	9,556,254	2.08
10.	Pacific Road Cap II PI	7,929,581	1.72
11.	UBS Nom PI	7,614,200	1.65
12.	Citicorp Nom PI	7,500,145	1.63
13.	Equity Ttees Ltd	4,000,000	0.87
14.	Feta Nom PI	3,971,727	0.86
15.	Citicorp Nom PI	3,554,759	0.77
16.	Raptor Sec PI	3,250,000	0.71
17.	MF Custs Ltd	3,158,205	0.69
18.	Brooks Rita Marian & WT	2,673,790	0.58
19.	Escor Inv PI	2,200,000	0.48
20.	Rodwell Peter Kelvin	2,000,000	0.43
		388,566,576	84.40

Shares Range	Holders	Units	%
1 – 1000	76	24,545	0.01
1001 – 5000	170	520,658	0.11
5001 – 10000	195	1,700,183	0.37
10001 – 100000	638	24,918,334	5.41
100001 –	147	433,276,309	94.10
Total	1,226	460,440,029	100.00

Options

At 20 September 2011 the following options were on issue:

Stream	Date of Expiry	Exercise Price	Number under Option	Number of Holders
1	9.7.2015	\$0.25	8,500,000	5
2	9.7.2015	\$0.09	8,500,000	5
3	30.7.2015	\$0.25	1,000,000	1
			18,000,000	

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

Stream 1: Colin Bwye – 5,000,000 Options

Stream 1: Tim Carstens – 2,500,000 Options

Stream 2: Colin Bwye – 5,000,000 Options

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

Stream 3: 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	Granted
E 20/0674	Granted
E 20/0675	Granted
E20/0718	Granted
E 59/1448	Granted
E 59/1547	Granted
E 59/1556	Granted
E 70/3329	Application

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

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