BASE RESOURCES LIMITED
CONSOLIDATED ACCOUNTS

ABN 88 125 546 910

Interim Financial Report for the six month period ended 31 December 2013

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CORPORATE DIRECTORY

DIRECTORS

Mr Andrew King, Non-Executive Chairman
Mr Tim Carstens, Managing Director
Mr Colin Bwye, Executive Director
Mr Samuel Willis, Non-Executive Director
Mr Winton Willesee, Non-Executive Director – retired 26 November 2013
Mr Michael Anderson, Non-Executive Director
Mr Trevor Schultz, Non-Executive Director
Mr Mike Stirzaker, Non-Executive Director – alternate for Trevor Schulz
Mr Malcolm Macpherson, Non-Executive Director – appointed 25 July 2013

COMPANY SECRETARY

Mr Winton Willesee

PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

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DIRECTORS REPORT

Your directors submit the interim financial report of the Group, being the Company, Base Resources Limited, and its controlled entities for the half-year ended 31 December 2013.

Directors

The names of the directors in office at any time during or since the end of the half-year are:

Mr Andrew King

Mr Tim Carstens

Mr Colin Bwye

Mr Winton Willesee – retired 26 November 2013

Mr Samuel Willis

Mr Michael Anderson

Mr Trevor Schultz

Mr Mike Stirzaker – alternate for Trevor Schulz

Mr Malcolm Macpherson – appointed 25 July 2013

Directors have been in office since the start of the financial year to the date of this report with the exception of Mr Malcolm Macpherson who was appointed on 25 July 2013 and Mr Winton Willesee who retired on 26 November 2013.

Company Secretary

Mr Winton Willesee held the position of company secretary during the half-year.

Principal Activities and Significant Changes in Nature of Activities

The principal activity of the Group is the development and operation of the Kwale Mineral Sands Project in Kenya.

Operating Results

The loss for the Group for the half-year after providing for income tax amounted to $5,522,393 (2012: $2,393,937).

Dividends Paid or Recommended

There were no dividends paid or declared for payment during the period ended 31 December 2013.

Review of Operations

Base has made significant progress in the development of the Kwale Mineral Sands Project during the current period. All work packages are now complete and operational with only minor defect list items remaining outstanding.

Following commissioning of the dry mining unit (“DMU”) and wet concentrator in early October, the production of heavy mineral concentrate (“HMC”) commenced. Optimisation of these circuits continued throughout the December quarter resulting in a steady increase in throughput, recoveries, availability and runtime towards design targets.

The DMU proved extremely effective with the Caterpillar D11T dozers performing to expectation. Slimes separation and disposal and sand tails stacking has proceeded and performed according to plan. Wet concentrator production and performance has been ramping up consistently and is in line with ramp up expectations.

Commissioning of the mineral separation plant (“MSP”) commenced in December with the main focus on balancing and debottlenecking in order to progress the ramp-up to achieve nameplate throughput. Ilmenite production is on track in terms of both tonnage and quality, with the first 25,000 tonne shipment exported in February 2014. Ramp up of rutile production has been slower due to an initial focus on the front end ilmenite circuit as well as the rectification of a number of plant bottlenecks.

Subsequent to year end, in February 2014, the zircon circuit of the MSP was commissioned and production of zircon product commenced.

DIRECTORS REPORT

Financial Position

The Group's working capital, being current assets less current liabilities, has decreased from $88 million at 30 June 2013 to $16 million at 31 December 2013, due to the use of funds in the development of the Kwale Project.

In December 2013, the Group executed documentation to extend its existing project finance facility agreements by a further US$25 million which has been utilised in January 2014 to increase the working capital buffer available during the ramp up phase of the Project. The additional debt facility will ensure that Base has the funding required to take Kwale through ramp up and to positive cash flow.

In the Directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 6 for the half-year ended 31 December 2013.

This report is signed in accordance with a resolution of the Board of Directors.

