

Resource Base Limited

ABN 57 113 385 425

Half-year Financial Report - 31 December 2010

Resource Base Limited
Corporate directory
31 December 2010

Directors	Alan Fraser (Managing Director and Chairman) Peter Kelliher (Executive Director) Kevin Lynn (Non-Executive Director)
Company secretary	Adrien Wing
Registered office	Level 17 500 Collins Street Melbourne VIC 3000
Principal place of business	Level 17 500 Collins Street Melbourne VIC 3000
Share register	Link Market Services Level 4, 333 Collins Street Melbourne VIC 3000 Ph : (03) 9615 9800
Auditor	Melanie Leydin Leydin Freyer Audit Pty Ltd Suite 304, 22 St Kilda Road St Kilda VIC 3182
Stock exchange listing	Resource Base Limited shares are listed on the Australian Securities Exchange (ASX code: RBX)

Resource Base Limited
Directors' report
31 December 2010

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Resource Base Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the half-year ended 31 December 2010.

Directors

The following persons were directors of Resource Base Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Alan Fraser
Kevin Lynn
Peter Kelliher

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of:

- exploration for precious metals

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$357,636 (31 December 2009: \$363,031).

Broula King Gold Mine

The project is situated about 230 km due west of Sydney near Bumbaldry, lying mid way between the towns of Grenfell and Cowra in the Central West Slopes region of NSW.

Following on from above average rainfall for the period May/September, the region experienced significant rain effectively closing down almost all activities for the half year. The surrounding area of the Weddin Shire was the first of two regions in NSW declared a disaster area.

Some minor activity was undertaken across the site particularly to ameliorate any damage by the excessive rain throughout the half year.

Corporate

During the half year, the Company raised \$500,000 via the issue of 14,928,000 ordinary shares at 3.349 cents per share (\$0.03349).

Significant changes in the state of affairs

During the half-year the company issued 14,928,000 shares raising \$500,000.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

Resource Base Limited
Directors' report
31 December 2010

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in blue ink, appearing to read 'A. Fraser', is positioned above a horizontal line.

Alan Fraser
Director

16 March 2011
MELBOURNE

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To the Directors of Resource Base Limited:

I declare that to the best of my knowledge and belief, in relation to the Independent Half-year Auditor's Review for the half-year ending 31 December 2010, 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.



MELANIE J LEYDIN
Registered Company Auditor
Registration: 212298

Dated: 16 March 2011

Resource Base Limited
Financial report
For the half-year ended 31 December 2010

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General information

The financial report covers Resource Base Limited as a consolidated entity consisting of Resource Base Limited and the entities it controlled. The financial report is presented in Australian dollars, which is Resource Base Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Resource Base Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 17
500 Collins Street
MELBOURNE VIC 3000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 16 March 2011. The directors have the power to amend and reissue the financial report.

Resource Base Limited
Statement of comprehensive income
For the half-year ended 31 December 2010

	Consolidated	
	31	31
	December	December
	2010	2009
	\$	\$
Revenue	115,976	58,544
Expenses		
Administrative expenses	(191,370)	(247,768)
Corporate expenses	(33,000)	(27,231)
Employee and consultancy expenses	(187,100)	(88,032)
Depreciation and amortisation expense	<u>(62,142)</u>	<u>(58,544)</u>
Loss before income tax expense	(357,636)	(363,031)
Income tax expense	<u>-</u>	<u>-</u>
Loss after income tax expense for the half-year attributable to the owners of Resource Base Limited	(357,636)	(363,031)
Other comprehensive income for the half-year, net of tax	<u>-</u>	<u>-</u>
Total comprehensive income for the half-year attributable to the owners of Resource Base Limited	<u><u>(357,636)</u></u>	<u><u>(363,031)</u></u>
	Cents	Cents
Basic earnings per share	(0.34)	(0.45)
Diluted earnings per share	(0.34)	(0.45)

The above statement of comprehensive income should be read in conjunction with the accompanying notes

