

## HIGHLIGHTS

- Achieved 12 months without a lost-time injury.
- Above design heavy mineral concentrate production rate.
- 10% lower rutile production principally as a consequence of natural assemblage variability and ore type in the quarter's mining zone.
- Availabilities, throughputs and recoveries continued at design or consistent with ramp-up plans.
- Testwork and engineering for a suite of key recovery improvement initiatives has been completed for implementation over the next two quarters.
- Sales volumes matched production in a challenging sales environment, particularly for sulphate ilmenite.
- Project Completion tests for the Kwale Project debt facilities commenced during the quarter and are on track, with some of the shorter duration tests already successfully completed.
- The bid for World Titanium Resources Limited closed without fulfilling the Conditions of the Offer.

**Base Resources Limited** (ASX & AIM: BSE) ("Base" or the "Company") is pleased to provide a quarterly production and ramp-up update at its Kwale Mineral Sands Operations ("Kwale Operations") in Kenya, East Africa. With the consistent achievement of design availabilities and throughputs in both the wet concentrator plant ("WCP") and mineral separation plant ("MSP") and recoveries in the WCP, the focus has been firmly on continuing to drive product recoveries, as well as exploring throughput increase opportunities, in the MSP.

## KWALE OPERATIONS

<b>SUMMARY PHYSICAL DATA</b>	Jun 2014 Quarter	Sept 2014 Quarter	Dec 2014 Quarter	<b>Mar 2015 Quarter</b>
Ore mined (dmt)	1,759,211	2,191,455	2,328,746	<b>2,291,444</b>
HM%	8.08%	8.44%	7.49%	<b>9.33%</b>
HMC produced (dmt)	141,753	172,885	165,953	<b>206,324</b>
Production (dmt)				
Ilmenite	91,620	100,533	107,893	<b>105,753</b>
Rutile	15,221	16,612	18,672	<b>16,754</b>
Zircon	4,130	5,210	5,308	<b>5,414</b>
Sales (dmt)				
Ilmenite	91,529	116,578	53,345*	<b>103,736</b>
Rutile	14,005	12,923	23,328	<b>15,168</b>
Zircon	2,704	2,601	5,883	<b>5,178</b>

\*Reported volume includes 22,340t which was reversed after it was determined that the terms of the sales agreement did not satisfy revenue recognition criteria at the time of shipment. The product will be subject to sale in future periods.

Average mined ore grades were high at 9.3% heavy mineral ("HM") as mining proceeded through a high grade section of the Central Dune ore body (7.5% HM during the previous quarter and 7.8% for operations to date) and tonnage mined remained steady at 2.3Mt in the March quarter.

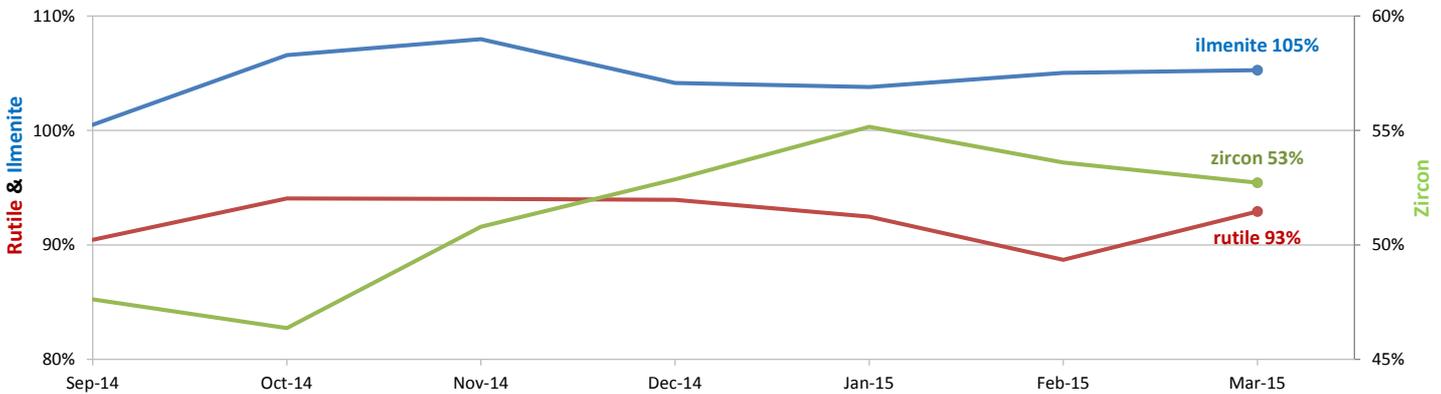
A focus on debottlenecking the WCP’s capacity to produce Heavy Mineral Concentrate (“HMC”) has enabled higher throughput to be sustained when mining high grade ore, as demonstrated this quarter. This enhancement has facilitated an increase of 24% in HMC production this quarter over the prior quarter, from 166kt to 206kt. HMC production capability now exceeds design.

