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Operator: Thank you for standing by and welcome to the Base Resources September Quarterly Call.  All participants are in a listen only mode.  There will be a presentation followed by a question and answer session.  If you wish to ask a question you will need to press the star key followed by the number one on your telephone keypad.  I would now like to hand the conference over to Mr Tim Carstens Managing Director, please go ahead.

Tim Carstens: Thank you and good morning everyone and thanks for joining the September quarterly call.  It's been an interesting quarter for us I guess with the really key themes during this quarter being that transition to the South Dune, the transition itself was completed at the end of June.  But this quarter has been all about ramping up mining and processing operations following that transition.  That's gone extremely well.  We're wrapping our arms around that orebody.

We've been able to achieve mining rates the equivalent of almost of 20 million tonnes per annum in the quarter, which gives you an idea of the effectiveness of that ramp up against a plan of around 18 million tonnes per annum.  We've also achieved record zircon recovery with very strong rutile and ilmenite recoveries as well, which is extremely pleasing given that we're in a new orebody and we'll tease into all this a little more.

We've also seen ongoing supply constraints in the [Tier 2] side of our business, the supported continued strengthening of prices, albeit zircon has been softening.  We've also expanded our footprint in Kenya with some additional exploration licenses, our applications I should say submitted for some areas that we've been looking at for a little while and identified as being pretty interesting.

On the Toliara side of things the big focus has been on the definitive study, that's remaining on track for completion in December, in the second week of December.  So it's been a very successful quarter and one that we're really pleased with.  Drilling a little further into that looking at Kwale the plant performance has been really pleasing in this newer lower grade higher volume operating environment.

We cut our teeth in that environment I guess last year with the completion of mining in the Central Dune where we were mining in the lower grade fringes so we got used to it.  But commencing mining in the South Dune in July we've also started in the orebody fringes which has lower grade quite similar to that Central Dune.  As we moved through the quarter we moved into the orebody proper and we saw the grades come up and you just get a more consistent orebody so we're now right into it.

Mining tonnes are up on last quarter. We're up at 4.9 million tonnes for the quarter but the grades, as I said, was pretty low at 2.66%, that improved from around 1.8% in July up to 3.6% in September as we moved into the orebody proper so we're where we want to be now. HMC produced came down a bit, or quite a bit, due to the lower grade and as a consequence the MSP feed also decreased.

We tuned the plants to the available concentrate and also drew down our HMC stocks a bit so we finished the quarter at about 11,000 tonnes. A couple of interesting features, or one interesting feature in particular that we've seen in the orebody is a higher proportion of zircon in the HMC than we'd really anticipated. We're also seeing higher recoveries than we had expected particularly with zircon, rutile, and ilmenite up in the low 100s, 103, is typical for what we've achieved over the last few years.

But zircon at 86% is a significant step up comparing to 76% in the last quarter and that's largely attributed to larger zircon grain size in the South Dune which our plant is proving to be able to separate more effectively. So it's still early days being only a quarter in but it's a very pleasing trend for us.

The production over the quarter was consistent with what we'd expected given the part of the orebody we're in, because of the ramp-up, and also due to a two week shut for some drier repairs that I think we flagged last quarter and that took place in July. So we're pretty much on track with where we thought we'd be.

We'll continue to pretty tightly manage costs albeit that they were higher than last quarter, so we're up at about $16.9 million compared to $15.5 million in the prior quarter, and that's a function of the higher mining volumes but also the increased pumping distance involved in being down at South Dune. We also had an increase in what was a non-cash expense in rehabilitation as a consequence of the land clearing activities we have to do ahead of mining, so a couple of factors there.

Operating costs per tonne went up, that's a consequence of those higher mining costs but also the [unclear 5:47] production volume. Now cost of goods sold were also up, again as a consequence of that cost per tonne produced, but also because of the sales mix were at $213 a tonne this quarter compared to $180 a tonne last quarter.

Average revenue was down a little bit at $469 compared to $482, largely due to the high proportion of ilmenite. It does reflect a higher rutile price, now we were achieving around

$1200 a tonne over the quarter.  The ilmenite prices were also a bit higher at $172 over the quarter, the zircon price did come off a little bit, we were down about $65 per tonne on premium zircon over the period.

