

HIGHLIGHTS

- Commencement of ore processing through the mining unit and wet concentrator at the Kwale Project.
- All Kwale Project supporting infrastructure completed and operational including – water supply dam, tailings storage facility, power line and ancillary borefield.
- Three new, three-year, take or pay off-take agreements signed with leading Chinese off-takers, securing a large portion of the previously un-contracted sales volumes for ilmenite and zircon.
- Malcolm Macpherson appointed to the Board, bringing significant additional mineral sands, African and corporate development experience to the Company.

Base Resources Limited (ASX & AIM: BSE) (“Base” or the “Company”) has commenced ore processing through the mining unit and wet concentrator at the Kwale Mineral Sands Project (“Kwale Project” or the “Project”) in Kenya, East Africa. All work packages are now complete and operational with the exception of the mineral separation plant (“MSP”) and port facilities which are nearing completion, and the Project remains on schedule to make the first bulk product shipments in January 2014.

KWALE PROJECT IMPLEMENTATION

The mining unit and wet concentrator are now operational and, in October, commenced the ramp up process and the building of a stockpile of heavy mineral concentrate (“HMC”) ahead of the commissioning of the MSP. Construction work on the MSP is now in its final stages with commissioning of the ilmenite and rutile circuits and commencement of concentrate processing expected towards the end of November, which will be followed by the zircon circuit.

Onshore construction works at the Likoni port facility are in the final stages with the 60,000 tonne capacity storage shed complete and administration buildings progressing on track. Following construction and trial assembly in South Africa, the ship loader was successfully erected on the wharf platform in August and its installation is on target for completion prior to the first planned bulk shipment in January 2014.



Initial HMC stockpile following commissioning of the mining unit and wet concentrator plant



The 16 kilometre 132kVA power line was commissioned in June and subsequently provided power for the latter stages of construction and continues to be the source for ongoing operations.