Andrew King
Director
Dated this 21st day of February 2014

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Base Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2013 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Graham Hogg
Partner

Perth

21 February 2014

CONSOLIDATED CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

	Note	6 months to 31 December 2013 $	6 months to 31 December 2012 $
Other income		36,581	-
Directors' and related fees		(782,985)	(1,081,949)
Employee benefits expense		(926,521)	(419,299)
Consultant fees		(1,066,439)	(786,867)
Administrative expense		(1,023,732)	(761,635)
Accounting, audit and related services fees		(234,916)	(137,952)
Share based payment expense		(296,015)	(215,069)
Community development costs		(491,527)	-
Depreciation		(73,962)	(35,961)
Write down of exploration costs		(1,034,422)	-
Other expenses from ordinary activities		(82,093)	(42,829)
Loss before financing income and income tax		(5,976,031)	(3,481,561)
Financing income, net	2	508,059	1,087,624
Loss before income tax		(5,467,972)	(2,393,937)
Income tax expense		(54,421)	-
Net loss for the period		(5,522,393)	(2,393,937)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences - foreign operations		4,172,910	(980,091)
Total other comprehensive income / (loss) for the period		4,172,910	(980,091)
Total comprehensive loss for the period		(1,349,483)	(3,374,028)
Net Loss per share		**Cents**	**Cents**
Basic profit / (loss) per share (cents per share)		(0.98)	(0.47)
Diluted profit / (loss) per share (cents per share)		(0.98)	(0.47)

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	Note	31 December 2013 $	30 June 2013 $
Current assets			
Cash and cash equivalents	3	33,285,670	98,122,682
Other receivables		1,067,494	6,131,329
Inventories	4	8,894,973	60,430
Other		2,606,578	2,158,766
Total current assets		45,854,715	106,473,207
Non-current assets			
Capitalised exploration and evaluation	5	1,141,499	1,980,899
Capitalised mine development	6	349,885,771	281,390,117
Property, plant and equipment	7	20,107,146	12,259,327
Inventories	4	1,152,881	-
Restricted cash		5,641,891	5,478,394
Other receivables		23,841,759	16,228,748
Total non-current assets		401,770,947	317,337,485
Total assets		447,625,662	423,810,692
Current liabilities			
Trade and other payables		9,734,992	17,396,187
Borrowings	8	19,105,491	-
Provisions		994,189	712,230
Total current liabilities		29,834,672	18,108,417
Non-current liabilities			
Other payables	9	1,152,881	1,088,900
Borrowings	8	189,028,148	178,850,990
Provisions		4,775,419	2,162,752
Deferred revenue		5,635,000	5,474,500
Total non-current liabilities		200,591,448	187,577,142
Total liabilities		230,426,120	205,685,559
Net assets		217,199,542	218,125,133
Equity			
Issued capital	10	213,668,499	213,668,499
Reserves		21,724,130	17,127,328
Accumulated losses		(18,193,087)	(12,670,694)
Total equity		217,199,542	218,125,133

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

	Issued capital	Accumulated losses	Share based payment reserve	Foreign currency translation reserve	Total
	$	$	$	$	$
Balance at 1 July 2012	175,718,629	(6,009,529)	1,219,113	(1,098,427)	169,829,786
Loss for the period	-	(2,393,937)	-	-	(2,393,937)
Other comprehensive loss	-	-	-	(980,091)	(980,091)
Total comprehensive profit / (loss) for the period	-	(2,393,937)	-	(980,091)	(3,374,028)
Transactions with owners, recognised directly in equity					
Shares issued during the period, net of costs	37,725,870	-	-	-	37,725,870
Share based payments	-	-	283,328	-	283,328
Balance at 31 December 2012	213,444,499	(8,403,466)	1,502,441	(2,078,518)	204,464,956
Balance at 1 July 2013	213,668,499	(12,670,694)	1,764,170	15,363,158	218,125,133
Loss for the period	-	(5,522,393)	-	-	(5,522,393)
Other comprehensive income	-	-	-	4,172,910	4,172,910
Total comprehensive profit / (loss) for the period	-	(5,522,393)	-	4,172,910	(1,349,483)
Transactions with owners, recognised directly in equity					
Shares issued during the period, net of costs	-	-	-	-	-
Share based payments	-	-	423,892	-	423,892
Balance at 31 December 2013	213,668,499	(18,193,087)	2,188,062	19,536,068	217,199,542