Operating profit per tonne was still really strong at $256 but the RC ratio was down at 2.2, we had 2.7 last quarter.  From here the new normal I guess for the Kwale operation in this lower grade environment is going to be between that 2.2 or maybe 2.4, that's kind of where we would see this moving forward from here.

We haven't changed our production guidance at all at this stage.  We'll revisit that guidance with the benefit of another quarter in terms of South Dune experience but certainly we're feeling pretty comfortable with what we're seeing at the moment.  In terms of value enhancement initiatives at Kwale I guess the big thing that's underway at the moment is the concept study to assess the economics of mine life extension from that North Dune resource that we announced earlier in the year.

That's 171 million tonnes at an average grade of 1.5, which is pretty low, but we think we should be able to establish a few years of low grade operation from that dune that would slot in at the very end of the mine life of the Kwale operation.  Ahead of that we're really focused on trying to identify some better grade material to come in before that.

The North East Sector, we haven't done any additional drilling there, we've got about 2400 metres in first pass drilling remaining to be done.  That was suspended while we were resolving a whole lot of community access issues.  Those issues are still a bit challenging but we are making some good headway.  We're also making good headway with access to get drilling in the northern end of the Vanga license.  We've got a drill rig on standby in country ready to go and once we've got a decent body of work for that drill to get applied to we'll crack on with that.

We've got a few licence applications working their way through the system.  The first is the extension of the Vanga license which we applied for some time ago but we've got two new areas that we're looking at now.  One is about 70 kilometres away from the Kwale operation called the Kuranze area, it's on the border with Tanzania and is showing some interesting shows for rutile.

We've also applied for an area south of Lamu at the very northern end of the coast in Kenya, an area that we identified through some reconnaissance over the last 12 months, so we're keeping a portfolio ahead of ourselves to identify some further opportunities in Kenya.

We've continued our outstanding safety performance across the Group. We've now worked 18 million man hours without an LTI and again no medical treatment injuries. We haven't had one since for 27 months or 8.3 million hours, which is rather remarkable. I think the thing that's probably really pleasing for us is beyond continuing the culture we established in Kwale we've now been able to establish a very similar culture in Madagascar.

We do have a number of people running around in the country there now, there's some 125 at the moment, and we've been able to translate that success in Kenya into Madagascar and we haven't had a medical treatment injury in that operation at all yet, and long may that continue.

What I'd like to do now is turn over to Steve Hay, our General Manager of Marketing, to give you his insights on the market.

Stephen Hay: So the September quarter pans out pretty much as we had expected. We are seeing the same things from previous quarters continue in the market, so there hasn't been a lot of change in the situation.

The demand for the titanium minerals remains very strong, certainly that's true for the ilmenite that we're selling into China and the rutile that's going to our western customers, and the supply constraints on those minerals are continuing, which is maintaining that tight market condition and supporting the price improvement.

So through the September quarter we did see further price gains on both the ilmenite and rutile and we're certainly seeing that into the December quarter now as well. The pigment industry in the second half of this year is perhaps a bit softer than was originally expected but the pigment producers are continuing to operate at high levels and so that is sustaining that strong demand for titanium feedstocks.

Turning to zircon, the September quarter was relatively stable, market conditions were stable and prices remained generally flat, certainly for standard zircon. There was a bit of downward movement on premium, however, the global economic conditions are continuing to weigh on the zircon market and there is a growing negative sentiment, which is starting to impact demand.

So with some slowing demand in the December quarter what we're seeing is some of the major zircon suppliers having some surplus material which is putting that pressure on pricing. As a result of that, our prices are coming off on average about $60 a tonne across all of the zircon products into the December quarter. So the contracts that we've got for December quarter are down on average about that $60 a tonne compared to the flattish pricing we had in the September quarter and the June quarter.

Tim Carstens: Thanks Steve. Turning now to the Toliara project, the big focus for us at this point is really progressing the DFS to completion. We're on track for that to be released to the market in the second week of December. It would be fair to say it's coming together nicely with no material variations from the DFS emerging thus far, which is always nice.

A couple of key things completed in the quarter. We knocked out the best of 19,000 metres of definitional drilling, which in terms of the resource we're working towards getting our reserves, our maiden reserves for Toliara out ahead of the DFS to underpin that. We've completed all of our MSP test work and flow sheet We've been progressing workforce capacity development initiatives at a pace. We had some 5500 people registered for traineeships around Toliara. We're looking to take about 1000 of those onto traineeships and thus far about 580 have started or completed that training, so we're making good headway.

