



ASX and Media Release
30 April 2012

Quarterly Activities Report – March 2012

HIGHLIGHTS

- Kwale Project development continues on schedule and within budget.
- All resettlement programmes required for project development have now been completed.
- Satisfaction of CP's on debt facilities progressing towards planned initial utilization in June.
- Off-take arrangements falling into place.
- TZMI publish new long term product price outlook reflecting stronger prices out to 2016 than previously forecast (and adopted in the Kwale EDFs).

Base Resources Limited (ASX:BSE) ("Base") has made further significant progress in the development of the Kwale Project as well as in the satisfaction of conditions precedent ahead of the planned first utilization of the project finance facility in June.

Kwale Project Implementation

The March quarter has seen strong progress with a number of project elements moving into the physical construction phase. Now 6 months into implementation, the project continues to be on schedule for practical completion in Q3 2013 and first shipment in Q4 2013 and remains within budget.

In February, the Base team was shocked by the sudden passing of Marcel Pretorius, General Manager – Projects. That the project has been able to continue without adverse impacts is a testament to the quality of the project team and approach that Marcel had been a significant contributor to establishing. David Saunders has now been appointed to the role of General Manager – Construction and commenced in April.

Project elements

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 owner's 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)

- Detailed design and procurement phases are nearing completion and planning is underway for the construction phase.
- EPCM phase is now slightly ahead of schedule at 15.9% complete
- The first permanent structure, the Health, Safety & Environment building was commenced in late March. Main plant site earthworks are to commence in late April.



First permanent structure at plant site

CP2 – Marine Facilities (WSP Group)

- The tender process for the 3 construction contracts is well underway.
- The EPCM phase is on target at 40% complete.
- Construction will commence in May with piling works.

CP3 - Power Line (CG Global)

- Manufacturing of components is underway, with deliveries to site commencing in April.
- Final National Environmental Management Authority (**NEMA**) approval has been secured. The delay will not affect the overall schedule which is on target for completion in February 2013 in time for planned dry commissioning in June 2013.
- Clearing of the tower positions commenced in April with completion of tower foundations due in August.

CP4 – Mukurumudzi Dam (Wave)

- Embankment and river diversion channel construction are both underway and the spillway construction contract has been awarded.
- EPCM is slightly behind target at 66.9% complete but construction is slightly ahead at 16.2% complete.
- Spillway construction and structural concrete works both commenced in April.



Mukurumudzi Dam diversion channel

CP- 5 – Tailings Storage Facility (Wave)

- The detailed design work is now complete with the construction tender process well advanced.
- EPCM phase is slightly ahead of schedule at 53% complete
- Construction is due to commence in June.

CP-6 – Access Road, Construction Camp and Shared Facilities (Howard Humphries)

- While road construction has fallen behind schedule, the establishment of a temporary access road has mitigated overall project impact.
- Key milestones are now for the road to be trafficable to heavy haulage vehicles and the full shared facilities available by the end of June.



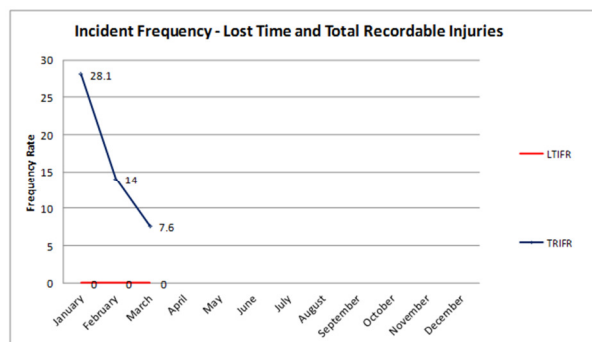
Mine access road

Owners Projects

In addition, a suite of owner's projects are being managed directly by the Base operations team. These include the procurement of the mobile fleet and the procurement of the dozer trap mining unit. As part of our implementation approach, the key members of the senior operations management team have already been recruited and are integrated into the overall project team to ensure operability of design and smooth transition to operations.

Safety Performance

With the physical activities ramping up, total project hours worked are now in excess of 100,000 per month. As the Base safety systems have been progressively bedded in with the project contractors we have seen a rapid improvement in project safety performance. Total Reportable Injury Frequency rate has been reduced to 7.6 per million man hours and no lost time injuries have been recorded in the 400,000 hours logged to date.



