

ASX, AIM and Media Release

30 July 2013

Quarterly Activities Report – June 2013

HIGHLIGHTS

- **Kwale Project is 87% complete with mining and concentrate production scheduled to commence in Q3 2013.**
- **Commissioning of the Mineral Separation Plant expected to be delayed by 4 weeks into the 4th quarter.**
- **Power line and substation completed and energised.**
- **Mukurumudzi Dam embankment completed and holding more than sufficient water for the first year's production requirements.**
- **Entire operational management team in place.**
- **Third US\$46 million drawdown on the Kwale Project Debt Facility completed.**

Base Resources Limited (ASX & AIM: BSE) ("Base") has made further significant progress in the development of the Kwale Project during the quarter, completing the power line, closing the Mukurumudzi Dam embankment, and advancing overall development to 87% complete.

KWALE PROJECT IMPLEMENTATION

The June quarter has seen substantial construction activity, most notably on the process plant and port facilities. With the overall development 87% complete, the Kwale Project is expected to commence production of heavy mineral concentrate ("HMC") in Q3 2013 and finished products in Q4 2013 with first bulk shipments to commence in the 2nd half of Q4 2013.

Project elements

The development approach 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)

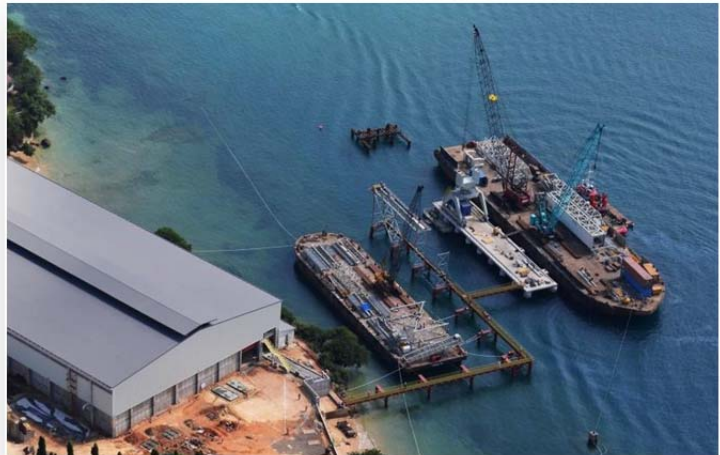
- Overall progress is at 84% complete.
- The mining unit and concentrator are on schedule to commence HMC production during Q3 2013.
- The Mineral Separation Plant (“MSP”) completion is expected to be delayed by approximately 4 weeks as a consequence of slower than anticipated structural, mechanical and pipework installation.
- In response, the MSP completion and ramp-up schedule has been revised to prioritise the ilmenite and rutile circuits ahead of the zircon circuit in order to minimise the cashflow impacts of the delay.



Erection of steelwork & Mechanical equipment for the process plant

CP2 – Marine Facilities (WSP / Prodelco)

- The overall progress to date is 90% complete and on target for delivery prior to the first planned bulk shipment in Q4 2013.
- Onshore construction works are well advanced with the storage shed complete and administration buildings progressing.
- Following construction and trial assembly in South Africa, the ship loader arrived in Mombasa and final erection on the wharf platform is underway.



Erection of shiploader at the port

CP3 - Power Line (CG Global)

- The project is complete, commissioned and providing power for construction.



Kwale Substation

CP4 – Mukurumudzi Dam (Wave)

- Overall delivery is 89% complete.
- The water capacity in the dam is currently at 5.9GL, which is more than sufficient for the first year's production requirements.
- Construction of the main embankment to the final elevation is now complete.
- The spillway construction is in its final stages.



Mukurumudzi Dam and spillway

CP5 – Tailings Storage Facility (Wave)

- Overall progress at 79% complete.
- While construction works are behind schedule, forecast completion date is still in advance of the required date for plant commissioning.



TSF Embankment B

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

- The road construction and A14 road junctions are complete.
- Phase two of the construction camp and associated infrastructure is complete with 695 people currently accommodated.



