

ASX Release

26 October 2012

## LOCAL EQUITY PARTICIPATION REGULATIONS

**Base Resources Limited (ASX:BSE)** ("Base") advises that the Kenyan Minister of Environment & Mineral Resources has passed a regulation under the Mining Act that seeks to mandate a 35% minimum Kenyan equity participation in mining licenses.

The *Mining (Local Equity Participation) Regulations 2012* ("the Regulations"), which became publicly available yesterday, state that:

*"It shall be a condition of every mining license that the mineral right in respect of which the license is issued shall have a component of local equity participation amounting to at least 35% of the mineral right".*

The Regulation is silent as to its application to existing mining leases, any transitional provisions and how, or on what terms, the equity interest is to be implemented. It also contains a number of terms that are not defined or used in the Mining Act.

Base has received legal advice that the Regulations do not apply to the Special Mining Lease No. 23 ("the SML") covering the Kwale Project and that any application of the Regulations to the SML would most likely be unconstitutional. The advice also suggests that such application would be considered to be a breach of the Investment Agreement that Base has with the Government of Kenya. Further, the Investment Agreement also provides that in the event of the Government taking action tantamount to expropriation or nationalization, Base is entitled to compensation for the full market value of all property thus taken.

We are pursuing discussions with Government to understand their position and intent with respect to the Regulations and are assessing the potential implications for the Kwale Project.

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### **Corporate Details:**

#### **Board of Directors:**

Andrew King	Non-Executive Chairman
Tim Carstens	Managing Director
Colin Bwyne	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**

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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.