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Operator: Thank you for standing by and welcome to the Base Resources September Quarter Results Briefing. 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 thanks everyone for joining the September call. It's been an unusual quarter for us I guess in that you know after many quarters of sort of consistent mining and just basically working with an oil body we're well familiar with, this quarter has been all about successfully ramping up post the transition from the Central Dune to the South Dune.

As you know that transition was completed at the end of June and since then we've been really pleased with the way the South Dune ramp up has gone. In particular we're now achieving mining rates equivalent to just under 20 million tonnes per annum in the course of the quarter, which was above the 18 million tonnes per annum plan that we had expected. So still early days.

We're very pleased with the ability to maintain those sorts of through puts. The plants also performing extremely well with record zircon recoveries, strong rutile and ilmenite recoveries. We're seeing ongoing supply constraints that are supporting continued strengthening of rutile and ilmenite prices. A slightly different story in zircon and we'll talk more about that.

We've expanded our footprint around the Kwale Operation in Kenya with the application for some additional exploration licences. The big sort of project I guess around Toliara is - well the big focal point around Toliara is delivery of our DFS and we're on schedule for completion in December of this year, around that second week of December. So it's been a really interesting quarter but very successful one.

So turning to the operation at Kwale, as I said we're operating in our new sort of lower grade, higher volume operating environment and we're achieving really pleasing plant performance in that new paradigm. Starting in the South Dune in July, we started in the oil body fringes which are lower grade like the Central Dune as we finished that off last financial year. I mean it's also a bit ratty in some ways. It's not really indicative of the overall oil body in a few respects. But as the quarter moved along we moved into the oil body proper and so we're now operating right in the meat of the South Dune.

The mining tonnes are obviously up as I said. We're at 4.9 million tonnes for the quarter, reasonably low grade at 2.66% compared to last quarter's 3.52%. But the HM grade improved from about 1.8% in July to 2.6% in September and we're certainly seeing further improvement as we moved into October, as I said in the meat of the oil body. HMC produced came down a bit, again due to that lower grade. No great surprise there.

MSP feed was also down due to the lower production and lower available HMC stocks, given that we used most of our HMC to manage our way through the move. We actually have stocks now down around 11 or they were at the end of the quarter, 11,000 tonnes. One of the things we're seeing in this oil body is a higher proportion of zircon in the HMC than anticipated and recoveries are also higher than planned, certainly for zircon. We're up around 86%; last quarter we were at 76%.

A large part of that is explained by the larger zircon grain size in the South Dune which improves separation efficiency. There's a greater differentiation if you like between grain size in zircon and some of the other material like [unclear]. The lower MSP feed rate that we maintained during the quarter to adjust for HMC stocks also allowed us to do some further optimisation on that circuit while that was happening.

Production was consistent overall with our expectations, around 16,500 tonnes of rutile, 74,000 tonnes of ilmenite and 7,000 tonnes of zircon. There was also a minor volume of minor grade zircon but not really worth talking about. Costs have continued to be tightly managed. Total operating costs were a bit higher this quarter than last, up at $16.9 million compared to $15.5 million prior quarter.

We were mining substantially higher volumes than last quarter. We also had an increased pumping distance which added a bit to the costs. We also increased our non-cash rehabilitation expense due to the land clearing activities ahead of mining on the South Dune. So that increased the expense during the quarter.

Operating cost per tonne was up a bit as a consequence of those higher mining costs plus lower volume. The cost of goods sold again a little higher due to the operating costs and also the sales mix. As you know we absorb costs into product on the basis of relative value and so the sales mix will impact on costs. The average revenue per tonne was slightly lower, down at $469 compared to $482 due to a high proportion of ilmenite sold. Rutile prices were higher, now we're up around $1200 during the quarter.

Ilmenite prices were up at now $172. The zircon prices were down at around $14.60 and we'll talk more about the markets in a moment with Steve. The operating profit per tonne was around [$256] which gives us that RC of 2.2 and they're obviously down from 2.7 last quarter. The 2.2, 2.3 is probably the new normal for the Kwale Operation in this South Dune.

We haven't changed the FY20 guidance. We will revisit that guidance with the benefit of another quarter of South Dune experience. But with one quarter under the belt we're not really feeling there's a need to revisit that at this stage. In terms of value enhancement at Kwale beyond getting our plant running even better than it is now, it's really obviously mine life extension. North Dune has a concept study underway. That's a rather large Dune that we released a resource on earlier in the year. It's about 171 million tonnes at an average grade of 1.5.

So that concept study is really assessing economics and mine life extension from that oil body. Assuming we get successful outcome from that we'll move on into a PFS in 2020. The expanded South Dune resource conversion into a reserve is really just waiting on the mining tenure arrangements. They are moving very slowly through the bureaucracy of Kenya. But all the right noises are being made. In fact there have been a few public comments from ministry people saying that it's already been granted and they're expecting it imminently.

The north east sector we've still got about 2,500 metres in first class drilling which we suspended pending resolution of the community access issues. We are now making some reasonable headway on that front. There are definitely some areas opening up. We have a drill rig available and ready to go as soon as we have an opportunity to immobilise it onto a sensitive work plan.