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

	6 months to 31 December 2013 $	6 months to 31 December 2012 $
Cash flows from operating activities		
Payments in the course of operations	(5,279,331)	(3,276,310)
Income tax paid (Kenya)	(59,669)	-
Net cash used in operating activities	(5,339,000)	(3,276,310)
Cash flows from investing activities		
Interest received	269,870	2,269,632
Payments for exploration and evaluation	(156,680)	(335,196)
Purchase of property, plant and equipment	(953,857)	(639,005)
Payments for mine development	(88,636,877)	(95,191,297)
Research and development tax received	5,030,381	-
Security deposits	(280,712)	(563,476)
Net cash used in investing activities	(84,727,875)	(94,459,342)
Cash flows from financing activities		
Proceeds from issue of shares	-	40,000,000
Payment of share issue costs	-	(2,274,130)
Proceeds from debt financing	22,540,000	50,138,400
Debt finance facility fees	(246,574)	(728,822)
Net cash provided by financing activities	22,293,426	87,135,448
Net decrease in cash held	(67,773,449)	(10,600,202)
Cash at beginning of period	98,122,682	105,805,684
Effect of exchange fluctuations on cash held	2,936,437	(666,106)
Cash at end of period	33,285,670	94,539,376

The accompanying notes form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION

Reporting entity

Base Resources Limited is a company domiciled in Australia. The condensed consolidated interim financial statements of the Company for the six-months ended 31 December 2013 comprises the Company and its controlled entities (together referred to as the "Group"). The Group is a for-profit entity and primarily is involved in the development and operation of the Kwale Mineral Sands Project in Kenya.

Statement of compliance

The consolidated interim financial report is a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 and International Accounting Standard IAS 34: Interim Financial Reporting.

The consolidated interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of the consolidated entity for the year ended 30 June 2013 and any public announcements made by Base Resources Limited during the interim financial reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The consolidated interim financial report was approved by the Board of Directors on 21 February 2014.

Basis of measurement

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Financial position

The Group held cash on hand and on deposit as at 31 December 2013 of $33 million. As at 31 December 2013 the Group held net assets of $217 million and had a net working capital surplus of $16 million. Net cash outflows from operations and investing activities for the six-months ended 31 December 2013 was $90 million. The Directors consider the going concern basis of preparation to be appropriate based on forecast cash flows. The achievement of the cash flow forecasts depends on the successful commissioning of the plant on budget, ramp up of operations to achieve acceptable levels of commercial production at budgeted costs and realising sales at forecast mineral sands prices and within budgeted timeframes. Should any or all of these factors not be achieved as forecast the Group may be required to source additional funds through debt or equity markets or a combination of the two.

Functional and presentation currency

These consolidated interim financial statements are presented in Australian dollars, which is the Company's functional currency. The functional currency for the subsidiaries is United States dollars.

Significant accounting policies

The accounting policies applied by the consolidated entity in this consolidated interim financial report are consistent with those applied by the consolidated entity in its annual financial report for the year ended 30 June 2013 except for the following:

(a) Inventories

Inventories of HMC concentrate and finished product are physically measured or estimated and valued at the lower of cost and net realisable value. Cost represents weighted average cost and includes direct costs and an appropriate portion of fixed and variable overhead expenditure, including depreciation and amortisation.

Inventories of consumable supplies and spare parts to be used in production are valued at weighted average cost. Obsolete or damaged inventories are valued at net realisable value. A regular and ongoing review is undertaken to establish the extent of surplus items, and a provision is made for any potential loss on their disposal.

Net realisable value is the net selling price less all costs still to be incurred in converting the relevant inventory to saleable product, and delivering it to the customer.

Significant accounting policies

(b) Adoption of new standards

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2013.

- AASB 10 Consolidated Financial Statements
- AASB 13 Fair Value Measurement (see (c) below)
- AASB 119 Employee Benefits

The adoption of AASB10 & AASB 119 had no significant impact to the consolidated interim financial statements.

(c) Fair value measurement

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other AASBs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7 Financial Instruments: Disclosures.

In accordance with the transitional provisions of AASB 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurement of the Group's assets and liabilities.

Critical accounting estimates and judgements

The directors make estimates and judgements in the preparation of the financial report that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the consolidated financial statements for the year ended 30 June 2013.