Slime and sand deposition in the Tailings Storage Facility continued to operate according to plan. The Mukurumudzi Dam volume dropped from 8.4ML to 6.9ML ahead of the onset of the ‘long rains’, the main wet season of the year, in the coming weeks.

MSP throughput of 160kt was 3% below the previous quarter due to a combination of marginally lower availability at 93% (94% in the December quarter) and the lower number of days in the quarter. MSP feed rates remained at design levels of 80tph. Modifications planned over the next two quarters are expected to see this rate increase during the course of 2015.

A feature of the Central Dune orebody is that the higher HM grade sections contain proportionally less rutile and more ilmenite than the lower grade sections. As a consequence, with mining activity in the quarter being in a higher HM grade section of the Central Dune, the contained rutile in the HMC feed to the MSP was some 5% lower than in the prior quarter. Compounding this, difficult mineralogy associated with a valley feature in the orebody impacted MSP rutile recoveries, which reduced slightly to an average of 91%. The combination of these two factors, together with the lower MSP availability and shorter period noted earlier, has resulted in 10% lower rutile production at 16,754 tonnes. Rutile recoveries improved late in the quarter, with an average of 95% achieved over the past four weeks. Testwork and engineering for a number of recovery improvement initiatives were completed during the quarter, notably rutile screens and additional magnet stages, with installation to be progressively completed over the remainder of 2015. Benefits are expected to start being realised in the June quarter.

MSP PRODUCT RECOVERIES



Ilmenite production was in line with the prior quarter and continued above design capacity. The higher proportion of ilmenite contained in the HMC feed to the MSP (3% higher than last quarter) offset the reduced throughput. With some altered ilmenite species that are not defined as “ilmenite” in the Resource being recovered to ilmenite production, ilmenite recoveries (or yields) of over 100% are now consistently being achieved.

Zircon production improved again during the quarter, albeit slightly, and is consistent with the planned ramp-up to design capacity. Average recoveries increased from last quarter’s 50% to 54% this quarter, but the resultant production gains were partially offset by the reduced MSP throughput as a consequence of lower availability and shorter period. The focus for zircon over the next quarter is on increasing recoveries through improvements to the wet zircon pumping systems to provide greater control and flexibility. Test work and engineering for improvements to primary magnet separation capacity and efficiencies are now complete and orders have been placed for the required equipment. Installation is

planned over the next two quarters, which, along with further optimisation work, is expected to further improve zircon recovery over the course of 2015 towards design levels of 78%.

With the aim of maximising overall zircon recoveries and revenue, Base is progressing with plans to upgrade non-magnetic tailings streams to produce a saleable zircon low grade product on an ongoing basis. This is expected to be implemented in the June quarter. Sales contracts have been executed for an existing stockpile of zircon concentrate, produced in the early stages of ramp up, for sale and delivery next quarter.

Bulk loading at Base's Likoni Port facility continued to perform well, dispatching more than 169,000 tonnes during the quarter. Of this, approximately 48,000 tonnes of ilmenite was shipped to Base's China warehouse. Holding stock of ilmenite in China is part of Base's strategy for securing market share in China by offering product for immediate delivery and in smaller volumes than could be justified for a shipment from Kenya. By adopting this approach, Base expects to tap into smaller scale customers not able to commit to large shipment volumes and also offer potential large new customers sample size volumes for testing.

A three year long term bulk shipping contract was entered during the quarter to take advantage of the current low rates associated with low fuel and time charter costs.

Containerised shipments of rutile and zircon proceeded according to plan.