We've also got - we're working on access in the northern end of the Vanga licence and again that's been sort of held pending resolution of access issues. We're working with a sugar company that has quite a decent tenure over that area. They've agreed in principle to us getting in there, we've just got to finalise that and we're making some good headway with the community on the other areas. So I think we're not too far away from being able to resume the drilling programs.

We've also applied for a few further licences, not immediately around Kwale. The Kuranze area is 70km west up near the Tanzanian border. It's quite an interesting little area that we've identified on the back of some rutile shows and we're doing quite a bit of work up there at the moment to understand the deposition model for that area and what that's really telling us. We've also secured or applied for I should say, an area just south of Lamu further north in Tanzania on the back of some recognisance work we did.

In terms of safety and performance, we maintained our usual stellar safety performance right across the Group. No LTIs or MTIs during the period. We've now worked over 18 million man hours without an LTI. We haven't had an MTI in 27 months, now over 8 million hours work since anyone had a medical treatment injury. So extremely pleasing, particularly the fact that we've been able to establish a similar sort of safety culture in our Toliara Operation, notwithstanding that we're only in project phase. We still do have some 125 people at the moment running around in Madagascar. So it's been really good to be able to extend that into a new operation quite quickly.

With that, we might turn to the market and I'll hand over to Steve Hay, our General Manager of Marketing.

Stephen Hay: So the September quarter is pretty much unfolded as we'd expected and what we've seen is the same themes from recent quarters really continuing through that September quarter. So there hasn't been too much change in the situation, certainly for the titanium feed stocks, the demand remains very strong and that's been true for our ilmenite going into China and our rutile going to our western customers. I guess the supply constraints on those minerals continue which is maintaining tightness in the market and continuing to support that start of that price improvement.

So we have seen further price gains for both the ilmenite and rutile in the September quarter, now again going into the December quarter. I think it's fair to say that the pigment market in the second half of this year is perhaps not as strong as what was originally expected.

But the pigment producers are continuing to operate at pretty high levels and that's fuelling the ongoing demand for the titanium feedstock.

Turning to zircon, the September quarter was actually relatively stable. Prices did hold stable through the quarter, perhaps down a little bit on June but relatively stable. What we are seeing into the December quarter is that global economic situation [really started the] way further on the zircon market. So there is a growing negative sentiment in zircon which is growing some pressure on pricing in the December quarter.

I think the slowing demand that we see as a result of those economic factors is resulting in some of the major zircon suppliers now having some surplus zircon available which is putting the pressure on the market. So our prices for zircon going into the December quarter for our December quarter contracts on average are down around about $60 a tonne for the flat prices that we had or the relatively flat prices we had through the June and September quarters. Thanks Steve.

Look turning to Toliara as I said the DFS is on schedule for completion in the first half of December. That's coming together very nicely and thus far is progressing entirely consistently with the PFS which is pleasing. Some key activities completed in the quarter, there's quite a lot of definitional drilling around 19,000 metres. We completed the MSP test work and flow sheet verification work. There's a whole lot of geotechnical and hydrogeological investigations that were completed.

We've progressed our workforce capacity developments. We had some 5,500 people registered for traineeships. We're taking about 1,000 of those on and 580 of them have started or completed training thus far. So it's quite a significant program and quite high profile down in the area in which we operate around Toliara. We've also got 25 [Malagasy] apprentices who are now up in Kenya for the next two years completing their training and I guess getting indoctrinated in the Base way of doing things.

We received the bids for IPP, the power facility, marine facility and earthworks. We've been issuing requests for tenders on a whole lot of stuff like the export facility foundations, bridge, fuel supply, accommodation camp block work. So there's a lot of activity around that. It's really providing the rigor around the capital estimate. Land acquisition process is progressing in conjunction with the local authorities. Total expenditure for the quarter was up a bit, well up quite a bit from last quarter. We were $5.7 million last quarter and was around $9 million this quarter. Not entirely unexpected given the level of activity. I think we did guide that last quarter.

Other area of real focus is on progression of funding so there's quite a bit going on in that respect around pursuing a couple of debt funding alternatives. We're in the process of appointing who will be the independent experts for the lenders. So getting all the pre-work ready for when the DFS releases and we can really get the lenders reviewing that and heading towards [unclear].

Big focus in Q4 will be obviously on finalising the DFS. We're still completing the preparation of our LGIM application - the large mine investment regime application in Madagascar. A lot of engagement going on at the moment with the government in

Madagascar by all parties, really trying to influence the debate on mining policy. There will be some awarding of some contracts. We're looking to get some of the early works underway so things like the access road in the camp.

Looking to start those in early 2020 so Camp bulk earthworks contracts and as I said the access road will be awarded over the course of this quarter. We'll be continuing with all of those training programs and obviously a lot of finance discussion in parallel including progressing a few joint venture possibilities that we're developing, and we'll be continuing with our land acquisition process. So a lot of streams but all heading in the right direction and the big milestone coming up obviously is that DFS.

