BASE RESOURCES LIMITED
CONSOLIDATED ACCOUNTS

ABN 88 125 546 910

Interim Financial Report
for the six month period ended
31 December 2012

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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
Mr Trevor Schultz, Non-Executive Director
Mr Michael Anderson, Non-Executive Director
Mr Mike Stirzaker, Non-Executive Director – alternate for Trevor Schulz

COMPANY SECRETARY

Mr Winton Willesee

PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

Level 1
50 Kings Park Road
WEST PERTH, WA 6005

CONTACT DETAILS

Website: www.baseresources.com.au
Email: info@baseresources.com.au
ph: + 61 (8) 9413 7400
fax: + 61 (8) 9322 8912

SOLICITORS

Ashurst Australia
Level 32, Exchange Plaza
2 The Esplanade
PERTH WA 6000

AUDITORS

KPMG
235 St Georges Terrace
PERTH WA 6000

SHARE REGISTRY

ASX:
Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
PERTH WA 6000
Enquiries:
(within Australia): 1300 850 505
(outside Australia): +61 (3) 9415 4000
Website: www.computershare.com.au
Email: www.investorcentre.com/contact

AIM:
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Enquiries: +44 (0) 870 702 0003
Website: www.computershare.co.uk
Email: www.investorcentre.co.uk

NOMINATED ADVISOR

RFC Ambrian Limited
Level 15, QV1 Building
250 St Georges Terrace
PERTH WA 6000

BROKER

RFC Ambrian Limited
Condor House
10 St Paul's Churchyard
LONDON EC4M 8AL

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 2012.

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

Mr Samuel Willis

Mr Trevor Schultz

Mr Michael Anderson

Mr Mike Stirzaker – alternate for Trevor Schulz

Directors have been in office since the start of the financial year to the date of this report.

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 activities of the Group during the half-year were the development of the Kwale Mineral Sands Project in Kenya.

There were no significant changes in the nature of the Group's principal activities during the half-year.

Operating Results

Total comprehensive loss of the Group for the half-year amounted to $3,374,028 (2011: profit $283,887).

Dividends Paid or Recommended

There were no dividends paid or declared for payment during the period ended 31 December 2012.

Review of Operations

Base continues to make strong progress in the development of the Kwale Mineral Sands Project with the level of site construction activity increasing significantly in the last quarter of 2012. With the overall development 50% complete, the Kwale Project continues to be on schedule for practical completion in Q3 2013 and first shipment in Q4 2013.

In early October, the Company completed a A$40 million share placement and entitlement offer in order to meet the additional funding requirements from the revised Kwale Project capital cost estimate of US$298 million.

The Company achieved financial close on the US$170 million project debt facilities in November and the first drawdown of US$52 million was completed. This was a critical milestone in the development of the Kwale Project as Base now has access to the full funding required to complete the development of the Kwale Project and bring it to positive cash flow.

Despite the recent soft demand, the long term outlook for all mineral sands products remains very positive. In this light, Base continues to receive strong interest in all of its products from the market. Discussions continue with a number of parties in relation to the balance of Base's production not already secured by offtake agreements.

Financial Position

The Group's working capital, being current assets less current liabilities, was $86,508,469 at 31 December 2012 (30 June 2012: $101,172,415).

Achieving financial close on the US$170 million project debt facilities in November 2012 ensures Base Resources has the funding required to take Kwale through development and to positive cash flow. At 31 December 2012 the available loan balance was US$118 million.

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.

DIRECTORS REPORT

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 2012.