Cash operating costs for the quarter (inclusive of royalties) were US\$14.2 million or US\$111 per tonne of product produced (rutile, ilmenite and zircon), consistent with the US\$14.4 million or \$109 per tonne of the prior quarter.



Product storage shed at Base's Likoni marine facility

## MARKETING

The global TiO<sub>2</sub> pigment industry remained weak through much of the March quarter as the northern hemisphere continued its usual seasonal slowdown. Activity picked up in the latter part of March and there are reports that some of the leading pigment producers in China have secured price increases for sales since the end of the Chinese New Year holidays.

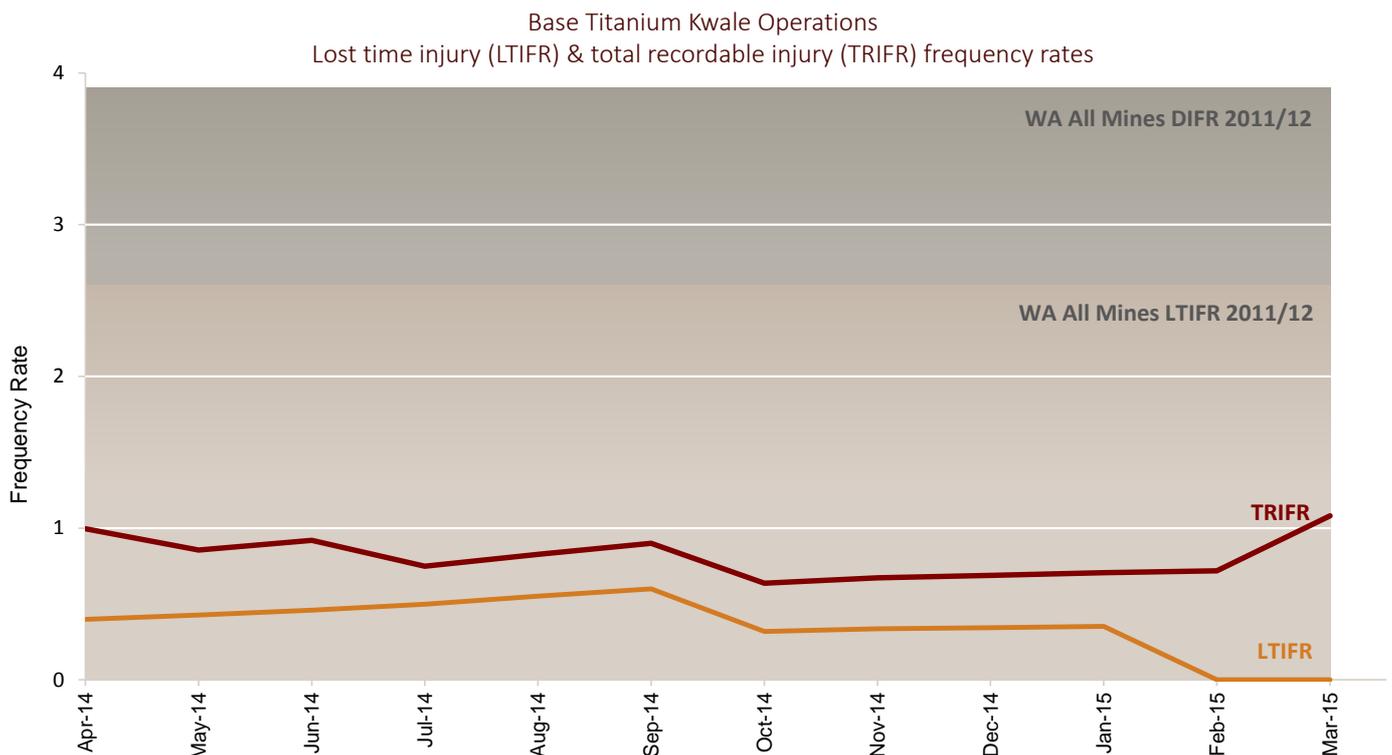
Pricing of high grade titanium dioxide feedstock (including rutile) continues to remain relatively stable and may see some improvement through the seasonally strong June and September quarters – particularly as the major global pigment producers continue their recovery and return to normal operating stock levels and utilisation rates.

