BASE RESOURCES LTD

BASE RESOURCES LIMITED
AND ITS CONTROLLED ENTITIES

ABN 88 125 546 910

Interim Financial Report for the half-year ended 31 December 2011

Table of Contents

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*
Mr Trevor Schultz *Non-Executive Director*
Mr Michael Anderson *Non-Executive Director*

COMPANY SECRETARY

Mr Winton Willesee

PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

Level 1
50 Kings Park Road
WEST PERTH, WA 6005

CONTACT DETAILS

Website: www.baseresources.com.au
Email: info@baseresources.com.au
ph: + 61 (8) 9413 7400
fax: + 61 (8) 9322 8912

SOLICITORS

Blake Dawson
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
Suite 1, 770 Canning Highway
Applecross WA 6153
Tel: +61 8 9315 2333
Fax: +61 8 9315 2233

Directors Report

Your directors submit the interim financial report of the Group, being the Company, Base Resources Limited, and its controlled entities for the half-year ended 31 December 2011.

Directors

The names of the directors in office at any time during or since the end of the half-year are:

Mr Andrew King
Mr Tim Carstens
Mr Colin Bwye
Mr Winton Willesee
Mr Samuel Willis
Mr Trevor Schultz
Mr Michael Anderson

Directors have been in office since the start of the financial year to the date of this report with the exception of Mr Trevor Schultz and Mr Michael Anderson who were appointed on 28 November 2011.

Company Secretary

Mr Winton Willesee held the position of company secretary during the half year.

Principal Activities and Significant Changes in Nature of Activities

The principal activities of the Group during the half-year were the evaluation and development of the Kwale Mineral Sands Project in Kenya and the progression to grant of its suite of tenements in the Midwest region of Western Australia.

There were no significant changes in the nature of the Group's principal activities during the half-year.

Operating Results

Total comprehensive income of the Group for the half-year amounted to $5,231,933 (2010: Loss $1,934,440).

Dividends Paid or Recommended

There were no dividends paid or declared for payment during the period ended 31 December 2011.

Review of Operations

Base Resources Limited has made significant progress in the development of the Kwale Mineral Sands Project over the period, pre-implementation activities were completed, facilitating the formal commencement of development works on 10 October 2011. All project elements are now underway with detailed design now complete for some elements and physical construction underway. The project continues to be on schedule for first shipment in Q4 2013 and within budget.

The equity capital raisings necessary to progress the Kwale development to positive cash flow were successfully completed and the proceeds received in September. The capital raisings, which also provided the required corporate funding, comprised the following elements.

- A $140 million placement at $0.55 per share approved by shareholders on 31 August 2011 and completed on 2 September 2011; and
- A 1:3 renounceable rights issue at $0.55 per share completed on 20 September 2011.

In November 2011, agreements were executed for a US$170 million project financing facility (Debt Finance Facility). Together with funds from the capital raisings, the Debt Finance Facility, which is comprised of a US$150 million senior debt facility and a US$20 million cost overrun facility, completes the funding package for the progression of the Kwale Project through development and to positive cash flow.

Directors Report

Review of Operations (continued)

Reflecting the continuing positive market dynamics for mineral sands producers, the Company 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 2011 with DuPont Titanium Technologies. 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.

Following the execution in June of heritage agreements with native title claimants in relation to the Poona East, Murgoo and Wandarrie Well projects in the Mid West region of Western Australia, the suite of tenements comprising these projects were granted in September.

In November 2011, 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 the development of a team at all levels of the organization with the requisite capability to deliver on the significant opportunities in front of us.

Financial Position

The Group's working capital, being current assets less current liabilities, was $143,606,102 at 31 December 2011 (30 June 2011: $6,685,888).

Capital raisings of $162m were completed during September 2011 and the US$170m debt facilities were executed allowing the Company to commence developing the Kwale Mineral Sands Project.

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

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 6 for the half-year ended 31 December 2011.

This report is signed in accordance with a resolution of the Board of Directors.

Winton Willesee

Director

Dated this 7th day of March 2012

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 review for the half-year ended 31 December 2011 there has been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Graham Hogg
Partner

