ASX and Media Release
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PROJECT FINANCING UPDATE AND CAPITAL COST FORECAST

Base Resources Limited (ASX:BSE) (“Base”) advises that key conditions precedent to utilization of the US$170 million project debt facilities (**Project Finance Facility**) have now been satisfied and that a project capital cost re-estimate has now been completed.

Project Finance Facility

Under the terms of the US$170 million project financing (**Debt Finance Facility**), first utilisation is subject to the satisfaction of a number of conditions precedent (CP’s). The key CP’s to drawdown as previously advised and their current status are:

- *The execution of off-take agreements covering 70% of projected revenue -* ***Complete***
- *The execution of security documentation, including Government of Kenya consent to the security interests and execution of a direct agreement -* ***Complete***
- *Gazetting of the taxation concessions that the Government of Kenya has committed to through the Investment Agreement –* ***final gazette notice signed by the Minister of Finance and awaiting publication.***

With these key CP’s effectively now satisfied and a number of remaining minor CP’s the subject of a waiver request on which Lender confirmation is expected in the next week, the final procedural steps required to make the first drawdown can now be completed. This includes Base injecting its required equity contribution into Base Titanium Limited, the wholly owned Kenyan subsidiary developing the Kwale Project. These steps are expected to be completed in a timeframe to allow a drawdown in the next quarter (refer below for further comment).

Revised Capital Cost Forecast

With detailed design now nearing completion and the procurement and contracting phase 70% complete, a review of the capital cost estimate has been completed. This review, which has included a risk assessment on all outstanding contracts and procurement items, has resulted in a revised capital cost estimate for the Kwale Project of US$275 million plus additional total contingencies of US$23 million. This total project forecast of US$298 million represents a 14% increase over the original budget.

While much of the increase in capital cost can be attributed to design improvements and scope changes during the design phase, a significant proportion of the cost increase is related to labour costs in construction. This is as a result of the direct experience gained in the implementation of project to date, particularly in relation to the manning levels and supervisory input required to achieve schedule. This component of the cost increase is regarded as an investment in implementation risk management.

The project currently remains on schedule for practical completion in the September quarter of 2013.

Funding Implications

A number of alternative funding sources are currently being considered to accommodate the increased capital cost estimate and provide an appropriate level of contingency funding. These alternatives include: extended or additional debt facilities, an equity raising, the reallocation of internal funding, or some combination thereof.

As noted above, Base making its required funding contribution to complete the project is a prerequisite to drawdown on the Debt Finance Facility. Consequently, Base is working towards finalizing the additional funding arrangements over the next month to ensure a timely drawdown on the Debt Finance Facility in the December quarter of 2012.

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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, funding in place and construction of all project elements underway.

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.