NOTE 2: FINANCING INCOME, NET

	6 months to 31 Dec 13 $	6 months to 31 Dec 12 $
Gain / (loss) on foreign exchange translations	235,306	(354,501)
Interest income	272,753	1,442,125
	508,059	1,087,624

NOTE 3: CASH AND CASH EQUIVALENTS

	31 Dec 13 $	30 Jun 13 $
Cash at bank and in hand	33,285,670	88,122,682
Short-term bank deposits	-	10,000,000
	33,285,670	98,122,682

NOTE 4: INVENTORIES

	31 Dec 13	30 Jun 13
	$	$
Current		
Heavy mineral concentrate and other intermediate stockpiles	3,435,671	-
Finished goods stockpiles	1,425,437	-
Stores and consumables	4,033,865	60,430
Total current inventories	8,894,973	60,430
Non-current		
Stores and consumables	1,152,881	-
Total inventories	10,047,854	60,430

All inventories are valued at the lower of cost and net realisable value.

NOTE 5: CAPITALISED EXPLORATION AND EVALUATION EXPENSES

	31 Dec 13	30 Jun 13
	$	$
Exploration and evaluation (Kenya)	1,141,499	1,980,899
Movement in carrying value		
Opening Balance	1,980,899	653,514
Evaluation and exploration expenditure during the period	156,680	1,288,329
Adjustment for the effect of foreign exchange movements	38,342	39,056
Exploration written off during the year	(1,034,422)	-
	1,141,499	1,980,899

Capitalised exploration and evaluation cost relates to enhancing the Company's Kwale North Dune resource estimate. The North Dune is not currently included in the Kwale Project.

Following the completion of an economic and technical evaluation of the Kilifi, Mambrui and Vipingo exploration projects, the Company has decided not to exercise its option to acquire these licenses. As a result all carried forward capitalised expenditure for these projects has been written off during the current period.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 6: CAPITALISED MINE DEVELOPMENT

	31 Dec 13	30 Jun 13
	$	$
Mine Development - Kwale Project	349,885,771	281,390,117

Movement in carrying value		
Opening balance	281,390,117	62,132,204
Expenditure during the period	68,001,170	220,649,039
Adjustment for the effect of foreign exchange movements	6,934,657	4,255,367
Income tax benefit	-	(5,196,592)
Transfers to property, plant and equipment	(6,440,173)	(183,594)
Transfers from property, plant and prepayments	-	(266,307)
	349,885,771	281,390,117

Mine development expenditure relates to the development of the Kwale Mineral Sands project in Kenya.

NOTE 7: PROPERTY, PLANT AND EQUIPMENT

	31 Dec 13	30 Jun 13
	$	$
Plant and equipment		
At cost	18,253,811	8,999,744
Accumulated depreciation	(1,874,587)	(602,616)
	16,379,224	8,397,128
Vehicles		
At cost	2,255,966	2,191,708
Accumulated depreciation	(964,044)	(662,619)
	1,291,922	1,529,089
Furniture & fixtures		
At cost	655,955	641,646
Accumulated depreciation	(172,215)	(102,146)
	483,740	539,500
Buildings		
At cost	1,858,800	1,805,856
Accumulated depreciation	(77,450)	(30,097)
	1,781,350	1,775,759
Capital work in progress		
At cost	170,910	17,851
Total Property, Plant and Equipment	20,107,146	12,259,327

NOTE 7: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Plant & equipment	Furniture & fixtures	Vehicles	Buildings	Capital work in progress	Total
	$	$	$	$	$	$
Balance at 1 July 2012	217,876	90,225	989,453	-	402,254	1,699,808
Additions	168,444	-	432,125	-	38,437	639,006
Transfers (to)/from mine development	-	-	37,893	-	(219,155)	(181,262)
Transfers	5,929	149,258	21,773	-	(176,960)	-
Depreciation capitalised to mine development	(7,770)	(5,231)	(177,704)	-	-	(190,705)
Depreciation expense	(30,930)	(5,031)	-	-	-	(35,961)
Effects of movement in foreign exchange	(727)	(523)	(20,504)	-	(6,139)	(27,893)
Balance at 31 December 2012	352,822	228,698	1,283,036	-	38,437	1,902,993
Balance at 1 July 2013	8,397,128	539,500	1,529,089	1,775,759	17,851	12,259,327
Additions	2,546,702	-	-	-	170,910	2,717,612
Transfers (to)/from mine development	6,440,173	-	-	-	-	6,440,173
Transfers	17,851	-	-	-	(17,851)	-
Depreciation capitalised to mine development	(1,194,999)	(56,702)	(281,996)	(46,470)	-	(1,580,167)
Depreciation expense	(62,756)	(11,206)	-	-	-	(73,962)
Effects of movement in foreign exchange	235,125	12,148	44,829	52,061	-	344,163
Balance at 31 December 2013	16,379,224	483,740	1,291,922	1,781,350	170,910	20,107,146

