



ASX and Media Release  
31 October 2011

## Quarterly Activities Report – September 2011

### HIGHLIGHTS

- Formal credit approvals secured for US\$170 million project finance facility.
- Completed capital raisings totaling A\$162.6 million at \$0.55 cents per share.
- Development of the Kwale Project now underway.
- Received the Mines & Money Australia 2011 Mining Excellence Award for Company Management and Transactions.

Base Resources Limited (ASX:BSE) ("Base") has made further significant progress in the development of the Kwale Project over the September quarter, securing the required development funding and undertaking pre-implementation and early works ahead of the formal project commencement which took place on 10 October 2011.

### Financing

In July, Base announced that it had received confirmations of formal credit approval from an international syndicate of banks for a US\$170 million syndicated project finance facility (**Debt Finance Facility**) to form part of the overall funding package for the development of Kwale. This followed an extensive due diligence process which was completed during the quarter.

The Debt Finance Facility comprises a US\$150 million senior debt facility and a US\$20 million cost overrun facility. The formal documentation process to complete the Debt Finance Facility is in its final stages with documents expected to be executed in November.

The equity capital raisings required to complete the Kwale development funding package were finalised and the proceeds received in September. The capital raisings, which also provide sufficient corporate funding to pursue growth opportunities, comprised the following elements:

- A A\$140 million placement at \$0.55 per share approved by shareholders on 31 August and completed on 2 September; and
- A 1:3 renounceable rights issue at \$0.55 per share completed on 16 September which raised A\$22.6 million.

Through their participation in the placement, two prominent specialist resource funds, Pacific Road Capital and Taurus Funds Management, joined the register with interests of 19.1% and 9.9% respectively.

With the completion of the capital raisings and the securing of the debt facilities, Base now has the funding required to take Kwale through development and to positive cash flow.

### **Kwale Project Implementation**

The September quarter has seen a heavy focus on the establishment of the management team to drive the development of Kwale and carry it through into operations. We have been delighted with the caliber of the people who have joined us and the capability of the team now assembled which number in excess of 50.

The two key appointments have been that of Marcel Pretorius as General Manager – Projects and Denham Vickers as General Manager – Operations after an extensive recruitment process. Marcel will lead the Integrated Management Team, comprising Base management and Wave Engineering personnel, and have responsibility for the delivery of the Kwale Project to schedule and budget. Denham will have responsibility for operationalising the Kwale Project. Both have strong track records in their respective roles and, significantly, have worked together in these capacities in the development of the Bisha project in Eritrea.

Pre-implementation works including establishment of the project office in Kenya, development and implementation of project management and cost control systems and project execution plans were largely completed during the quarter and in place for the formal project start on 10<sup>th</sup> October. A number of environmental and social studies have also been undertaken to provide improved baseline data and rectify gaps in some of the work previously undertaken, providing a sound foundation for responsible development.

The development approach being adopted for the Kwale Project is to for the project to be separated into six discrete contract packages, as well as a number of smaller owners projects, with an integrated management team overseeing their execution and integration. This approach has been adopted to ensure that “best of breed” expertise is applied to what are technically diverse and effectively separate project elements and risk is more effectively minimized and managed. The six contract packages, each covered by an EPCM contract, are:

- CP1 – Processing Plants
- CP2 – Marine Facilities
- CP3 - Power Line
- CP4 – Mukurumudzi Dam
- CP5 – Tailings Storage Facility
- CP6 - Access Road and temporary facilities.

The EPCM contracts in respect of each of the contract packages are well advanced and are expected to be executed over the December quarter with the exception of CP6 where the EPCM has been executed and the construction contract awarded. Early works in relation to detailed design in respect of CP1, CP2 and CP4 have been commenced under letter of agreement with Ausenco, WSP Group Africa and Wave Engineering respectively. The first physical works on the ground in Kenya started in September with the clearing of the preparation of the dam wall alignment and grouting for CP4.



**Mukurumudzi Dam wall alignment**

The construction of the Mukurumdzi Dam requires the relocation of 100 squatter families from the flood zone. The relocation process, which is being undertaken in accordance with World Bank standards, was commenced during the quarter with a celebratory ceremony attended by 500 community members, is progressing to plan and is now 50% complete. The level of support the Kwale Project enjoys is evident from the spirit in which the relocation activity has been approached by the community.

With development activity now underway, we remain on schedule to see first shipment achieved in the 4<sup>th</sup> quarter of 2013.

### **Marketing**

The positive outlook continued over the September quarter with industry leader Iluka announcing price increases of 70% and 10% for rutile and zircon respectively, and industry experts TZMI forecasting price increases of a further 70% for rutile into 2012. The recently announced transaction between Exxaro Resources and Tronox Inc. that will see the combination of their respective mineral sands interests with Tronox's pigment operations to create an integrated pigment producer has further highlighted the emerging mineral sands supply shortfall.

With this backdrop, there is strong interest from parties seeking to secure off take arrangements for production from Kwale. Over the quarter negotiations were progressed with a number of groups, with terms sheets agreed and documentation at an advanced stage for some key contracts. The delay in execution has been a result of the additional documentation required to integrate with the requirements of the Debt Finance Facility. We expect to be in a position to announce the conclusion of these key off take arrangements progressively over the December quarter.

### **Midwest Projects**

Following the execution in June of the heritage agreements with native title claimants in relation to the Poona East, Murgoo and Wandarrrie Well projects, the suite of tenements comprising these projects were granted during the quarter.

Previous work had resulted in the establishment of a series of specific iron, uranium, gold and base metal targets on these projects and the development of exploration programs to test them but their implementation has been on hold pending the granting of the tenements. Consideration will be given over the coming quarter as to the most effective way to progress the evaluation of their potential.

Ends.

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**About Base Resources**

**Base Resources Limited** (ASX:BSE) is developing the world-class Kwale Mineral Sands Project in Kenya, East Africa. Kwale is an advanced and highly competitive project in a sector with a significant forecast supply shortfall widely expected to emerge in the medium term.

The Kwale Project represents an advanced development opportunity with all material project approvals, permits and licenses required for development currently in place, a full definitive feasibility study (DFS) having been completed and funding in place.

The Project enjoys a high level of support from the Government of Kenya as well as the local community and, located just 50km from Mombasa, Kenya's principal port facility, is well serviced by existing physical infrastructure.

Importantly, two pilot plant operations at Kwale provide confidence in processing behaviour and indicate a suite of readily marketable products. The Project's high value mineral assemblage and low stripping ratio result in a projected revenue to cash cost ratio that would place Kwale in the top quartile of world producers.

A realistic development time line should see the Kwale Project in production in 2013.