

## HIGHLIGHTS

- Maiden corporately cashflow positive quarter.
- An increase of 8% in production of final products quarter on quarter to 131,873 dmt.
  - Ilmenite circuit achieved an average MSP recovery of 106%.
  - Rutile circuit achieved a consistent MSP recovery of 94% throughout the quarter.
  - Ongoing process design enhancements and optimisation work achieving consistent improvements in zircon recovery throughout the quarter with MSP recovery in December of 53%.
- Over 23,000 tonnes of rutile shipped.
- No lost time injuries.
- Completion of the rescheduling of the Kwale Project finance debt facilities.
- US\$20 million in additional funding secured.
- Off-market takeover offer for World Titanium Resources Limited launched.

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”), the focus has been firmly on continuing to drive product recoveries, with considerable success achieved.

## KWALE OPERATIONS

Mined ore grades were lower at 7.5% heavy mineral (“HM”) as mining proceeded closer to the perimeter of the Central Dune (8.4% HM during the previous quarter) while tonnage mined increased by 6% to 2.3Mt in the December quarter.



Despite the higher mining tonnages and continued improvement in recoveries in the concentrator (from 96% to 97%), Heavy Mineral Concentrate (“HMC”) production declined by 4% to 165,953 tonnes as a result of the lower mined ore grades. WCP utilisation remained above plan at 84% for the quarter.

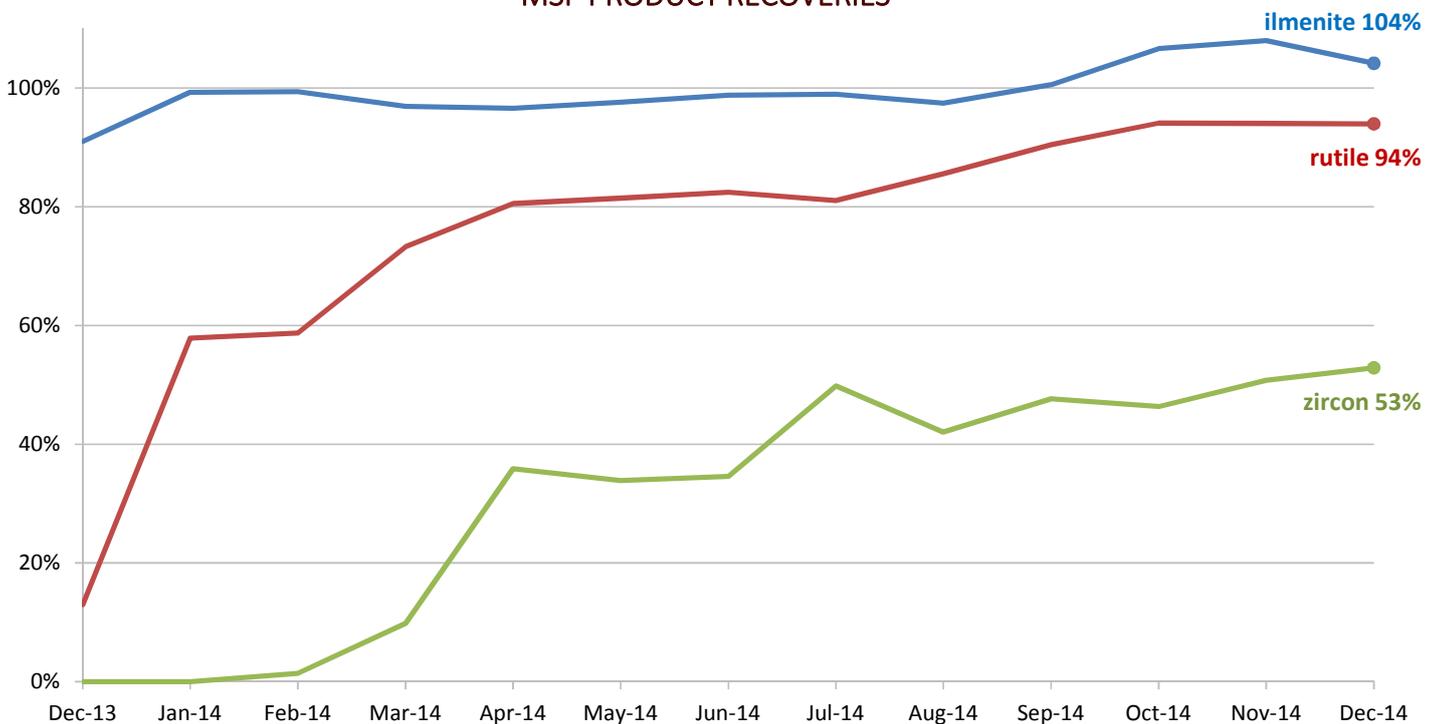
Slime and sand deposition continued to operate according to plan and, by quarter end, sufficient storage capacity had been established to accommodate the next 3.5 years’ slime production.