NOTE 8: BORROWINGS

	31 Dec 13	30 Jun 13
	$	$
Current		
Debt facility (a)	18,809,630	-
Finance lease liabilities (b)	295,861	-
Total current borrowings	19,105,491	-
Non-current		
Debt facility (a)	195,320,370	186,133,000
Capitalised borrowing costs (a)	(10,557,973)	(9,164,947)
Amortisation of finance facility fees (a)	2,890,109	1,882,937
Finance lease liabilities (b)	1,375,642	-
Total non-current borrowings	189,028,148	178,850,990
Total borrowings	208,133,639	178,850,990

a. Debt Facility

In November 2012, the Group entered into project debt finance facility agreements for $170 million for the completion of development and construction of the Kwale Mineral Sands Project. The facility was originally comprised of three tranches: $80 million senior commercial tranche, $70 million development finance institution tranche and a $20 million cost overrun facility. In response to an increase in the capital cost of the Project, a US$20 million extension of the cost overrun facility was arranged in May 2013. In December 2013, the Group executed documentation to extend its existing Project finance facility agreements by a further US$25 million which will be used to increase the working capital buffer available during the ramp up phase of the Project.

The US$20 million extension of the cost overrun facility was drawn down in October 2013 and the US$25 million extension of the facility was drawn down in January 2014, subsequent to the balance sheet date.

The different tranches of the Project debt facility carry interest rates of LIBOR plus a margin range of between 450 – 775 basis points during the construction period, then 400 – 775 basis points subsequent to the completion of construction pursuant to the relevant facility agreements. The debt facilities have tenure of between 5-7 years, with scheduled repayments that commence in December 2014.

The security for the above debt facilities is a fixed and floating charge over all the assets of Base Titanium Limited (BTL) and the shares in BTL held by Base Titanium (Mauritius) Limited (BTML) and the shares held in BTML by Base Resources Limited (BRL). In addition, a shareholder support agreement is in place that requires BRL to do all things necessary to cause the project to achieve Project completion by no later than 31 March 2015.

The weighted average effective interest rate on the facilities at 31 December 2013 is 5.63% (30 June 2013: 5.64%).

In accordance with International Financial Reporting Standards, all transaction costs directly attributable to securing the project debt facility funding are offset against drawn loan amounts. Capitalised borrowing costs are amortised over the life of the loan using the effective interest rate method.

b. Finance lease liability

During 2013 the Company entered into an agreement for the provision of laboratory assay services from September 2013. A portion of the contract relates to the provision of laboratory equipment, which has been deemed a finance lease. The above represents the present value of the future minimum lease payments.

NOTE 9: OTHER PAYABLES

	31 Dec 13	30 Jun 13
	$	$
Non-current:		
Other payables	1,152,881	-

Base Titanium Limited (Base Titanium") entered into an agreement with Mantrac Kenya Limited ("Mantrac") for the supply of mining equipment whereby Mantrac agree to maintain a stock of critical spare parts for the equipment for a period of 24 months after equipment commissioning at no charge. At the end of the 24 months, Base Titanium has agreed to purchase the critical spare parts. During the six months to 31 December 2013, the mining equipment was commissioned and a liability of US$1,022,965 was established, being the agreed purchase price of the critical spare parts held in stock.

NOTE 10: ISSUED CAPITAL

	31 Dec 13	30 Jun 13
	$	$
Ordinary share capital:		
Issued and fully paid	213,668,499	213,668,449

Date	Number	$
1 July 2012	460,440,029	175,718,629
Issue of shares	100,000,000	40,000,000
Share issue costs	-	(2,274,130)
Share options exercised	1,400,000	224,000
30 June 2013	561,840,029	213,668,499
1 July 2013	561,840,029	213,668,499
Issue of shares	-	-
Share issue costs	-	-
31 December 2013	561,840,029	213,668,499

All issued shares are fully paid. The Company does not have authorised capital or par value in respect of its issued shares. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

NOTE 11: SEGMENT REPORTING

Identification of reportable segments

The Group's primary activity is the development and operation of the Kwale Mineral Sands Project in Kenya.