Pricing pressure has been maintained on ilmenite through the quarter but the anticipated seasonal upswing in activity through the June quarter and associated reduction of ilmenite stock levels should see the return of price stability. This is supported by output from some of the principal ilmenite sources for the Chinese market being further curtailed through the March quarter, and expected to continue into the June quarter.

Zircon trade activity remained firm through the quarter with strong levels of sales being maintained with established customers. Prices were again stable throughout the quarter and are expected to remain stable through the June quarter. There is potential for some zircon price improvement in the second half of 2015 if demand maintains its upward trend and major producers continue to manage their production output in line with market demand.

## SAFETY & TRAINING

This quarter the operation achieved a milestone of one year without a Lost Time Injury (“LTI”), the last occurring in February 2014. There were two injuries requiring medical treatment recorded this quarter, both employees returned to normal duties immediately following off-site medical treatment. A series of proactive safety training programmes were implemented during the quarter to refresh previous learnings.



## COMMUNITY AND ENVIRONMENT

Agricultural trials, run in conjunction with partners Business for Millennium Development and DEG, have produced successful results for both potato and cotton crops. Leveraging the existing significant agricultural activity and experience in Kwale County, these projects have the potential to deliver significant improvement in livelihoods in the area through increased crop diversity, enhanced agricultural practices, output aggregation and access to stable markets.

Utilising the knowledge gained from the trial programmes, the number of local farmers involved in the potato program has grown from 7 to 75 for the next phase aimed at producing commercial quantities. Further training of local farmers for a poultry trial programme is underway with the intention of increasing productivity and quality through modern chicken rearing techniques focussed on bio-controls and sustainability.

Other community programmes are gaining momentum with 8 women's groups undertaking specialised training in small enterprise development and community health projects. In consultation with the local community and the Kenya Medical Training College, support for 36 students was provided. Tuition fees were paid for nursing, community health and health administration courses. This brings Base's scholarship programme support to over 300 students at secondary and tertiary institutions.

Environmental training at local schools commenced this quarter with Base's partner, Little Sports Organisation, who provide after-school sports programmes in 22 primary schools in the region. Team coaches are now teaching environmental awareness as well as life skills education to approximately 15,000 children.



Little Sports Organisation provides life skills and environmental awareness training to primary school children

## CORPORATE

### TAKEOVER OFFER FOR WORLD TITANIUM RESOURCES LIMITED

On 23<sup>rd</sup> December 2014, Base launched an off-market takeover offer (the “Offer”) for World Titanium Resources Limited (“World Titanium”) with the Bidder’s Statement being dispatched to World Titanium shareholders, and the Offer formally opening, on 6<sup>th</sup> January 2015.

On 5<sup>th</sup> January 2015, World Titanium announced that it had secured binding undertakings to not accept the Offer from World Titanium shareholders with combined holdings exceeding 60%. Following discussions with key World Titanium shareholders, Base concluded that the Offer was unlikely to succeed unless there was a significant change in circumstances.

The Offer closed at 7.00pm (WST) on 6<sup>th</sup> February 2015, with the Conditions of the Offer not fulfilled.

### DRAWDOWN ON TAURUS FACILITY

In December 2014, Base executed a US\$20 million unsecured debt facility with one of its major shareholders, Taurus Funds Management (“Taurus Facility”). The Taurus Facility provides a source of additional funding for the Kwale Project should it be needed, the means to satisfy the US\$15 million liquidity injection required under the terms of the Kwale Project Debt Facility restructure, and US\$5 million in corporate funding.

On 27<sup>th</sup> January 2015, the first drawdown of US\$3 million was completed to provide funds for parent corporate working capital.

### KWALE COUNTY MINERAL LEVY

Base is continuing to work with both the Kwale County Government and the Kenyan National Government to have the export levy purported to be imposed by the Kwale County withdrawn or rescinded (see ASX and AIM Release dated 5 June 2014) on the basis that it is unconstitutional. There have been no invoices issued beyond the one in June 2014. Base remains comfortable with its legal position and expects to have the matter resolved in the near future.

### KENYAN VAT RECEIVABLE

Base has a refund claim of approximately US\$25 million for VAT paid in Kenya, most of which relates to the construction of the Kwale Project. This claim is currently proceeding through the Kenya Revenue Authority process. The Kenyan Cabinet Secretary to the National Treasury has previously announced the Government of Kenya’s intention to settle all outstanding VAT claims by the end of April 2015. Base is engaging with Treasury, seeking to expedite the refund.