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

Winton Willesee
Director
Dated this 11th day of March 2013

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 2012 there has 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

11 March 2013

CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

	Note	6 months to 31 December 2012 $	6 months to 31 December 2011 $ Restated
Directors' and related fees		(1,081,949)	(792,026)
Employee benefits expense		(419,299)	(190,492)
Consultant fees		(786,867)	(395,117)
Administrative expense		(761,635)	(512,184)
Accounting, audit and related services fees		(137,952)	(224,051)
Share based payment expense		(215,069)	(89,207)
Depreciation		(35,961)	(12,597)
Other expenses from ordinary activities		(42,829)	(45,302)
Profit / (loss) before financing income and income tax		(3,481,561)	(2,260,976)
Financing income, net	2	1,087,624	2,682,827
Profit / (loss) before income tax		(2,393,937)	421,851
Income tax expense		-	(8,686)
Net profit / (loss) for the period		(2,393,937)	413,165
Other comprehensive income			
Foreign currency translation differences - foreign operations		(980,091)	(129,278)
Total other comprehensive income / (loss) for the period		(980,091)	(129,278)
Total comprehensive income / (loss) for the period		(3,374,028)	283,887
Profit / (loss) per share		**Cents**	**Cents**
Basic profit / (loss) per share (cents per share)		(0.47)	0.12
Diluted profit / (loss) per share (cents per share)		(0.47)	0.11
Weighted average shares on issue		**Number**	**Number**
Basic earnings per share		505,005,246	356,740,710
Diluted earnings per share		514,505,246	366,240,710

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	Note	31 December 2012 $	30 June 2012 $
Current assets			
Cash and cash equivalents	3	94,539,376	105,805,685
Other receivables		1,484,421	1,530,313
Other		2,575,347	2,019,898
Total current assets		98,599,144	109,355,896
Non-current assets			
Capitalised exploration and evaluation	4	981,672	653,514
Capitalised mine development	5	157,471,924	62,132,204
Property, plant and equipment	6	1,902,993	1,699,808
Capitalised borrowing costs	7	-	7,506,115
Other receivables		7,343,436	2,292,213
Other		-	36,553
Total non-current assets		167,700,025	74,320,407
Total assets		266,299,169	183,676,303
Current liabilities			
Trade and other payables		11,832,109	7,974,515
Provisions		258,566	208,966
Total current liabilities		12,090,675	8,183,481
Non-current liabilities			
Borrowings	8	43,361,006	-
Provisions		1,561,532	714,990
Deferred revenue		4,821,000	4,948,046
Total non-current liabilities		49,743,538	5,663,036
Total liabilities		61,834,213	13,846,517
Net assets		204,464,956	169,829,786
Equity			
Issued capital	9	213,444,499	175,718,629
Reserves		(576,077)	120,686
Accumulated losses		(8,403,466)	(6,009,529)
Total equity		204,464,956	169,829,786

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

	Issued capital $	Accumulated losses $ Restated	Share based payment reserve $	Foreign currency translation reserve $	Total $
Balance at 1 July 2011	21,882,774	(6,340,742)	799,630	(726,172)	15,615,490
Profit for the period	-	413,165	-	-	413,165
Other comprehensive loss	-	-	-	(129,278)	(129,278)
Total comprehensive profit / (loss) for the period	-	413,165	-	(129,278)	283,887
Transactions with owners, recognised directly in equity					
Shares issued during the period, net of costs	153,835,855	-	-	-	153,835,855
Share based payments	-	-	89,207	-	89,207
Balance at 31 December 2011	175,718,629	(5,927,577)	888,837	(855,450)	169,824,439
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

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

	6 months to 31 December 2012 $	6 months to 31 December 2011 $ Restated
Cash flows from operating activities		
Payments in the course of operations	(3,276,310)	(1,980,230)
Deferred revenue received	-	4,948,046
Income tax paid (Kenya)	-	(8,686)
Net cash generated by / (used in) operating activities	(3,276,310)	2,959,130
Cash flows from investing activities		
Interest receipts	2,269,632	1,781,595
Payments for exploration and evaluation	(335,196)	(3,723,754)
Purchase of property, plant and equipment	(639,005)	(2,255,856)
Payments for mine development	(95,191,297)	(8,174,540)
Security deposits	(563,476)	(42,555)
Net cash used in investing activities	(94,459,342)	(12,415,110)
Cash flows from financing activities		
Proceeds from issue of shares	40,000,000	162,304,403
Payment of share issue costs	(2,274,130)	(8,468,548)
Proceeds from debt financing	50,138,400	-
Debt finance facility fees	(728,822)	(5,396,095)
Net cash provided by financing activities	87,135,448	148,439,760
Net increase in cash held	(10,600,202)	138,983,780
Cash at beginning of period	105,805,684	7,284,459
Effect of exchange fluctuations on cash held	(666,106)	(12,995)
Cash at end of period	94,539,376	146,255,244

