



ASX and Media Release

30 January 2012

## Quarterly Activities Report – December 2011

### HIGHLIGHTS

- Agreements executed for US\$170 million project finance facility.
- DuPont Titanium Technologies signed on as cornerstone off-take partner.
- Kwale Project development activities ramping up to plan.
- Drilling commenced at Mambrui and Kilifi Projects in Kenya .
- Two new Board appointments deepen project development and African experience.
- Received the Development Funding Award at the Mining Journal Excellence Awards 2011 in London and the Project Finance International, Middle East & Africa Mining Deal of the Year Award.

**Base Resources Limited (ASX:BSE)** ("Base") has made further significant progress in the development of the Kwale Project over the December quarter, executing agreements for the project financing, securing a cornerstone off-take agreement covering 47% of forecast annual revenues and continuing the on-schedule ramp-up of project detailed design and construction works.

### Financing

In November, Base announced the execution of the project finance facility agreements for the US\$170 million debt financing (**Debt Finance facility**). Together with funds from the recently completed equity capital raisings, the Project Debt Facility, which is comprised of a US\$150 million senior debt facility and a US\$20 million cost overrun facility, provides the required funding for the progression of the Kwale Project through development and to positive cashflow.

Under the terms of the Debt Finance Facility, Base is able to commence utilisation within six months of requiring the funds. This initial utilization is expected to be made during the June quarter. The ability to drawdown early and concurrent with equity funds being available significantly reduces risks associated with funding continuity. All conditions precedent to utilisation are considered readily achievable, the principal being:

- The execution of security documentation, the form of which has been agreed, including Government of Kenya consent to the security interests;
- The execution of offtake agreements covering 70% of projected revenue, significant progress towards which has been made as discussed below; and

- Gazetting of the taxation concessions that the Government of Kenya has committed to through the Investment Agreement.

### **Marketing**

The positive outlook for titanium dioxide feed stocks continued over the December quarter with industry leader Iluka announcing price increases 80% for the first half of 2012 compared with the first half of 2011. This implies an average price of around US\$2,450/ tonne compared with the long term price assumption of US\$1,000 used in the Kwale EDFs. The softening of market conditions for ilmenite seen early in the quarter seems to have reversed with reported prices for spot sales into China exceeding \$300/tonne since December. The dramatic upward spiral of zircon prices seen since 2010 has clearly slowed over the second half of 2011 but is expected to pick up again in the second half of 2012.

Reflecting the continuing positive market dynamics for mineral sands producers, Base is making good progress in assembling a portfolio of off-take arrangements for the production from Kwale. A cornerstone off-take agreement was signed in November which will see DuPont Titanium Technologies purchase a minimum average of approximately 72% of annual rutile production from Kwale for a period of six years from commencement of production. In addition, Base has the option of selling up to a further 25,000 tonnes per annum of rutile over the six year period. In the last four years of the Off-take Agreement, DuPont has the right to reduce the off-take volume proportional to any reduction in DuPont's overall high-grade titanium dioxide feedstock requirements. Pricing is to be derived from an agreed quarterly index of market prices. This contract underpins approximately 35% of the annual revenue for the Kwale Project as forecast in the Enhanced Feasibility Study, or up to 47% of annual revenue if the additional optional volume is supplied.

Over the quarter, negotiations were further progressed with a number of groups in relation to ilmenite and zircon production, with terms sheets agreed and documentation at an advanced stage for some key contracts representing around a further 20% of project revenues for the first 5 years of operations. 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 make further announcements on the conclusion of these key off take arrangements progressively over the March and June quarters.

### **Kwale Project Implementation**

Following the formal commencement of project implementation in October, momentum has continued to build over the quarter with all project elements now underway. The project continues to be on schedule for first shipment in Q4 2013 and within budget.

The development approach being adopted for the Kwale Project is 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 (or EPC for CP3) contract, and their status are:

#### *CP1 – Processing Plants*

- Ausenco have been appointed as EPCM contractor.
- Detailed design and preparation of procurement packages well advanced.
- Construction works are scheduled to commence in March.

#### *CP2 – Marine Facilities*

- WSP Group appointed as EPCM contractor.
- Drilling program to confirm geotechnical design parameters for engineering of marine structure commenced.
- Detailed design is scheduled for completion by March 2012.