### KWALE PROJECT DEBT FACILITY – PROJECT COMPLETION TESTS

Under the terms of the Kwale Project Debt Facility, Base is required to achieve “Project Completion” in order for surplus cash from the Kwale Project to be distributed from the Kenya project company up to Base Resources Limited as the parent. The requirements for achieving Project Completion includes a number of physical and economic tests over a continuous 90 day test period. The first attempt at satisfaction of these physical and economic tests commenced during the quarter, with performance currently on track.

*In summary, at 31 March 2015:*

- Cash and cash equivalents (unrestricted) were A\$23.4 million.
- Debt drawn of US\$218.0 million, undrawn debt of US\$17.0 million.
- 563,902,771 shares on issue.
- 47,312,531 unlisted options.

ENDS.

# CORPORATE PROFILE

Base Resources Limited ABN 88 125 546 910

## DIRECTORS

<b>Andrew King</b>	Non-Executive Chairman
<b>Tim Carstens</b>	Managing Director
<b>Colin Bwye</b>	Executive Director
<b>Keith Spence</b>	Non-Executive Director

## COMPANY SECRETARY

Winton Willesee

## NOMINATED ADVISOR & BROKER

### RFC Ambrian Limited

As Nominated Advisor:

Andrew Thomson

Phone: +61 (0)8 9480 2500

As Broker:

Jonathan Williams and John van Eeghen

Phone: +44 20 3440 6800

## AUSTRALIA MEDIA RELATIONS

### Cannings Purple

Michael Vaughan / Warrick Hazeldine

Email: [aellis@canningspurple.com.au](mailto:aellis@canningspurple.com.au)

[whazeldine@canningspurple.com.au](mailto:whazeldine@canningspurple.com.au)

Phone: +61 (0)8 6314 6300

## UK MEDIA RELATIONS

### Tavistock Communications

Jos Simson / Emily Fenton / Nuala Gallagher

Phone: +44 (0) 207 920 3150

## KENYA MEDIA RELATIONS

### Africappractice (East Africa)

David Maingi / James Njuguna / Joan Kimani

Phone: +254 (0)20 239 6899

Email: [jkimani@africappractice.com](mailto:jkimani@africappractice.com)

## PRINCIPAL & REGISTERED OFFICE

Level 1, 50 Kings Park Road

West Perth WA 6005

Email: [info@baseresources.com.au](mailto:info@baseresources.com.au)

Phone: +61 (0)8 9413 7400

Fax: +61 (0)8 9322 8912

<b>Sam Willis</b>	Non-Executive Director
<b>Michael Anderson</b>	Non-Executive Director
<b>Malcolm Macpherson</b>	Non-Executive Director
<b>Michael Stirzaker</b>	Non-Executive Director

## SHARE DETAILS

As at 31 March 2015, there were 563,902,771 ordinary shares on issue.

## SUBSTANTIAL SHAREHOLDERS

Pacific Road Capital	20.4%
Taurus Funds Management	14.9%
Sustainable Capital	12.5%
L1 Capital	7.8%
Aterra Investments	7.7%
Acorn Capital	7.6%
Genesis Asset Managers	5.0%

## UNLISTED SHARE OPTIONS

Options expiring July 2015 ex A\$0.09	7,100,000
Options expiring July 2015 ex A\$0.25	9,500,000
Options expiring December 2018 ex A\$0.40	30,712,531

## SHARE REGISTRY

### ASX

#### Computershare Investor Services Pty Ltd

Level 2, 45 St Georges Terrace

PERT H WA 6000

Enquiries: 1300 850 505 / +61 (3) 9415 4000

[www.computershare.com.au](http://www.computershare.com.au)

### AIM

#### Computershare Investor Services PL C

The Pavilions

Bridgwater Road

BRISTOL BS99 6ZZ

Enquiries: +44 (0) 870 702 0003

[www.computershare.co.uk](http://www.computershare.co.uk)

## TENEMENT SCHEDULE

Special Mining Licence 23, 100% interest, Kwale, Kenya

Exploration Licence 173, 100% interest, Kwale, Kenya