The onset of the “short rains” in October ensured the Mukurumudzi Dam remained full throughout the quarter.

MSP throughput of 166,000 tonnes was in line with the previous quarter and feed rates remained at design levels of 80tph. MSP utilisation improved from 92% to 94% over the quarter.

Ilmenite production continued above design capacity, increasing 7% to 108kt due to further improvement in recoveries. 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. Rutile production increased 12% over the prior quarter, from 16,612 tonnes to 18,672 tonnes with MSP recoveries consistently averaging 94% for the quarter. Further rutile recovery improvements are expected from ongoing design enhancements throughout 2015, including the installation of modified screens scheduled towards the end of the March quarter. Zircon production is consistent with the planned twelve month ramp-up to design capacity and average recoveries increased from last quarter’s 47% to 50% this quarter, including 53% for December. The focus for zircon over the next quarter is on improving recoveries through improvements to the wet zircon piping and pumping systems to provide greater control and flexibility. All availabilities, throughputs and recoveries are ahead of the ramp-up plan.

### MSP PRODUCT RECOVERIES



Bulk loading at Base’s Likoni Port facility continued to perform well throughout the December quarter, dispatching more than 76,000 tonnes during the quarter. In order to take advantage of considerable savings in freight rates, we are increasingly shipping 50,000 tonne cargoes. This change in shipping strategy, combined with the normal seasonal slowdown towards year end, has resulted in lower ilmenite sales during the quarter with additional sales volume pushed into January. Ilmenite sales are expected to normalise in 2015 at approximately 100,000 tonnes per quarter.

Containerised shipments of rutile and zircon proceeded according to plan.