Community and Environment

The resettlement and compensation program for the Mukurumudzi Dam flood zone was completed, involving 112 households. This brings the number of households relocated to make way for the project to almost 500. A further small number of households will be relocated over the next quarter once some minor extensions to the Special Mining Lease boundaries are approved. The exhumation and re-interment of 255 graves from the central and south dunes was also completed during the quarter.

The Base Labour Recruitment Centre has now registered and skills assessed in excess of 3,500 job seekers from the local community. It is from this pool that project contractors are required to draw their semi-skilled and unskilled workforces. It is also from this database that Base will recruit the majority of its Kenyan workforce. It is intended that this centre will ultimately be made available to other regional employers as an employment portal for the local community.

The implementation of the environmental management systems continued during the quarter and there were no environmental incidents reported.

Budget

The total approved project development budget is US\$263million including contingencies. To 31 March, \$21 million has been incurred and a further US\$70 million has been committed (ordered).

Financing

Under the terms of the US\$170 million project financing (**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 with funds not required until around October. The ability to draw down early and concurrent with equity funds being available significantly reduces risks associated with funding continuity.

Ahead of the planned June drawdown, pleasing progress has been made in relation to satisfying the conditions precedent (**CP's**). The principal of these CP's are as follows:

- *The execution of security documentation, the form of which has been agreed, including Government of Kenya consent to the security interests;*

Security documentation is expected to be executed in early May. Government of Kenya consent, via a direct agreement between the Government, the Lenders and Base, is expected in May.

- *The execution of off-take agreements covering 70% of projected revenue;*

Significant progress towards achieving this has been made as discussed below.

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

The required gazette notices have now been approved by the Attorney General and are awaiting Ministerial signature before being published in the Kenya Gazette, which is expected in May.

In January, Endeavour Financial, a London based debt advisory firm, were engaged to undertake a coordinating role in the process to achieving first draw down and will provide administrative support thereafter.

Marketing

The positive outlook for titanium dioxide feed stocks continued over the March quarter with industry experts TZMI releasing their latest long-term price forecasts in February, showing a continuation of the previously forecast higher prices out until 2016. On the basis of these price forecasts, the Kwale Project Enhanced Definitive Feasibility Study NPV₁₀ (post-tax real) increases from US\$395 million to US\$500million and the life of mine net cashflow (post-tax real) from US\$930 million to US\$1.078 billion*.

Zircon demand experienced a soft March quarter, reflecting a combination of impacts from Chinese government policy, the timing of Chinese New Year, global economic conditions and a period of destocking in the supply chain. The major producers maintained discipline and managed production levels with the consequence that prices have remained relatively stable. A clear view on the direction for zircon demand for the balance of 2012 will take some time to emerge but the expectation is for a pick-up in the second half of the year.

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. Terms have been agreed with parties in relation to further rutile as well as zircon off-take, the documentation for which is now progressing through the Lender review process and the negotiation of the Direct Agreements between the parties required by the terms of the Debt Finance Facility. The successful conclusion of these additional agreements are expected, together with the off-take arrangements already concluded, to be sufficient to see the satisfaction of the key Project Debt Facility CP requiring off-take agreements in place covering 70% of projected revenue.

Over the quarter, negotiations were further progressed with a number of groups in relation to the balance of ilmenite and zircon production.

We expect to be in a position to make further announcements in relation to off take arrangements in the June quarter.

Kenyan Exploration Projects

As part of the Kwale acquisition, Base also acquired an option to purchase three further exploration projects, Mambui, Kilifi and Vipingo. These projects, which are located along the coast to the north of Mombasa, 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”).

A preliminary confirmatory drilling program, comprising a total of 2,998 metres in 83 holes, was completed at the Mambui and Kilifi projects to test depth, grade, geo-metallurgical domains and assemblage. Analysis of the results is progressing and updated resources for these two projects are scheduled for completion in the June quarter.

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

In summary at 31 March:

- Cash and cash equivalents were \$129.3 million.
- Nil debt drawn.
- 460,440,029 shares on issue.
- 18,000,000 unlisted options.

Ends.

*Refer to www.baseresources.com.au for assumptions and explanations

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Corporate Details:

Board of Directors:

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

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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 the second half of 2013.

Competent Persons Statement

Information in this report that relates to mineral resources at the Kilifi 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.