From a corporate perspective, net cash position at the end of the quarter was just under US$31 million. We have been receiving VAT refunds regularly now. We received $2.5 million during the quarter. The tap is turned back on in Kenya after the best part of a year with no VAT refunds while they investigated some irregularities with the way their computer based refund system was operating.

It did appear that there was some channelling of funds from the companies that should be receiving it into the pockets of some people who shouldn't. So it took the government a while to work that out and while they weren't admitting to it, everyone was just put on slow so there was no VAT refunds coming back to us and no explanation. It seems we've got through that now, the Kenya Revenue Authority has been cleaned up and seems to be working the way it's supposed to. We do have a balance of around $22 million still outstanding including that construction VAT.

So looking forward a bit, what would we be expecting next quarter? Higher production levels in Q4 on the back of the improved average grade. As I said earlier, we're into the meat of the ore body now so we'd expect to see volumes pick up. Still expecting to see further price improvement for rutile and ilmenite on the back of the dynamics that Steve explained before but we're also expecting that easing in zircon price over the quarter.

A big thing as I keep saying for us is getting that DFS out that is so central to lots of things, obviously to project progression but also to the various funding streams we're working on whether it be [debt] or joint venture so big milestone to look forward to. With that, I think we might turn it over to questions.

Operator: Thank you. If you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star two and if you're on a speaker phone, please pick up the handset to ask your question. The first question comes from Hugh Stackpool with Petra Capital. Please go ahead.

Hugh Stackpool: (Petra Capital, Analyst) G'day Tim. G'day Stephen. Look, well done on a good transition. I just wanted to maybe ask a question on the expectations for the rest of the year. You've kind of highlighted your December quarter but you're saying you're in the meat of it, does that mean maybe the next three quarters will be pretty uniform in regards to or would you be assuming in regards to that mining in grade guidance or do you think there's still going to be a second half waiting?

Tim Carstens: Well no, I think the next quarter will be up more at a normal run rate but in terms of guidance, I think you should be looking at our FY20 full year production guidance. I mean that's what we're reiterating and we're on track to achieve that.

Hugh Stackpool: (Petra Capital, Analyst) Yes, so you just divide the difference by three. Yes, that makes sense. Then that zircon recovery [and grain size they] obviously correlate quite well and are working for you. Is that like a surprise or when you do your work on the ore body, do you already have an idea of what the grain size might be? I'm just trying to think about whether it's a case of waiting for say the next two or three quarters to make a view on whether grain size means that recoveries could be better on a longer term or whether or whether that can ebb and flow throughout and ore body?

Tim Carstens: Yes, look it wasn't necessarily - it wasn't a surprise that the grain size was a bit bigger but I think what was a surprise - the unknown is how does the plant respond to it. To what extent does that actually make a difference in improving your recoveries and to what extent? So that was a little bit of a surprise. We weren't expecting to see recovery up in the mid 80s but as long as the grain size sort of stays at that sort of level, we'll expect to see continued enhanced recoveries for zircon.

Hugh Stackpool: (Petra Capital, Analyst) That sounds good. Then trying to take a bit of a look about this value enhancement. This concept study for north June, what's the kind of info that we should expect to come from that? Would there be like a preliminary cost or a target mine life? Or is that something you guys keep to yourself and we kind of wait for a PFS?

Tim Carstens: To be honest, haven't really thought quite a lot about what it would look like. I mean the concept study is probably not something we would release. It would - it might give us a guide as to what we should be suggesting to people they could be expecting but I'd definitely rather see a PFS before we get too excited about it...

Hugh Stackpool: (Petra Capital, Analyst) Yes, okay and then I suppose without making you too excited about it, how would you kind of rank that north June in regards to you know your options for what you're doing in Kenya and I guess...

[Over speaking]

Tim Carstens: Look, it's the back end. It's what we would put into the plant when we have nothing else. It's going to be that sort of kind of tail two to three years where you might generate $25 million a year in free cashflow.

Hugh Stackpool: (Petra Capital, Analyst) Yes, okay, fair enough...

Tim Carstens: That's for zircon.

Hugh Stackpool: (Petra Capital, Analyst) Toliara coming along, I think it would be a first consistent with the PFS. Was that kind of what I heard you say? Just trying to make sure I'm getting my expectations right and then...

Tim Carstens: Yes, we're not seeing anything at this stage from a technical perspective that's significant departure. There are obviously swings and roundabouts but the overall position is consistent at this stage of the [unclear] test.

Hugh Stackpool: (Petra Capital, Analyst) Okay, good. Well, yes looks good. Good performance and a few good catalysts ahead so thanks for taking my questions.

Tim Carstens: Yes.

Operator: Thank you. Once again, if you wish to ask a question, please press star one on your telephone and wait for your name to be announced. There are no further questions at this time. I'll now hand back to Mr Carstens for closing remarks.

Tim Carstens: Okay, well thanks everyone for joining us on the call. As always, if you've got any questions you want to follow up, please feel free to contact myself or Kevin Balloch who I forgot to announce was on the call today, our CFO or James Fuller, our Manager of IR and Comms. So if you do have any questions, get in touch, otherwise look forward to speaking to you soon.

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