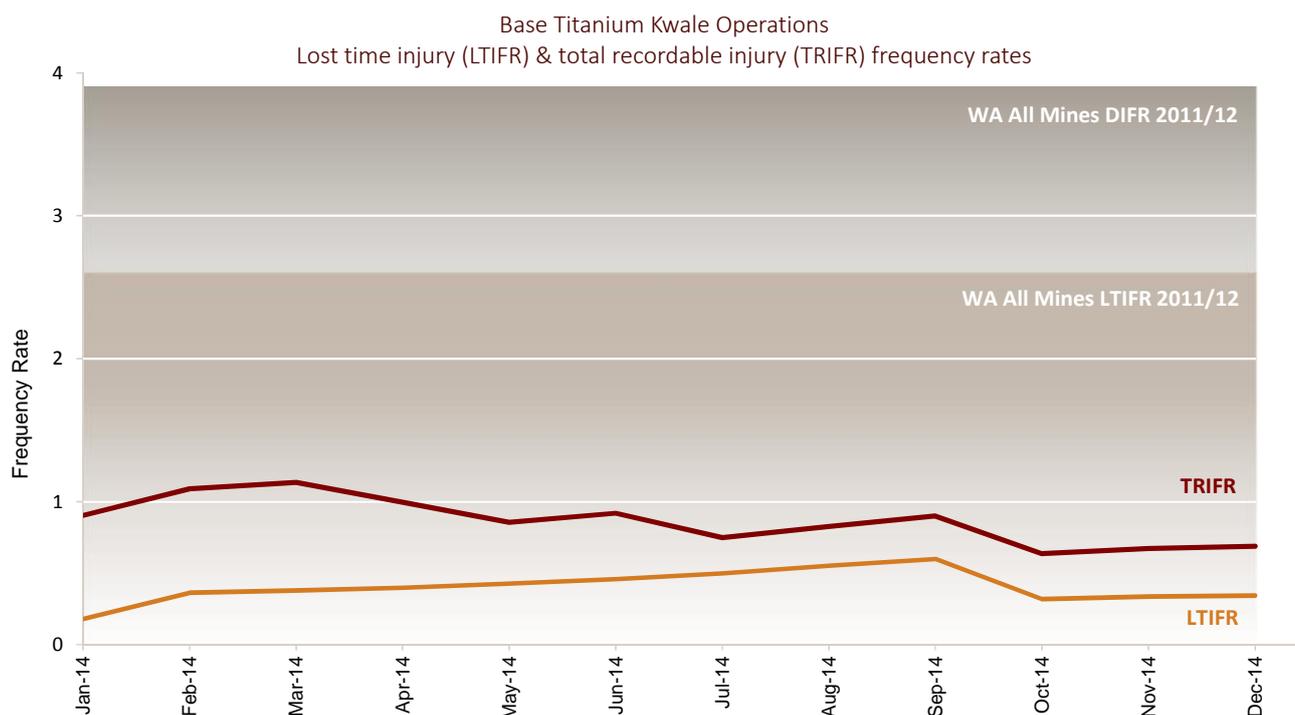
SUMMARY PHYSICAL DATA	March 2014 Quarter	June 2014 Quarter	September 2014 Quarter	December 2014 Quarter
Ore mined (dmt)	1,940,951	1,759,211	2,191,455	2,328,746
HMC produced (dmt)	113,196	141,753	172,885	165,953
Production (dmt)				
Ilmenite	68,193	91,620	100,533	107,893
Rutile	8,843	15,221	16,612	18,672
Zircon	356	4,130	5,210	5,308
Sales (dmt)				
Ilmenite	47,300	91,529	116,578	53,345
Rutile	0	14,005	12,923	23,328
Zircon	0	2,704	2,601	5,883

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

## SAFETY AND TRAINING

No serious injuries occurred during the quarter.

A comprehensive training and development program is underway aimed at a sustainable workforce transition to national employees with leadership development, apprenticeship programs and graduate traineeships underway.



## 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, preparations are underway to expand the number of local farmers involved in the program with the aim of producing commercial quantities of both crops. Further training of local farmers for a poultry trial programme is now underway with the intention of increasing productivity and quality through modern chicken rearing techniques focussed on bio-controls and sustainability.



Harvesting cotton from the trial plots

## MARKETING

The global TiO<sub>2</sub> pigment industry softened towards the end of the December quarter as the northern hemisphere entered its usual seasonal slowdown. Inventories of ilmenite feedstocks are expected to remain at elevated levels until the pigment market picks up late in the March quarter and through the June quarter. The cyclical slowdown in the pigment sector in China during the December quarter (and in the lead up to Chinese New Year) has resulted in ilmenite prices coming under renewed pressure. Output from some of the principal ilmenite sources for the Chinese market continues to

be suppressed which should support pricing once demand regains pace (post Chinese New Year) and stocks are further worked down.

Pricing of high grade titanium dioxide feedstock (including rutile) remained relatively stable through the December quarter but may come under some pressure in the early months of 2015.

Zircon trade activity remained firm through the December quarter with strong levels of enquiry being received from the market. Prices were stable throughout the December quarter and are expected to remain stable through the March quarter. There is potential for some zircon price growth in 2015 provided that major producers continue to manage their production output in line with market demand.

## CORPORATE

### TAKEOVER OFFER FOR WORLD TITANIUM RESOURCES LIMITED

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 the 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, we have concluded that the Offer is now unlikely to succeed unless there is a significant change in circumstances.