Other operations include the Group head office (which includes all corporate expenses that cannot be directly attributed to the operation of the Kwale Project) and exploration projects in Kenya.

	6 months to December 2013			6 months to December 2012		
Reportable segment	**Kwale Project**	**Other operations**	**Total**	**Kwale Project**	**Other operations**	**Total**
	$	$	$	$	$	$
FX gain / (loss)	236,512	(1,206)	235,306	(313,349)	(41,152)	(354,501)
Interest income	46,159	226,594	272,753	112,584	1,329,541	1,442,125
Depreciation and amortisation	-	(833,328)	(833,328)	-	(35,961)	(35,961)
Reportable(loss)/profit	(2,186,872)	(3,335,521)	(5,522,393)	(499,552)	(1,894,385)	(2,393,937)
Capital Expenditure	76,414,479	124,017	76,538,496	95,925,277	974,201	96,899,428
	As at 31 December 2013			**As at 30 June 2013**		
Total assets	437,509,449	10,116,213	447,625,662	407,002,016	16,808,676	423,810,692
Total liabilities	228,558,168	1,867,952	230,426,120	203,368,727	2,316,832	205,685,559

NOTE 12: SHARE BASED PAYMENTS

On 1 October 2013 Base Resources Limited granted 7,583,793 performance rights to eligible employees under the latest cycle of the LTIP Performance Rights plan. The performance rights have the same performance conditions as those issued under previous cycles of the plan and vest on 30 September 2016.

NOTE 13: CONTROLLED ENTITIES

In April 2010, the Company incorporated its wholly owned subsidiary Base Titanium (Mauritius) Ltd, a Mauritian incorporated company. In July 2010, Base Titanium (Mauritius) Ltd acquired 100% of Base Titanium Limited, a Kenyan incorporated Company.

NOTE 14: DIVIDENDS

No dividends have been paid or declared during the period of this report.

NOTE 15: COMMITMENTS AND CONTINGENT LIABILITIES

Committed capital costs in respect of the Kwale project development amount to $10.3 million at 31 December 2013.

Subsequent to the commissioning of mining equipment, the contingent liability raised at 30 June 2013 has been transferred to a non-current deferred liability (note 9). There have been no other changes in contingent liabilities since the last annual reporting date.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 16: RECONCILIATION OF LOSS AFTER INCOME TAX TO CASH FLOW FROM OPERATIONS

	6 months to 31 Dec 2013 $	6 months to 31 Dec 2012 $
Loss for the period	(5,522,393)	(2,393,937)
Depreciation	73,962	35,961
Share based payments	296,015	215,069
Interest income classified as investing activity	(269,870)	(2,269,632)
Exploration valuation write down	1,034,422	-
Foreign exchange (gain) / loss	(235,307)	354,501
Decrease / (increase) in interest receivable	(2,883)	827,507
Increase in receivables and other assets	-	(45,779)
Decrease in trade and other payables	(739,705)	-
Increase in employee provisions	26,759	-
Cash flow from operations	(5,339,000)	(3,276,310)

NOTE 17: EVENTS SUBSEQUENT TO REPORTING DATE

Other than the January 2014 drawdown against the project debt finance facility discussed in Note 8, there have been no subsequent events since the interim reporting date.

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 7 to 19, are in accordance with the Corporations Act 2001 including:
    a. giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the six month period ended on that date; and
    b. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. In the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Andrew King

Director

Dated this 21st day of February 2014

Independent auditor's review report to the members of Base Resources Limited

Report on the financial report

We have reviewed the accompanying interim financial report of Base Resources Limited, which comprises the consolidated condensed statement of financial position as at 31 December 2013, consolidated condensed statement of profit or loss and other comprehensive income, consolidated condensed statement of changes in equity and consolidated condensed statement of cash flows for the half-year ended on that date, notes 1 to 17 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Base Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Base Resources Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Graham Hogg
Partner

Perth

21 February 2014