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 consolidated interim financial statements of the Company for the six-months ended 31 December 2012 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 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 2012 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 11 March 2013.

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.

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 2012.

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 2012.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 2: FINANCING INCOME, NET

	6 months to 31 Dec 12 $	6 months to 31 Dec 11 $
(Loss)/gain on foreign exchange translations	(354,501)	249,895
Interest income	1,442,125	2,432,932
	1,087,624	2,682,827

NOTE 3: CASH AND CASH EQUIVALENTS

	31 Dec 12 $	30 Jun 12 $
Cash at bank and in hand	79,539,376	15,805,685
Short-term bank deposits	15,000,000	90,000,000
	94,539,376	105,805,685

NOTE 4: CAPITALISED EXPLORATION AND EVALUATION EXPENSES

	31 Dec 12 $	30 Jun 12 $
Exploration and evaluation (Kenya)	981,672	653,514
Movement in carrying value		
Opening Balance	653,514	8,608,613
Evaluation and exploration expenditure during the period	335,195	3,436,361
Adjustment for the effect of foreign exchange movements	(7,037)	184,456
Transfer to capitalised mine development	-	(11,181,802)
Exploration written off during the year	-	(394,114)
	981,672	653,514

Capitalised exploration and evaluation cost relates to the Company's Kenyan Kilifi, Mambrui and Vipingo projects. Base Titanium Limited has an option to acquire these tenements and is required to meet minimum exploration commitments in the interim. A confirmatory drilling program was conducted at the Mambrui and Kilifi projects in order to identify further potential in the region.

On 28 December 2012, the Kenyan Minister of Environment & Mineral Resources published a gazette notice cancelling the Kilifi, Mambrui and Vipingo exploration licenses. The Company has not as yet received formal notification from the Department of Mines & Geology or any explanation of the rationale for this action. Base believes it is in full compliance with the terms of these licenses and can see no legal basis for the gazette notice. Consequently, the Company has taken legal action to protect the rights and has received a court order staying the cancellation pending a hearing.

The Company's accounting policy requires that for each area of interest the exploration and evaluation expenditure is recognised as an asset when, among other things, the rights of tenure to that area of interest are current. As at the date of this report the court order affords that the Kilifi, Mambrui and Vipingo exploration licenses are not cancelled and remain valid but are subject to the outcome of the court hearing.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 4: CAPITALISED EXPLORATION AND EVALUATION EXPENSES (continued.)

During the 2012 financial year, capitalised evaluation expenditure on the Kwale Project was transferred to mine development asset based on the decision to proceed with the development of the Kwale Project.

Capitalised expenditure on the Company's Australian exploration projects was written off during the 2012 financial year as the tenements were relinquished.

NOTE 5: CAPITALISED MINE DEVELOPMENT

	31 Dec 12	30 Jun 12
	$	$
Mine Development - Kwale Project	157,471,924	62,132,204
Movement in carrying value		
Opening balance	62,132,204	-
Expenditure during the period	95,925,227	50,950,402
Adjustment for the effect of foreign exchange movements	(766,769)	-
Transfers from property, plant and equipment	181,262	-
Transfer from capitalised exploration and evaluation	-	11,181,802
	157,471,924	62,132,204

Mine development expenditure relates to the development of the Kwale Mineral Sands project in Kenya. Capitalised exploration and evaluation costs for the Kwale project were transferred to mine development asset during the 2012 financial year following the decision to proceed with the development of the project.