Perth

7 March 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Note	31 Dec 11	31 Dec 10
		$	$
Other income	2	7,630,873	114,067
Accounting, audit and related services fees		(224,051)	(69,862)
Consultant fees		(395,117)	(324,704)
Employee benefits expense		(190,492)	(50,199)
Directors' and related fees		(792,026)	(257,375)
Share based payment expense		(89,207)	(367,076)
Administrative expense		(512,184)	(390,811)
Tenement expense		-	(4,096)
Depreciation		(12,597)	(5,630)
Other expenses from ordinary activities		(45,302)	(19,957)
Profit / (loss) before income tax		5,369,897	(1,375,643)
Income tax expense	2	(8,686)	-
Profit / (loss) for the period		5,361,211	(1,375,643)
Other comprehensive income			
Foreign currency translation differences - foreign operations		(129,278)	(558,797)
Total other comprehensive income / (loss) for the period		(129,278)	(558,797)
Total comprehensive income / (loss) for the period		5,231,933	(1,934,440)
Basic profit / (loss) per share (cents per share)		1.50	(1.09)
Diluted profit / (loss) per share (cents per share)		1.46	(1.09)

The above Condensed Consolidated Statement of Comprehensive Income should read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Note	31 Dec 11	30 Jun 11
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	146,255,244	7,284,459
Trade and other receivables		1,452,607	250,088
Other current assets		1,246,259	34,542
TOTAL CURRENT ASSETS		148,954,110	7,569,089
NON-CURRENT ASSETS			
Capitalised exploration and evaluation	4	538,133	8,608,613
Capitalised mine development	5	20,068,741	-
Plant and equipment		1,323,932	282,202
Other non-current assets	6	9,235,577	38,787
TOTAL NON-CURRENT ASSETS		31,166,383	8,929,602
TOTAL ASSETS		180,120,493	16,498,691
CURRENT LIABILITIES			
Trade and other payables		5,163,619	787,042
Employee benefits		184,389	96,159
TOTAL CURRENT LIABILITIES		5,348,008	883,201
TOTAL LIABILITIES		5,348,008	883,201
NET ASSETS		174,772,485	15,615,490
EQUITY			
Issued capital	7	175,718,629	21,882,774
Reserves		33,387	73,458
Accumulated losses		(979,531)	(6,340,742)
TOTAL EQUITY		174,772,485	15,615,490

The above Condensed Consolidated Interim Statement of Financial Position should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Issued Capital Ordinary	Accumulated Losses	Options Reserve	Translation Reserve	Total
	$	$	$	$	$
Balance at 01.07.2010	4,244,330	(3,081,010)	5,463	-	1,168,783
Loss for the period	-	(1,375,643)	-	-	(1,375,643)
Other comprehensive loss	-	-	-	(558,797)	(558,797)
Total comprehensive loss for the period	-	(1,375,643)	-	(558,797)	(1,934,440)
Transactions with owners					
Shares issued during the period, net of costs	12,903,625	-	-	-	12,903,625
Share based payment transactions	-	-	433,076	-	433,076
Balance at 31.12.2010	17,147,955	(4,456,653)	438,539	(558,797)	12,571,044
Balance at 01.07.2011	21,882,774	(6,340,742)	799,630	(726,172)	15,615,490
Profit for the period	-	5,361,211	-	-	5,361,211
Other comprehensive loss	-	-	-	(129,278)	(129,278)
Total comprehensive income for the period	-	5,361,211	-	(129,278)	5,231,933
Transactions with owners					
Shares issued during the period, net of costs	153,835,855	-	-	-	153,835,855
Share based payment transactions	-	-	89,207	-	89,207
Balance at 31.12.2011	175,718,629	(979,531)	888,837	(855,450)	174,772,485

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	31 Dec 11 $	31 Dec 10 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments in the course of operations	(1,980,230)	(1,010,229)
Upfront off-take fee	4,948,046	-
Income tax paid (Kenya)	(8,686)	-
Net cash generated by / (used in) operating activities	2,959,130	(1,010,229)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest receipts	1,781,595	95,896
Purchase of Kwale mineral rights	-	(3,322,162)
Payments for exploration and evaluation	(3,723,754)	(2,087,931)
Purchase of plant and equipment	(721,148)	(149,368)
Payments for development	(8,174,540)	-
Proceeds on sale of plant and equipment	-	24,000
Prepayments - asset purchases	(1,534,708)	-
Security deposits	(42,555)	(7,382)
Net cash used in investing activities	(12,415,110)	(5,446,947)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	162,304,403	12,881,362
Share issue costs	(8,468,548)	(371,745)
Debt finance facility fees	(5,396,095)	-
Net cash provided by financing activities	148,439,760	12,509,617
Net increase in cash held	138,983,780	6,052,441
Cash at beginning of period	7,284,459	1,170,725
Effect of exchange fluctuations on cash held	(12,995)	(23,481)
Cash at end of period	146,255,244	7,199,685

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 1: BASIS OF PREPARATION

(a) Introduction

The condensed consolidated interim financial report of the Company as at and for the six months ended 31 December 2011 comprises the Company and its wholly owned subsidiaries (together referred to as the "Group") and is a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

This condensed consolidated interim financial report is intended to provide users with an update on the latest annual financial statements of Base Resources Limited and its controlled entities. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2011.