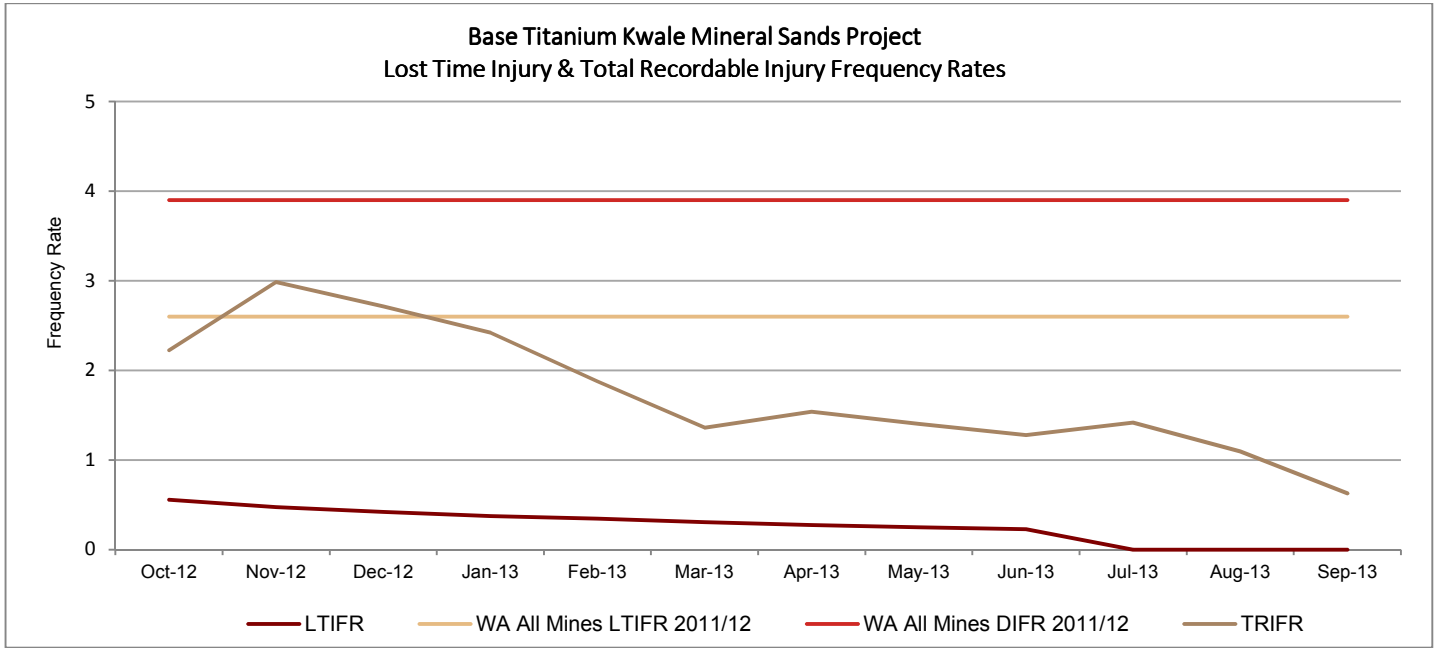


The Mukurumudzi Dam main embankment has now been completed to its final elevation, providing a storage capacity of eight gigalitres, and the spillway is functionally complete. The dam currently holds some six gigalitres of water, which is more than sufficient for the first year’s production requirements.

The tailings storage facility was completed in August and is now accepting tails from HMC production through the wet concentrator.

SAFETY PERFORMANCE

The Company’s safety performance remains high following its transition from construction, into commissioning. Operations have been relatively incident free to date with only minor permit to work, or systems breaches occurring. The Lost Time Injury frequency rate for the project is currently 0.15 per million man hours with over six million hours worked since the last (and only) lost time injury in July 2012.



COMMUNITY AND ENVIRONMENT

With the completion of many project infrastructure components during the quarter, demobilisation of construction workers is underway. Base has conducted demobilisation workshops to assist local workers with skills that will improve their employability. Local residents are also assisting with several environmental projects in and around the mine site.

The Company has now recruited the permanent operational workforce of around 370 with 60% being from Kwale County, 70% from Coast Province and 90% Kenyan. Base's Labour Recruitment Centre, which currently has over 14,000 people registered on the database, is no longer registering new job seekers. The next opportunity to be pursued is opening the recruitment centre up and making it available to other regional employers as an ongoing employment portal for the local community.

Construction of social infrastructure continued during the quarter with the commencement of Magaoni Health Centre. Discussions are still taking place with local administration and the community to locate another feeder school at Miembeni to the north of the mining lease. Permitting and authorisations have been received for the installation of three boreholes intended to provide clean water to villages near the mine site. In Likoni, the Muslim Primary School was rehabilitated to improve learning conditions for the 900 students enrolled. A further school and dispensary will be constructed once the Fingirika Settlement Scheme is established by the Government or suitable alternatives identified in collaboration with local communities.

Establishment of Base's indigenous tree nursery continued and it is now one of the largest in Kenya. The nursery will provide the stock for the Biodiversity Offset Programme and, ultimately, the rehabilitation of the mine site.



BUDGET

The estimated cost at completion for the Project is currently US\$306 million, of which US\$287 million had been incurred to 30 September 2013.

FINANCING

Subsequent to quarter end, the final US\$20 million tranche of the existing debt facilities was drawn in October 2013, bringing the total Kwale Project debt facilities drawn to US\$190 million.

As previously indicated in the June 2013 quarterly report, Base considers it prudent to increase the funding buffer available for working capital during the ramp up phase of operations and is currently pursuing a further extension of the existing debt facilities.

MARKETING

The short-term market for titanium dioxide feedstocks continued to show signs of improvement through the September quarter with major pigment producers reporting a significant reduction in final product stocks and announcing pigment price increases. 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 December quarter of 2013 and into 2014. However, ilmenite and rutile stock levels in the supply chain are likely to result in subdued pricing through until at least the end of the first half of 2014.

Zircon demand, from Chinese customers in particular, increased significantly throughout the first half of 2013. Due to the extent of re-stocking by zircon users that occurred during the first half of 2013, demand growth is expected to occur at a slower rate through the second half of 2013, as evidenced in the September quarter. The timing of a recovery in zircon 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 during the September quarter Base finalised three new, three-year, take or pay off-take agreements with leading Chinese off-takers, securing a large portion of the previously un-contracted sales volumes for ilmenite and zircon.

KENYAN EXPLORATION PROJECTS

As part of the Kwale Project acquisition, Base acquired an option to purchase three further exploration projects - Kilifi, Mambui 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.

Further exploration activity, focused on enhancing the Kwale North Dune resource estimate has been completed. Composite samples have been sent for assaying, which is to be followed by the preparation of the updated resource model in the December quarter. The North Dune is not currently included in the Kwale Project.

CORPORATE

In summary, at 30 September 2013:

- Cash and cash equivalents were A\$44.3 million.
- Debt drawn of US\$170.0 million.
- 561,840,029 shares on issue.
- 16,600,000 unlisted options.

Ends.

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