Resource Base Limited
Statement of financial position
As at 31 December 2010

		Consolidated	
		31	
	Note	December	30 June
		2010	2010
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		190,199	54,707
Trade and other receivables		3,753	131,493
Other		180,436	181,000
Total current assets		<u>374,388</u>	<u>367,200</u>
Non-current assets			
Property, plant and equipment		1,381,836	1,445,058
Exploration and evaluation		4,875,737	4,803,662
Other		591,278	591,629
Total non-current assets		<u>6,848,851</u>	<u>6,840,349</u>
Total assets		<u>7,223,239</u>	<u>7,207,549</u>
Liabilities			
Current liabilities			
Trade and other payables		441,769	527,600
Borrowings		109,306	119,263
Total current liabilities		<u>551,075</u>	<u>646,863</u>
Non-current liabilities			
Borrowings		70,670	110,458
Employee benefits		31,215	22,313
Provisions		500,000	500,000
Total non-current liabilities		<u>601,885</u>	<u>632,771</u>
Total liabilities		<u>1,152,960</u>	<u>1,279,634</u>
Net assets		<u>6,070,279</u>	<u>5,927,915</u>
Equity			
Contributed equity	3	10,459,539	9,959,539
Reserves		248,824	248,824
Accumulated losses		(4,638,084)	(4,280,448)
Total equity		<u>6,070,279</u>	<u>5,927,915</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Resource Base Limited
Statement of changes in equity
For the half-year ended 31 December 2010

	Contributed equity \$	Reserves \$	Retained profits \$	Total equity \$
Consolidated				
Balance at 1 July 2009	8,154,774	248,824	(3,005,073)	5,398,525
Other comprehensive income for the half-year, net of tax	-	-	-	-
Loss after income tax expense for the half-year	-	-	(363,031)	(363,031)
Total comprehensive income for the half-year	-	-	(363,031)	(363,031)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	694,189	-	-	694,189
Balance at 31 December 2009	<u>8,848,963</u>	<u>248,824</u>	<u>(3,368,104)</u>	<u>5,729,683</u>
	Contributed equity \$	Reserves \$	Retained profits \$	Total equity \$
Consolidated				
Balance at 1 July 2010	9,959,539	248,824	(4,280,448)	5,927,915
Other comprehensive income for the half-year, net of tax	-	-	-	-
Loss after income tax expense for the half-year	-	-	(357,636)	(357,636)
Total comprehensive income for the half-year	-	-	(357,636)	(357,636)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	500,000	-	-	500,000
Balance at 31 December 2010	<u>10,459,539</u>	<u>248,824</u>	<u>(4,638,084)</u>	<u>6,070,279</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Resource Base Limited
Statement of cash flows
For the half-year ended 31 December 2010

		Consolidated 31 December 2010 \$	31 December 2009 \$
	Note		
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		102,474	48,697
Payments to suppliers (inclusive of GST)		<u>(521,492)</u>	<u>(405,948)</u>
		(419,018)	(357,251)
Interest received		<u>12,041</u>	<u>9,847</u>
Net cash used in operating activities		<u>(406,977)</u>	<u>(347,404)</u>
Cash flows from investing activities			
Payments for exploration and evaluation		(72,075)	(198,522)
Proceeds from release of security deposits		<u>-</u>	<u>10,613</u>
Net cash used in investing activities		<u>(72,075)</u>	<u>(187,909)</u>
Cash flows from financing activities			
Proceeds from issue of shares	3	500,000	742,137
Proceeds from promissary notes		74,289	-
Proceeds from borrowings from key management personnel		90,000	-
Share issue transaction costs		-	(24,000)
Repayment of borrowings		<u>(49,745)</u>	<u>(45,257)</u>
Net cash from financing activities		<u>614,544</u>	<u>672,880</u>
Net increase in cash and cash equivalents		135,492	137,567
Cash and cash equivalents at the beginning of the financial half-year		<u>54,707</u>	<u>39,523</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>190,199</u></u>	<u><u>177,090</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2010 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy.

Note 1. Significant accounting policies (continued)

Going concern

The Group has prepared this financial report on the going concern basis which assumes that the realisation of the assets and the extinguishment of liabilities in the normal course of business at the amount stated in the financial statements.

For the reasons described below there is significant uncertainty whether the consolidated entity will continue as a going concern:

- The consolidated entity recorded a net loss of \$357,636 for the six months ended 31 December 2010 and \$1,275,375 for the 30 June 2010 financial year;
- The consolidated entity had negative operating cash flows for the half year;
- The consolidated entity had cash reserves of \$190,199 at 31 December 2010, trade creditors of \$63,102, other current payables of \$378,667 and current borrowings of \$109,306; and
- The consolidated entity had committed expenditure of \$468,020 over the next two and a half years;
- At 10th March 2011 the consolidated entity's cash reserves had fallen to approximately \$84,000 per the bank statement, and it had trade creditors of approximately \$43,000, other current payables of approximately \$408,000 and current borrowings of approximately \$102,000.

The continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as they fall due are subject to the Group being successful in accessing additional capital. At the date of this report and having considered the above position, the directors are confident that the Group will be able to continue as a going concern given the following:

- The directors believe that the Company will be able to obtain adequate sources of finance to fund operations for the next 12 months;
- To assist future capital requirements the Company will continue to rely on its' shareholder base for continued support with placements, rights issues, and other capital raising including debt instruments;
- The Company may also wish to issue securities pursuant to Chapter 7 of the ASX Listing Rules under the "15% Rule";
- In addition the Company has on issue a significant number of options which holders may exercise in the future providing the funds for company requirements;
- The Company will continue to preserve cash and minimise costs as it may consider converting agreed debt into equity; and
- The Company aims at earning revenue from the Broula King Mine.

Notwithstanding this there is significant uncertainty whether the company and the consolidated entity will continue as a going concern and, therefore, whether they will realise their assets and extinguish their liabilities in the normal course of business at the amounts stated in the financial statements. The financial statements do not include the adjustment relating to recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the company and consolidated entity not continue as going concerns.

Note 2. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into one segment : exploration for base and precious metals in Australia. The operating segment is based on the internal reports that are reviewed by the Directors (who are identified as Chief Decision Makers) in assessing performance and allocation of resources.

Resource Base Limited
Notes to the financial statements
31 December 2010

Note 3. Equity - contributed

	Consolidated 31 December 2010		Consolidated 31 December 2010	
	Shares	30 June 2010 Shares	\$	30 June 2010 \$
Ordinary shares - fully paid	<u>114,451,810</u>	<u>99,523,810</u>	<u>10,459,539</u>	<u>9,959,539</u>

Movements in ordinary share capital

Details	Date	No of shares	Issue price	\$
Balance	1 July 2010	99,523,810		9,959,539
Share issue	11 October 2010	<u>14,928,000</u>	\$0.03	<u>500,000</u>
Balance	31 December 2010	<u>114,451,810</u>		<u>10,459,539</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Note 4. Equity - dividends

There were no dividends paid during the current or previous financial half-year.

Note 5. Contingent liabilities

There were no contingent liabilities in existence at 31 December 2010.

Note 6. Related party transactions

Parent entity

Resource Base Limited is the parent entity.

Transactions with related parties

There were no transactions with related parties during the financial half-year.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the reporting date.

Note 6. Related party transactions (continued)

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	31	30 June
	December	2010
	2010	2010
	\$	\$
Current borrowings:		
Loan from key management personnel	90,000	-

Terms and conditions

No interest is payable on this loan and there is no fixed term for repayment.

Note 7. Commitments for expenditure

There has been no material change in the consolidated entity's commitments since the last reporting period.

Note 8. Events occurring after the reporting date

On 11th March the Company received notice that shareholders holding at least 5% of the shares in the Company have purported to convene a general meeting of shareholders for mid April 2011 under section 249F of the

No other matter or circumstance has arisen since 31 December 2010 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Resource Base Limited
Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors



Alan Fraser
Director

16 March 2011
MELBOURNE

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF RESOURCE BASE LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Resource Base Limited, which comprises the consolidated statement of financial position as at 31 December 2010, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration of the company at the end of the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim 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 matters that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Resource Base Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year 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 audit opinion.

Auditor's Independence Declaration

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

Basis for Adverse Opinion

The Directors have prepared the financial report on the going concern basis as described in Note 1, and stated in the Directors declaration that in their opinion there are reasonable grounds to believe that the company will be able to pay its debt as and when they fall due. In my opinion, there is insufficient evidence to support the Directors assertions that the company will be able to continue as a going concern and pay its debts as and when they fall due and therefore I believe the going concern basis is not appropriate.

At 31 December 2010 the consolidated entity had cash and cash equivalents totalling \$190,199, available to meet current trade and other payables of \$441,769 and current borrowings of \$109,306.

As at 10 March 2011 the consolidated entity had approximately \$84,000 available cash to meet trade, other payables of approximately \$451,000 and current borrowings of approximately \$102,000. The Company has ongoing operating lease, hire purchase, exploration and employment commitments to meet together with the general running costs of a public Company.

The Directors are reliant upon the raising of further capital or debt funding to fund the current trade and other payables, current borrowings and commitments of the company.

As at the date of this report the company has not secured any funding to meet its current and ongoing commitments.

This state of affairs indicates a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial report (and notes thereto) does not disclose this fact.

Adverse Opinion

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the financial report does not present fairly the financial position of Resource Base Limited and its controlled entity at 31 December 2010, and their financial performance and their cash flows for the six months then ended, in accordance with Accounting Standard AASB 134 : Interim Financial Reporting and Corporations Regulations 2001.

Yours faithfully



MELANIE J LEYDIN
Registered Company Auditor
Registration: 212298

Dated: 16 March 2011