The condensed consolidated interim financial report was approved by the Board of Directors on 1st March 2012.

(b) Functional and presentation currency

These condensed consolidated interim financial statements are presented in Australian dollars, which is the Company's functional currency. The functional currency for the subsidiaries is United States dollars.

(c) Accounting policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the 30 June 2011 annual financial statements except for the newly applied policies below.

Development assets

Development expenditure relates to costs incurred to access a mineral resource. It represents those costs incurred after the technical feasibility and commercial viability of extracting the mineral resource has been demonstrated and an identified mineral reserve is being prepared for production (but is not yet in production). Exploration and evaluation assets are assessed for impairment prior to their transfer to development assets.

Significant factors considered in determining the technical feasibility and commercial viability of the project are the completion of a feasibility study, the existence of sufficient proven and probable reserves to proceed with development and approval by the board of directors to proceed with development of the project.

Development expenditure is capitalised as either a tangible or intangible asset depending on the nature of the costs incurred.

Development expenditure includes:

- Reclassified exploration and evaluation assets
- Direct costs of construction
- An appropriate allocation of overhead and borrowing costs incurred in the construction phase.

Capitalisation of development expenditure ceases once the mining property is capable of commercial production, at which point it is transferred to Property, Plant and Equipment, and depreciated.

Any development expenditure incurred once a mine property is in production is immediately expensed to the statement of comprehensive income except where it is probable that future economic benefits will flow to the entity, in which case it is capitalised as Property, Plant and Equipment.

Finance costs

Finance costs comprise interest expense on borrowings.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Note 1: Basis of Preparation (continued)

Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instruments.

The Group derecognises a financial liability when its contractual obligators are discharged, cancelled or expire.

Subsequent to initially recognition, these financial liabilities are measured at amortised costs using the effective interest rate method.

Other financial liabilities comprise of loans and borrowings, bank overdrafts, and trade and other payables.

(d) Estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial report, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2011.

	31 Dec 11 $	31 Dec 10 $
NOTE 2: OTHER INCOME		
Gain on disposal of vehicle	-	5,647
Gain on foreign exchange translations	249,895	-
Upfront off-take fee	4,948,046	-
Interest income	2,432,932	108,420
	7,630,873	114,067

The upfront off-take fee was received in consideration of Base Resources entering into an off-take arrangement with its contracting party. The fee is unconditional and is independent of any future sales under the off-take agreement. No provision has been raised in respect of any tax liability on the up-front fee as there is sufficient tax deductable expenditure available to offset any potential tax liability.

Income tax of $8,686 has also been paid in respect of the 2011 financial year for Base Titanium Limited.

	31 Dec 11 $	30 Jun 11 $
NOTE 3: CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	46,255,244	284,459
Short-term bank deposits	100,000,000	7,000,000
	146,255,244	7,284,459

The effective interest rate on short-term bank deposits, having an average maturity of 41 days, was 5.33%.

	31 Dec 11	30 Jun 11
	$	$
NOTE 4: CAPITALISED EXPLORATION AND EVALUATION		
Exploration (Australia)	381,037	371,458
Exploration and evaluation (Kenya)	157,096	8,237,155
	538,133	8,608,613
Movement in carrying value		
Opening Balance	8,608,613	371,458
Evaluation and exploration expenditure during the period	3,723,754	8,237,155
Transfer to capitalised development	(11,794,234)	-
	538,133	8,608,613

Exploration (Australia) relates 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. Following the execution of the heritage agreements with native title claimants, the suite of tenements comprising these projects were granted in October 2011 and consideration is being given to the most effective way to progress the evaluation of their potential.

Exploration and evaluation expenses (Kenya) relates to exploration work on the Kilifi, Mambrui and Vipingo projects and evaluation work on the Kwale project. Base Titanium Ltd has an option to acquire these tenements and are required to meet minimum exploration commitments in the interim. A confirmatory drilling program was commenced at the Mambrui and Kilifi projects in November 2011 in order to identify further potential in the region. Evaluation expenditure on the Kwale project has been transferred to development based on the successful completion of evaluation activities and securing the appropriate finance to carry the project into production.

	31 Dec 11	30 Jun 11
	$	$
NOTE 5: CAPITALISED MINE DEVELOPMENT		
Mine Development - Kwale Project	20,068,741	-
	20,068,741	-
Movement in carrying value		
Development expenditure during the period	8,274,507	-
Transfer from capitalised exploration and evaluation	11,794,234	-
	20,068,741	-

Development expenditure relates to expenditure incurred on the Kwale Mineral Sands project in Kenya. The transfer of costs from exploration and evaluation is due to the technical feasibility and commercial viability of the Kwale project being demonstrated during the period.