***Port geotechnical drilling***

*CP3 - Power Line*

- Contract package awarded to CG Global on a design and construct basis.
- Manufacturing capacity for key components has been committed.
- Power line route has been finalized and submitted for final National Environmental Management Authority (**NEMA**) approval.
- Commencement of construction of tower footings is scheduled for the March quarter.

*CP4 – Mukurumudzi Dam*

- Wave Engineering appointed as EPCM contractor
- Clearing of dam wall alignment and drilling and grouting of the dam foundation are complete.
- Embankment construction contract has been awarded and site handover completed.
- Relocation of 95 of 97 squatter families from the flood zone was completed with the remaining 2 to be completed in February.



***Mukurumudzi Dam wall foundation grouting***

*CP- 5 – Tailings Storage Facility*

- Wave Engineering appointed as EPCM contractor.
- Detailed design work commenced.
- Drilling for confirmatory geotechnical data underway.
- With this project element not required until Q3 2013, construction is not scheduled to commence until June 2012.

*CP-6 – Access Road, Construction Camp and Shared Facilities*

- EPCM and construction contractors appointed.
- Both the access road and construction camp are on the overall project critical path.
- 7.2 kms of the 8kms have been cleared with 1.3 kms of topsoil stripping and 1km of cut works completed.
- Key milestone is for the road to be trafficable to heavy haulage vehicle by the end of May and occupation of the first phase of the accommodation by the end of April.



***Mine access road***

**Kenyan Exploration Projects**

As part of the Kwale acquisition, Base also acquired an option to purchase three further exploration projects, Mambrui, Kilifi and Vipingo. These projects, which are located along the coast to the north of Mombassa, have a combined JORC compliant Mineral Resource as previously reported by Vaaldiam, of 1,388 million tonnes at 3.8% THM (1,111 million tonnes at 3.7% THM “Indicated” and 278 million tonnes at 4.1% THM “Inferred”).

In November, a preliminary confirmatory drilling program was commenced at the Mambrui and Kilifi projects to test depth, grade, geo-metallurgical domains and assemblage. This work is the first stage of an exercise to be conducted over 2012 to identify the next project to be taken through to feasibility study.

**Corporate**

*Non-executive director appointments*

In November, Trevor Schultz and Michael Anderson were appointed to the Board, both of whom bring significant project development and African experience to the company. These appointments are part of our development of a team at all levels of the organization with the requisite capability to deliver on the significant opportunities in front of us.

*In summary at 31 December:*

- Cash and cash equivalents were \$145.8 million.
- Nil debt drawn.
- 460,440,029 shares on issue.
- 18,000,000 unlisted options.

Ends.

**For further enquiries contact:**

**Tim Carstens**  
Managing Director  
Base Resources Ltd

**Email:** [tcarstens@baseresources.com.au](mailto:tcarstens@baseresources.com.au)  
**Phone:** 08 9413 7400

**Annette Ellis / Warrick Hazeldine**  
Media Relations  
Purple Communications

**Email:** [aellis@purplecom.com.au](mailto:aellis@purplecom.com.au)  
[whazeldine@purplecom.com.au](mailto:whazeldine@purplecom.com.au)  
**Phone:** 08 6314 6300

**Corporate Details:**

**Board of Directors:**

Andrew King	Non Executive Chairman
Tim Carstens	Managing Director
Colin Bwye	Executive Director
Sam Willis	Non Executive Director
Michael Anderson	Non Executive Director
Trevor Schultz	Non Executive Director
Winton Willesee	Non Executive Director/ Company Secretary

**Principal & Registered  
Office:**

Level 1  
50 Kings Park Road  
West Perth  
WA 6005

**Contacts:**

Email:  
[info@baseresources.com.au](mailto:info@baseresources.com.au)  
Phone: (08) 9413 7400  
Fax: (08) 9322 8912

### **About Base Resources**

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

The Kwale Project represents an advanced development opportunity with all material project approvals, permits and licenses required for development currently in place, 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.

### **Competent Persons Statement**

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

*Mr Parker has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Parker consents to the inclusion in this report of the information based on his work in the form and context in which it appears on the basis that no additional information has been obtained since the 2005 information.*