NOTE 6: PROPERTY, PLANT AND EQUIPMENT

	31 Dec 12	30 Jun 12
	$	$
Plant and equipment		
At cost	448,721	275,474
Accumulated depreciation	(95,899)	(57,598)
	352,822	217,876
Vehicles		
At cost	1,633,058	1,165,337
Accumulated depreciation	(350,022)	(175,884)
	1,283,036	989,453
Furniture & fixtures		
At cost	262,902	114,330
Accumulated depreciation	(34,204)	(24,105)
	228,698	90,225
Capital work in progress		
At cost	38,437	402,254
Total Property, Plant and Equipment	1,902,993	1,699,808

	Plant & equipment	Furniture & fixtures	Vehicles	Capital work in progress	Total
	$	$	$	$	$
Balance at 1 July 2011	52,057	103,310	126,835	-	282,202
Additions	55,482	-	558,514	494,338	1,108,334
Depreciation capitalised to exploration and evaluation	(5,808)	(2,112)	(46,087)	-	(54,007)
Depreciation expense	(7,545)	(5,052)	-	-	(12,597)
Balance at 31 December 2011	94,186	96,146	639,262	494,338	1,323,932
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

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 7: CAPITALISED BORROWING COSTS

	31 Dec 12	30 Jun 12
	$	$
Debt finance facility	-	8,235,771
Amortisation of finance facility fees	-	(729,656)
	-	7,506,115

In accordance with Australian Accounting Standards, all transaction costs directly attributable to securing the funding is deferred to be offset against drawn loan amounts.

Capitalised borrowing costs are amortised over the life of the loan using the effective interest rate method. Whilst in the mine development phase all amortised borrowing costs are capitalised as part of mine development asset.

In 2013 the initial drawdown against the debt facility was made and as such capitalised borrowing costs are shown net against the debt facility (note 8).

NOTE 8: BORROWINGS

	31 Dec 12	30 Jun 12
	$	$
Debt facility	50,138,400	-
Capitalised borrowing costs	(8,020,948)	-
Amortisation of finance facility fees	1,243,554	-
Net capitalised borrowing costs	(6,777,394)	-
Total Borrowings	43,361,006	-

The Group entered into project debt finance facility agreements for US$170 million in debt financing in November 2011. The project debt facility is comprised of a US$80 million senior commercial tranche with an interest rate of LIBOR plus 4.5% (4.0% post-completion), US$70 million development finance institution (“DFI”) tranche with an interest rate of LIBOR plus 6.0% (5.5% post-completion) and a US$20 million cost overrun facility at an interest rate of LIBOR plus 5.0%.

The security for the facility is a fixed and floating charge over all the assets of Base Titanium Limited (BTL) and the shares held by Base Titanium (Mauritius) Limited (BTML) and the shares held in BTML by Base Resources Limited. In addition, a shareholder support agreement is in place that requires Base Resources to do all things necessary to cause the project to achieve project completion by no later than 31 December 2014.

In November 2012 the initial drawdown of US$52 million was made against this facility. A second drawdown of US$72 million was completed in February 2013.

The weighted average effective interest rate on the facilities at 31 December 2012 is 5.58%.

NOTE 9: ISSUED CAPITAL

	31 Dec 12	30 Jun 12
	$	$
Ordinary share capital:		
Issued and fully paid	213,444,499	175,718,629

Date	Number	$
1 July 2011	165,341,114	21,882,774
Issue of shares	295,098,915	162,304,403
Share issue costs	-	(8,468,548)
31 December 2011	460,440,029	175,718,629
1 July 2012	460,440,029	175,718,629
Issue of shares	100,000,000	40,000,000
Share issue costs	-	(2,274,130)
31 December 2012	560,440,029	213,444,499

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.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 10: SEGMENT REPORTING

Identification of reportable segments

The Group is currently developing the Kwale mineral sands project in Kenya, approximately 50 kilometres south from the deep water port of Mombasa. The principal activities of the project are the construction of the process plant and ancillary infrastructure, marine port facilities in Mombasa, HV power line, Mukurumundzi dam, tailings storage facility and the access road and camp. The mine is expected to be commissioned in August 2013 with first product shipments in the fourth quarter of 2013.