Access Road and A14 junction

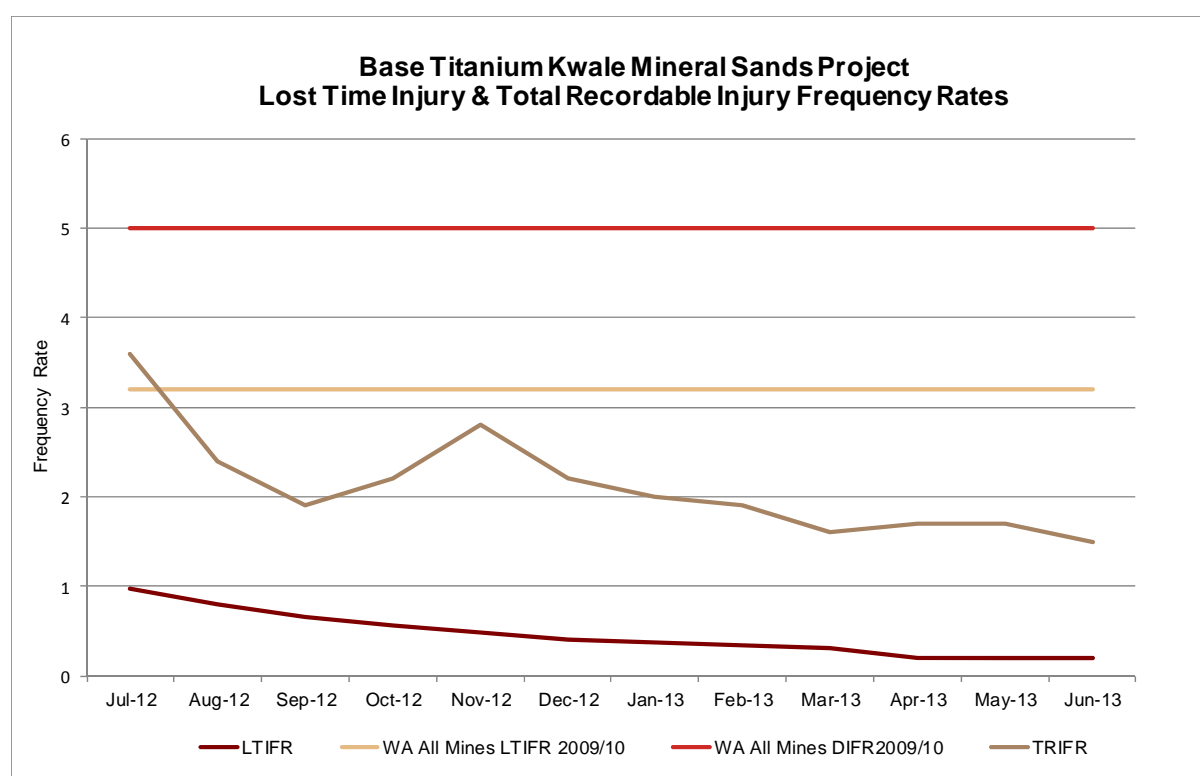
Owners Projects

In addition, a suite of owner's projects are being managed directly by the Base operations team. The dozer trap mining unit is on site with assembly and commissioning on target for completion in Q3. The full mobile fleet has been delivered, commissioned and is in operation in construction support and training activities.

The full senior operations management team are in place and 90% of all operational employees are either in-place or have accepted positions. Pre-commissioning training is well advanced.

Safety Performance

Safety performance continues to be an area of intense focus and effort with particular emphasis on system development, training and supervisor accountability. The Lost Time Injury frequency rate for the project is currently 0.2 per million man hours with over four million hours worked since the last (and only) lost time injury in July 2012.



Community and Environment

The Base Labour Recruitment Centre has now registered over 12,000 job seekers from Kwale and Likoni which has been used to recruit much of the construction and operational workforces. Around 2,200 people were employed on the project at the peak of construction activity with approximately 90% of these being Kenyan nationals, of which 40% were from the local communities surrounding the project. As Project contractors reach completion of their packages, planning is underway to manage the demobilisation of workers in these local communities.

Community infrastructure works continued during the quarter with rehabilitation work on Muslim Primary School in Likoni. Following completion of the Magaoni Secondary School in Q1 2013, there are now 45 students enrolled with Phase II works scheduled for Q3 2013. The proposed Miembeni feeder school has been approved by the local authorities pending identification of a suitable, central location to provide optimal access for the community. The community have been requested to provide land for this purpose. Construction of Phase I of the Magoni health centre has commenced with completion expected in Q4 2013. Three existing drinking water boreholes have been rehabilitated and applications for drilling of three additional boreholes in villages near the mine site have been submitted. This infrastructure will improve water quality in the area and

provide more reliable supplies. Bwiti Dispensary was officially opened by the Hon. Mwashetani, MP for Lunga Lunga Division, with provision of medicines by Base.