Very much focused on getting the fundamental skills we need together for, firstly, the early works program, but then also into construction and into operations. We've taken 25 Malagasy apprentices up to Kenya for a two-year period to complete their technical training and to get indoctrinated into the Base way of doing things and that's progressing really well.

We've got a whole lot of bids in for power supply for marine facilities and earth works, all part of underpinning the rigour around the capital estimate for the DFS. We've got a whole lot of requests for tenders out for export facility foundations, bridges, fuel supply. There's a whole lot going on in the background.

Land acquisition processes have been continuing over the course of the quarter. The total expenditure during the quarter was US$9 million, up from about US$5.7 million last quarter, but commensurate with the level of activity as we're heading towards conclusion of that DFS.

Q4 focus, apart from obviously finalising the DFS, big focus on getting the various funding streams moving. The issue with the DFS is that key milestone for those processes, whether you're talking about the debt funding packages or the joint venture discussions we've got going. We've done a lot of the prework to get everyone to where they need to be ahead of that DFS and that's when the detailed work really starts.

We're looking to award access road and camp bulk earth works contracts during this quarter as part of an early works program, to try and allow more community based construction and obviously magnify our impact on the local economy. Looking to get those early works underway in the early part of 2020, help us to maintain a reasonably tight construction schedule once we get going.

So I guess that's probably where we're at with Toliara. We're pretty happy with the way things are coming together with the DFS being the big milestone now. Corporately we finished the quarter with $30.6 million as our net cash position. We did see a continuation of the VAT refunds that we saw restarted last quarter. We saw about $2.5 million come in over this quarter, so we are slowly catching up. We have about $22.7 million refunds claims still outstanding, but as I said we're catching up.

Looking forward to next quarter, the big thing will be higher production levels in the fourth quarter of the year, with the improved grade. So we'll see something that's heading more towards the more regular quarter that we would expect to see after this lower grade fringe quarter we've just had.

Looking to see further price improvement for rutile and ilmenite, but as Steve said, we would expect to see zircon come off a bit. But net, given that 75% of our revenue comes from the [TAR2] side of the equation, net would be an improved price position. And then the big milestone, as we keep saying, is that DFS release plan for the second week in December.

So with that, we might turn it over to questions.

Operator: Thank you. If you wish to ask a question please press star then one on your telephone and wait for your name to be announced. If you wish to cancel your request please press star then two. If you are on a speakerphone please pick up the handset to ask your question.

Your first question comes from Justin Chan from Numis Securities. Please go ahead.

Justin Chan: (Numis Securities, Analyst) Afternoon guys, thanks a lot for hosting the call. My first one is just on, I guess, how the rest of the year looks. The first question being on throughput, I realise now that you're in higher grade areas it might change, but is there any reason to not maintain the high throughput level if you can?

And then, I guess related, is there any more variation quarter to quarter in terms of grade that we should be aware of?

Tim Carstens: The grade for once we're into the next quarter should be pretty consistent, I think, over the balance of the year. I guess the washup of it is that we're still reiterating our current guidance.

But coming back to your first question, there's no reason why we wouldn't try to maintain the higher throughput. I guess the thing we've just got to watch for a little bit is that as the grade increases we need to make sure that at that higher throughput we're still achieving the sort of recoveries we're after. Now we can't see any reason why we wouldn't because typically it's harder to achieve the recoveries after lower grades, but we're a bit cautious as we experience each change for the first time. So I think once we get past this next quarter we'll have a much sounder basis for making any adjustment to guidance.

Justin Chan: (Numis Securities, Analyst) Okay and for grade, just probably best way to handle it is just assume a level that gets you to your average grade.

Tim Carstens: Yes, the sort of grades we're looking at over the next couple of quarters are up around the 3.6s, 3.7s.

Justin Chan: (Numis Securities, Analyst) Okay, thanks on that. Just on the MSPs, pretty interesting quarter from that side of things. Do you think that's most - is that due to perhaps the assemblages in the South Dune are just different and potential higher and your recovery numbers are skewing up because you haven't adjusted the factors? I guess I'm trying to figure out going forward if perhaps it might be prudent at some point to adjust the assemblages and recoveries in my mode.