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 2012			6 months to December 2011		
Reportable segment	**Kwale Project**	**Other operations**	**Total**	**Kwale Project**	**Other operations**	**Total**
	$	$	$	$	$	$
FX (loss)/gain	(313,349)	(41,152)	(354,501)	-	249,895	249,895
Interest income	112,584	1,329,541	1,442,125	-	2,432,932	2,432,932
Depreciation	-	(35,961)	(35,961)	-	(12,597)	(12,597)
Reportable(loss)/profit	(499,552)	(1,894,385)	(2,393,937)	(122,448)	535,613	413,165
Capital Expenditure	95,925,277	974,201	96,899,428	14,000,291	153,859	14,154,150
	As at 31 December 2012			**As at 30 June 2012**		
Total assets	200,770,508	65,528,661	266,299,169	77,490,146	106,186,157	183,676,303
Total liabilities	66,649,778	4,815,565	61,834,213	9,655,895	4,190,622	13,846,517

NOTE 11: 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 12: DIVIDENDS

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

NOTE 13: COMMITMENTS AND CONTINGENT LIABILITIES

Committed capital costs in respect of the Kwale project development amount to $129.9 million at 31 December 2012.

There has been no change in contingent liabilities since the last annual reporting date.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 14: RESTATEMENT OF 31 DECEMBER 2011 INTERIM FINANCIAL STATEMENTS

During the preparation of the financial statements for the year ended 30 June 2012, the Company reviewed the accounting treatment of a US$5 million (A$4,948,046) non-refundable fee (the "Fee") received in connection with the execution of a product sales agreement.

The Fee was classified as revenue in the interim financial statements of the Group for the half year to 31 December 2011, however on review of the underlying contract and the linkage within that contract of the Fee to the future contract deliverables it has been concluded that a more appropriate classification is as deferred revenue on the balance sheet to be amortised over the life of the product sales agreement.

This adjustment has no impact on net cash flows or cash balances previously reported. All amounts included within these consolidated financial statements and accompanying notes reflect this position.

The restatement impacted the following accounts for the comparative period:

	As restated $	As previously reported $
Other income/finance income	2,682,827	7,630,873
Total comprehensive income	283,887	5,231,933
Basic profit per share (cents per share)	0.12	1.50
Diluted profit per share (cents per share)	0.11	1.46

NOTE 15: RECONCILIATION OF PROFIT / (LOSS) AFTER INCOME TAX TO CASH FLOW FROM OPERATIONS

	6 months to 31 Dec 2012 $	6 months to 31 Dec 2011 $ Restated
Profit / (loss) for the period	(2,393,937)	413,165
Depreciation	35,961	12,597
Share based payments	215,069	89,207
Interest income classified as investing activity	(2,269,632)	(1,781,595)
Deferred revenue received	-	4,948,046
Foreign exchange loss/(gain)	354,501	(249,895)
Decrease/(increase) in interest receivable	827,507	(651,337)
(Increase)/decrease in receivables and other assets	(45,779)	178,942
Cash flow from operations	(3,276,310)	2,959,130

NOTE 16: EVENTS SUBSEQUENT TO REPORTING DATE

Base Resources received formal notification, on 11 January 2013, that the Attorney General of Kenya has determined that the recently introduced 35% Local Equity Participation Regulation ("Regulation") cannot be applied to the Special Mining Lease No. 23 covering the Company's 100% owned Kwale Mineral Sands Project.

The Attorney General's advice that the Regulation can only be applied to mining licenses issued after the Regulation came into force, being 12 October 2012, corroborates the legal advice previously received by the Company in this respect.

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 7 to 18, 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 2012 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.

Winton Willesee
Director
Dated this 11th day of March 2013

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 2012, consolidated condensed statement of 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 16 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 2012 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 2012 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

11 March 2013