



ASX and Media Release
31 July 2012

Quarterly Activities Report – June 2012

HIGHLIGHTS

- **Kwale Project development continues on schedule and within budget.**
- **All project elements now in construction and overall the project is 17% complete.**
- **Satisfaction of CP's on debt facilities nearing completion, allowing an early initial utilization.**
- **Off-take arrangements falling into place.**

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 as we approach the first utilization of the project finance facility.

Kwale Project Implementation

The June quarter has seen continued strong progress with all project elements now in the physical construction phase. With 17% complete overall, the project continues to be on schedule for practical completion in Q3 2013 and first shipment in Q4 2013 and remains within budget.

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)

- Overall progress is close to target with 9% complete. Delivery of this construction package is on the overall project critical path and is on schedule for practical completion during Q3 2013.
- The EPCM component is slightly ahead of schedule at 29% complete with additional resources introduced to ensure timely delivery of engineering and procurement activities.
- Physical construction commenced in late April with the main plant site earthworks.



Plant site earthworks with camp in foreground

CP2 – Marine Facilities (WSP Group)

- Two of the three primary construction contracts have now been awarded. The shiploader contract is in the evaluation phase and will be awarded shortly.
- The EPCM phase is 62% complete with the overall project on target for a Q3 2013 delivery.
- Onshore construction works have commenced and marine works are scheduled to commence in the next quarter.

CP3 – Power Line (CG Global)

- Overall, the project is now 19% complete and on schedule for completion in Q2 2013.
- All tower steel has been delivered to site.
- 20 out of 44 overhead power line tower foundations have been excavated and 14 have been cast.

CP4 – Mukurumudzi Dam (Wave)

- Overall delivery is 28% complete. While slightly behind the baseline schedule, it remains ahead of processing plant commissioning when the water supply is required.
- Construction of the river diversion channel is the critical path activity ahead of the main part of the wall construction commencing in the December quarter.
- Additional resources are being introduced in the September quarter to accelerate progress on the river diversion channel.



Mukurumudzi Dam construction site

CP- 5 – Tailings Storage Facility (Wave)

- Design, including a full independent design review, is now complete.
- Construction works for the initial tailings starter berms commenced during the quarter.
- Overall, the project is ahead of target at 12.5% complete.

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

- While road construction has fallen behind schedule, adequate site access for construction is now available via a temporary road.
- Key milestones are now for the access road to be completed in the December quarter and the full shared facilities available by the end of October.



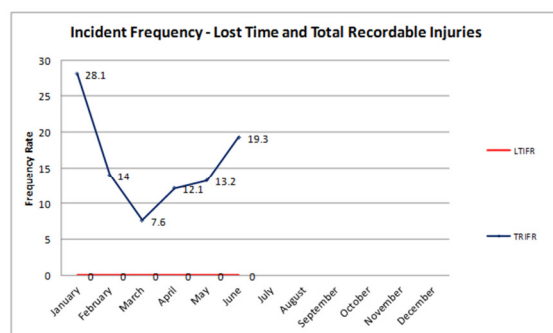
Mine access road

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 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 all project elements now in physical construction, total project hours worked have reached 880,000. Over the quarter, a number of minor injuries and near misses have presented an unacceptable increasing trend. While it is pleasing that a culture of reporting such incidents has been established, significant effort is being put into addressing this trend.



Community and Environment

The Base Labour Recruitment Centre has now registered and skills assessed approximately 5,000 job seekers from the local community. It is from this pool that project contractors are required to draw their semi-skilled and unskilled workforces, with some 400 currently employed on project works. 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.

Community infrastructure works continued with the Bwiti dispensary and borehole and the Magaoni School dormitory completed during the quarter. Tenders have been received for the construction of the Magaoni secondary school and health centre. The infrastructure now complete includes 2 schools, a community hall, a water scheme, dispensary and road and access improvements. A further school and dispensary will be constructed once the Fingirika Settlement Scheme is established by the Government of Kenya.



Transplanting trees of conservation significance

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 30 June, \$42.4 million has been incurred and a further US\$109 million has been committed (ordered).

Financing

Solid progress is being made in relation to satisfying the conditions precedent (**CP's**) to an initial utilization of the US\$170 million project financing (**Debt Finance Facility**) in the near future. Base is able to commence utilisation at any time within six months of requiring the funds, which is projected to be around November. This ability to draw down early and concurrent with equity funds being available significantly reduces risks associated with funding continuity.

The key CP's to drawdown as previously advised and their current status are as follows:

- *The execution of off-take agreements covering 70% of projected revenue;*
Documentation for the final off-take agreements required to satisfy the CP is now in the process of being signed by the parties. This includes the Direct Agreements required by the terms of the Debt Finance Facility.
- *The execution of security documentation, including Government of Kenya consent to the security interests;*
All security documentation has now been executed. The required instruments of consent have been executed by the Commissioner of Mines and are now with the Permanent Secretary of Treasury for signature.
- *Gazetting of the taxation concessions that the Government of Kenya has committed to through the Investment Agreement.*
The notice to give effect to the primary tax concession, a 50% reduction in tax for the first 10 years of operation, was published in the Kenya Gazette on 29th June. Only one notice now remains to be published for the full suite of tax concessions to be completed. We understand that this last notice has been signed by the Minister and is with the Government printer for publication.

While the process to achieving first draw down has taken longer than expected, the value of targeting an early drawdown, well ahead of requiring the funds, has been demonstrated as a consequence. With Endeavour Financial coordinating the process and an engaged Lender group, we are now very close to a financial close.

Marketing

The positive medium to long term outlook for titanium dioxide feed stocks continued over the June quarter with industry experts TZMI releasing their latest long-term price forecasts in May, showing an increase in price expectations, particularly for high grade feedstocks, over the period to the end of 2016 compared with their February forecast. In the short term, recent announcements by Iluka Resources Ltd (**Iluka**) indicated difficult current market conditions but, significantly, both DuPont and Tronox issued statements in response expressing the view that the outlook for pigment demand is stronger than suggested.

Zircon demand continued to be soft over the June quarter, reflecting a combination of impacts from Chinese government policy timing, global economic conditions as well as specific issues in some of primary ceramics export markets for European producers of Iran, Turkey and Egypt. Iluka has continued to maintain 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.

Despite the short-term outlook, but reflecting the continuing positive market dynamics for mineral sands producers longer term, Base is making good progress in assembling a portfolio of off-take arrangements for the production from Kwale. Offtake agreements for further rutile as well as zircon off-take are now in the process of signing. These additional agreements, together with the off-take arrangements already concluded covering approximately 58% of revenue, are 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 production.

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 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 confirmatory drilling program, comprising a total of 2,998 metres in 83 holes, was completed in the March quarter at the Mambrui and Kilifi projects to test depth, grade, geo-metallurgical domains and assemblage. Over the June quarter, a series of mineralogical and processing testwork programs were undertaken. Analysis of the results is progressing and updated resources for these two projects are scheduled for completion in the September quarter.

Corporate

In summary, at 30 June:

- Cash and cash equivalents were \$105.9 million.
- Nil debt drawn.
- 460,440,029 shares on issue.
- 18,000,000 unlisted options.

Ends.

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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.