	31 Dec 11	30 Jun 11
	$	$
NOTE 6: OTHER NON CURRENT ASSETS		
Prepayment of fixed assets / deposits[(i)]	1,569,331	38,787
Debt finance facility fees[(ii)]	7,666,246	-
	9,235,577	38,787

i. Deposits have been paid for the purchase of land and for the acquisition of mining equipment. These will be capitalised to property plant and equipment once the acquisitions have been finalised and the items brought into use.

ii. The Group entered into project debt finance facility agreements for US$170 million debt financing in November 2011. The project debt facility is comprised of a US$150 million senior debt facility at an interest rate of Libor plus 4.5% (pre-completion) and a US$20 million cost overrun facility at an interest rate of Libor plus 5.5%. The security pledge for the facility is a fixed and floating charge over all the assets of Base Titanium Limited (BTL) and the shares in BTL held by Base Titanium (Mauritius) Limited (BTML) and the shares held in BTML by Base Resources Limited. No funds have been drawn down on the facility to date. In accordance with Australian Accounting Standards, all transaction costs directly attributable to securing the funding have been deferred to be offset against drawn loan amounts. These costs will be amortised over the period of the loan using the effective interest rate method.

NOTE 7: ISSUED CAPITAL

	31 Dec 11	30 Jun 11
Ordinary share capital:	$	$
Issued and fully paid	175,718,629	21,882,774

		31 Dec 11	31 Dec 11	31 Dec 10	31 Dec 10
		No.	$	No.	$
Movement in ordinary share capital					
At the start of the period		165,341,114	21,882,774	38,000,001	4,244,330
Shares issued during the period:	Price per share				
11 Aug 2011	55 cents	24,800,000	13,640,000	-	-
2 Sep 2011	55 cents	229,190,909	126,055,000	-	-
20 Sep 2011	55 cents	41,108,006	22,609,403	-	-
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
Share issue costs		-	(8,468,548)	-	(741,375)
		460,440,029	175,718,629	147,611,114	17,147,955

NOTE 8: SEGMENT REPORTING

Identification of reportable segments

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 development of the Kwale Mineral Sands Project including other Kenyan exploration.

	Australia Corporate		Kenya Operational		Total	
	31 Dec 11	31 Dec 10	31 Dec 11	31 Dec 10	31 Dec 11	31 Dec 10
	$	$	$	$	$	$
Other income	2,682,827	114,067	4,948,046	-	7,630,873	114,067
Depreciation	(12,597)	(5,630)	-	-	(12,597)	(5,630)
Reportable profit/(loss)	535,613	(1,367,414)	4,825,598	(8,229)	5,361,211	(1,375,643)
	31 Dec 11	30 Jun 11	31 Dec 11	30 Jun 11	31 Dec 11	30 Jun 11
	$	$	$	$	$	$
Total assets	140,280,638	7,835,831	32,768,001	9,315,016	173,048,639	17,150,847
Capital expenditure	153,859	88,206	14,000,291	9,086,978	14,154,150	9,175,184
Total liabilities	(195,246)	(678,797)	(5,152,761)	(204,404)	(5,348,008)	(883,201)

	31 Dec 11	30 Jun 11
	$	$
Reconciliation of reportable segment assets		
Total assets for reportable segments	173,048,639	17,150,847
Debt finance facility fees	7,666,246	-
Foreign exchange adjustments	(594,392)	(652,156)
Consolidated total assets	180,120,493	16,498,691

NOTE 9: 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 Limited, a Kenyan incorporated Company.

NOTE 10: DIVIDENDS

No dividends have been paid or declared during the period of this report.

NOTE 11: COMMITMENTS AND CONTINGENT LIABILITIES

Committed capital costs in respect of the Kwale project development amount to $24 million at 31 December 2011.

There has been no change in contingent liabilities since the last annual reporting date.

NOTE 12: EVENTS SUBSEQUENT TO REPORTING DATE

There have been no subsequent events since the interim reporting date.

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 7 to 15, are in accordance with the Corporations Act 2001 including:
    a. giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance for the six month period ended on that date; and
    b. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. In the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Winton Willesee
Director
Dated this 7th day of March 2012

Independent auditor's review report to the members of Base Resources Ltd

Report on the financial report

We have reviewed the accompanying interim financial report of Base Resources Ltd, which comprises the condensed consolidated statement of financial position as at 31 December 2011, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 12 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 half-year's end or from time to time during the half-year.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Base Resources Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Base Resources Ltd is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Graham Hogg
Partner

Perth

7 March 2012