Tim Carstens: Yes, I would recommend to you that you do what we're doing, which is let's see how the next quarter shakes out. The one that's really interesting, there's the rutile and ilmenite recoveries are not out of the bounds of what we've achieved in the past, they're pretty consistent.

The zircon being 10 percentage points higher is the really interesting one and it does seem to be driven by larger zircon grain size and the way our plant is able to handle that. Now if that continues to be a feature, well we could expect to see higher production volumes, but we just need to be a little cautious at this stage.

Justin Chan: (Numis Securities, Analyst) Okay, thanks, that's very clear on that. And just a last one in terms of working capital in the quarter, you built some inventory, I'm just wondering on the accounts receivable if that came down at all and then going into the next quarter, what your guidance and shipments is.

Kevin Balloch: Justin, Kevin. Yes, working capital definitely would have produced over the quarter - I haven't got the numbers to hand, but you'll recall we had a pretty good start to the quarter in June and especially in the month of June it was quite a lot of [unclear]. So this is a much lower quarter. We're in that world where you've got that one rutile shipment, one ilmenite shipment coming up every second quarter. So there has been a fairly big drop-off and I'm almost there to give you a number.

Tim Carstens: The other thing to bear in mind too is that the size of the ilmenite shipments we're pushing out and when we've cleaned out the shed before largely by the end of the year, you've got to get to that next 55,000 tonne volume to get the next ship out. So we don't shrink the size of the shipments to get them to fit into quarters; we tend to focus on just doing things as efficiently as possible.

Kevin Balloch: Yes, Justin, over the quarter we actually got probably our working capital, we reflected $5 million more receipt than we sold, that's the way it panned out. So there's a fairly large actuating of sales in the quarter, so most of that carried over into receivables again.

Justin Chan: (Numis Securities, Analyst) Great, I see, okay. Because I think receivables built up in Q4 especially, so I'm just trying to see how that worked through. And then, so for the next quarter, unclear whether, I guess, shipments and production may be in line or slightly off, but no clear steer because it depends on…

Tim Carstens: Yes, next quarter we'd be expecting ilmenite to be a little ahead of production and rutile at this stage to be a bit behind production, with a pickup in the March quarter from a rutile perspective. We'll end up with two bulk shipments in that quarter. Zircon will be pretty much in line with production.

Justin Chan: (Numis Securities, Analyst) Okay, perfect. Thanks, that's very helpful. I'll clear the line for everyone else, but thanks very much.

Tim Carstens: No worries, thanks Justin.

Operator: Thank you. Once again, if you wish to ask a question please press star then one on your telephone and wait for your name to be announced. If you wish to cancel your request please press star then two.

Your next question comes from Richard Hatch from Berenberg. Please go ahead.

Richard Hatch: (Berenberg, Analyst) Cheers, morning guys, thanks, or afternoon guys, thanks for the call. First one's on costs. Can you just - so $16.9 million cost for the quarter, is that a decent run rate for you to run that now you've kind of moved to the South Dune? Or perhaps can you just give a little bit of guidance on that?

Kevin Balloch: Richard, Kevin. That - look, if we continue to operate at the high mining volumes then we're going to have higher costs, of course and the run rates would be pretty close to what we said. Probably a little bit lower, there's quite a lot of - as you mentioned - [unclear] rehabilitation costs, which essentially we have for the land that we clear ahead of mining. So depending on how much land gets cleared in the quarter and how far we push ahead of mining activities, that goes up and down.

So in the quarter that was fairly substantial, that was $1 million of the cost of that 16.9. In an average quarter going at that sort of clip, we'd probably be closer to $500,000 to $600,000. So it'll be a little bit lower on that basis alone, but the additional costs are related to distance and [unclear].

Richard Hatch: (Berenberg, Analyst) Okay, thanks. So kind of around about this level, give or take half a mill here or there?

Stephen Hay: Yes, last quarter we were at 15.5, you'd probably expect an ongoing run rate of maybe 16.5, something like that.

Richard Hatch: (Berenberg, Analyst) Yes, all right, cool. And then on [spot prices] just to be clear, are we talking spot prices now kind of 1400, 1425, something like that?

Stephen Hay: Yes, for standard grade zircon I think we're averaging just around 1400 in Q4, but they're locked in for the quarter. So they're quarterly prices.