Infrastructure projects now complete include four schools, a community hall, three water schemes, a dispensary as well as road and access improvements. A further primary school and health dispensary will be constructed at locations agreed in conjunction with the Mining Project Liaison Committee and in collaboration with local communities.



Donation of medicine to Bwiti Dispensary

Budget

The anticipated delay in the completion of the MSP and increases in the cost of the ship loader have been the principal contributors to an increase in the total forecast capital cost for the project of around 2% to US\$305 million.

To 30 June, US\$249 million has been incurred.

Financing

In June, the third drawdown of US\$46 million was completed on the Kwale Project debt facilities. Total debt drawn at 30 June is US\$170 million, inclusive of the original \$20 million cost overrun facility. A further \$20 million extension to the cost overrun facility which was finalised early in the June quarter remains undrawn, with utilisation subject to receiving the consent of the Commissioner of Mines & Geology to the resultant extension of security interests which we have been advised to expect shortly.

As a consequence of the anticipated delay in the start-up of the MSP, the timing of shipments, continued subdued product prices expected in Q4 2013 and the increase in forecast capital cost, Base considers it prudent to increase the funding buffer available for working capital and will be pursuing a further extension of the existing debt facilities.

Marketing

The short term market for titanium dioxide feedstocks showed some signs of improvement through the June quarter with some of the major pigment producers reporting a significant reduction in final product stocks. Continued strength in the US housing market together with improvement in the Chinese housing sector provides support for market conditions to continue improving through the second half of 2013. However, ilmenite and rutile stock levels in the supply chain are considered likely to maintain subdued pricing for the remainder of 2013.

Market conditions for zircon remained firm through the June quarter. Demand from Chinese customers, in particular, increased significantly throughout the first half of 2013. Some of the major zircon producers, including Iluka Resources Limited, managed to reduce zircon stocks through the first half of 2013 and have advised customers that the availability of zircon for prompt sales is diminishing. While zircon demand through the September quarter, and the remainder of the second half of 2013, is expected to remain firm, a recovery in pricing will be dependent on the pace of stock re-balancing throughout the supply chain.

The long term outlook for all mineral sands products remains very positive. Enquiry levels for Base's products remains strong and Base is now well advanced in finalising additional off-take contracts for both ilmenite and zircon.

Kenyan Exploration Projects

As part of the Kwale Project acquisition, Base acquired an option to purchase three further exploration projects - Kilifi, Mambrui and Vipingo. As reported previously, on 28 December 2012, the then Kenyan Minister of Environment & Mineral Resources published a gazette notice purporting to cancel the three exploration licenses covering these projects. The Company has taken the appropriate legal action to protect the rights and has received a court order staying the cancellation pending a hearing. Base continues to pursue the matter and is confident of a positive outcome.

Exploration activity during the quarter was focused on enhancing the Kwale North Dune resource estimate. Drilling comprised 5,474 meters in 111 holes to test depth, grade, geo-metallurgical domains and assemblage. Analysis of the results is nearing completion and an updated resource estimate is scheduled for completion in the September quarter. The North Dune is not currently included in the Kwale Project.

Corporate

In summary, at 30 June 2013:

- Cash and cash equivalents were A\$98.1 million.
- Debt drawn of US\$170.0 million.
- 561,840,029 shares on issue.
- 16,600,000 unlisted options.

Ends.

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Non-Executive Director

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About Base Resources

Base Resources Limited is an ASX and AIM listed (BSE) resources developer, with a portfolio of assets in Africa. Its flagship project is the Kwale Mineral Sands Project ("Kwale") in Kenya, East Africa. Kwale is fully funded and with construction nearing completion, the project is on schedule to commence production and shipment of a high-value assemblage of rutile, ilmenite and zircon minerals in the latter half of 2013.

Kwale is expected to generate a cash surplus of more than US\$1 billion over its 13-year mine life. With a front-ended production profile forecast to deliver an enviable cash flow of more than US\$500 million in the first 5 years of operations, Kwale will provide a strong foundation for Base's emergence as a significant global resources company.