As previously announced, the Offer Price will not be increased and the Offer will close at 7.00pm (WST) on 6<sup>th</sup> February 2015 and will not be extended unless all remaining Conditions of the Offer are fulfilled or waived prior to that time, or the Offer is subject to an automatic extension under the Corporations Act.

### DEBT RESCHEDULING COMPLETED

The restructure of the US\$215 million Kwale Project debt facility (“Project Debt Facility”) was completed in early December. The rescheduling has the primary effect of realigning the Project Debt Facility repayment schedule to reflect the delay in commencement of sales from the Kwale Project to February 2014 from the original expectation of October 2013 when the facility was arranged in 2011.

Under the terms of the restructure, all principal repayments and funding of the debt service reserve account have been deferred by six months with some re-profiling to suit future cash flows. The first principal repayment is deferred from December 2014 to June 2015 and the debt repayments during the 2015 financial year are reduced from US\$45.9 million to US\$11.0 million.

In addition, Base committed to contribute up to US\$15 million in additional liquidity by 30 June 2015 (“Liquidity Injection”), if required by any lender.

### ADDITIONAL US\$20 MILLION DEBT FACILITY EXECUTED

In December, Base executed a US\$20 million unsecured debt facility with one of its major shareholders, Taurus Funds Management (“Taurus Facility”). The Taurus Facility puts Base on a sound financial footing, providing a source of additional funding for the Kwale Project should it be needed, the means to satisfy the US\$15 million Liquidity Injection (refer above) and US\$5 million in corporate funding.

#### KWALE COUNTY MINERAL LEVY

Base is currently 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. 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 Treasury has recently announced the Government of Kenya's intention to settle all outstanding VAT claims by April 2015.

#### CLOSING CASH POSITION

The closing cash balance (unrestricted) at 31 December of A\$12.7 million was lower than expected and affected by several factors, including:

- Reduced ilmenite sales as a consequence of a move to larger shipment sizes to take advantage of lower freight rates;
- The cyclical impact of the northern hemisphere winter on demand, particularly for ilmenite;
- Customer shipping schedules pushing sales later in the quarter and further into January; and
- Impacts of tightened credit conditions in China impacting on both shipment timing and revenue receipt.

These timing impacts have now largely resolved and not expected to be repeated in the March quarter.

#### *In summary, at 31 December 2014:*

- Cash and cash equivalents (unrestricted) were A\$12.7 million.
- Debt drawn of US\$215.0 million, undrawn debt of US\$20.0 million.
- 563,902,771 shares on issue.
- 47,312,531 unlisted options.

ENDS.

# CORPORATE PROFILE

Base Resources Limited ABN 88 125 546 910

## DIRECTORS

Andrew King	Non-Executive Chairman
Tim Carstens	Managing Director
Colin Bwye	Executive Director

## COMPANY SECRETARY

Winton Willesee

## NOMINATED ADVISOR & BROKER

RFC Ambrian Limited

As Nominated Advisor:

Andrew Thomson or Trinity McIntyre

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As Broker:

Jonathan Williams

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## AUSTRALIA MEDIA RELATIONS

Cannings Purple

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## UK MEDIA RELATIONS

Tavistock Communications

Jos Simson / Emily Fenton / Nuala Gallagher

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## KENYA MEDIA RELATIONS

Africappractice (East Africa)

David Maingi / James Njuguna / Joan Kimani

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## PRINCIPAL & REGISTERED OFFICE

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Sam Willis	Non-Executive Director
Michael Anderson	Non-Executive Director
Malcolm Macpherson	Non-Executive Director
Michael Stirzaker	Non-Executive Director

## SHARE DETAILS

As at 31 December 2014, there were 563,902,771 ordinary shares on issue.

## SUBSTANTIAL SHAREHOLDERS

Pacific Road Capital	20.4%
Taurus Funds Management	12.4%
Sustainable Capital	9.5%
L1 Capital	7.8%
Acorn Capital	7.6%
Aterra Investments	5.5%
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

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## TENEMENT SCHEDULE

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

Exploration Licence 173, 100% interest, Kwale, Kenya