Richard Hatch: (Berenberg, Analyst) Okay, thanks. And then just a point of clarification, the $172 ilmenite, that's net to you, right? So the actual spot market is higher?

Stephen Hay: So that's the average FOB price for the quarter to us.

Richard Hatch: (Berenberg, Analyst) Realised by yourself, yes?

Kevin Balloch: Yes, correct. The actual - there's kind of no rack rate ilmenite price, but we would typically take a $10 to $15 discount from the underlying…

Stephen Hay: Yes, if you take a 50% CIO to ilmenite as being the market average, we would be about $10 a tonne below that. But there's not many that sit right on 50%, they're either just above or just below. So we tend to be just at the low end of that.

Richard Hatch: (Berenberg, Analyst) Brilliant. Thanks, Steve. Then my last one was just on the ilmenite assemblage. I think I'd modelled a lower assemblage for the transition into the South Dune, but it would appear that it was higher. I suppose kind of get the feeling from what you're saying, it's a wait and see over the next quarter or so, just as you get into the meat of the orebody, but is that surprising you a little bit, to the upside, or am I off on that one?

Tim Carstens: Oh, look, I mean it's - yeah, we're a little bit surprised, but not - it's not that big an issue, to be honest. It's - you do see a fair bit of variability in the fringes of the orebody where it's been a bit more churned up, if you like - the densities are different, there's all sorts of things that are different about it, which is why we're taking a fairly cautious approach until we get into the thick of the orebody.

What I'd encourage everyone to do is, as we've done, we've got the guidance, let's stick with the guidance until we're clear.

Richard Hatch: (Berenberg, Analyst) Thanks, Tim.

Operator: Thank you. Once again, if you wish to ask a question please press star then one on your telephone and wait for your name to be announced. Your next question is a follow-up from Richard Hatch from Berenberg. Please go ahead.

Richard Hatch: (Berenberg, Analyst) Hello, thanks, sorry, I may as well go again. Guys, just on the kind of prices you're seeing at the moment in the market, are you able - I mean you said you hit about $1200 for rutile in the September quarter and $172 for ilmenite. Are you able to give any kind of steer on what prices you're seeing for the December quarter?

Tim Carstens: Yeah, sure, Richard. we're going to have some slight gains on that. I think ilmenite will continue to move up at the same rate that we've seen for the last few quarters. I think rutile - rutile typically doesn’t move too much between first and second and third and fourth quarters, because it's more six-monthly to half-yearly, so we will see some slight gain on the rutile and then ilmenite will continue its same sort of rate of growth that you've seen over the last few quarters.

Unidentified Male: Sort of about $10.

Tim Carstens: Yeah. It's been, on average, I think, since April this year, we've averaged about $10 per shipment on ilmenite.

Richard Hatch: (Berenberg, Analyst) Okay, well, that's encouraging. Do you think - I mean is there any - just off the back of that, I mean, market's quite hot then, so is there any concern that - I mean you point out in your release that there's no new supply quotas and bans continue in India, but is there any kind of concern that if prices continue to remain quite buoyant that some swing supply comes online and takes some of the hot air out of the market? Or not?

Tim Carstens: Yeah, there's always that potential. I don't think the price is quite at that level yet. It needs to get to a pretty healthy level and then sustain that for a while, before you do see significant swing supply come in. We're not seeing any real evidence. There's a few concentrates coming out of Mozambique, perhaps, but I mean that's been building for a while. There's nothing that we can see at the moment that's going to flood in, so yeah, we're pretty confident that the conditions will remain as they are - the short, foreseeable future.

Unidentified Male: Really need to see something north of [$200], wouldn't we? To start to see?

Tim Carstens: Yeah, even getting up into the mid-200s, before everyone gets excited.

Unidentified Male: Yeah, that's right.

Richard Hatch: (Berenberg, Analyst) Okay, cool. Thanks guys. Congrats, and best of luck for the run into year-end.

Tim Carstens: Thanks a lot. Cheers, Richard.

Operator: Thank you. There are no further questions at this time. I'll now hand back to Mr Carstens for closing remarks.

Tim Carstens: Well, thanks, everyone, for joining us. As always, if you do have any follow-up questions, please free to get in touch with any of the team and we look forward to seeing you when we're next over in London.

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