



KEPSA Code of Ethics Implementation Progress Report for 2018

COMMUNICATION ON PROGRESS

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| Company Name: | Base Titanium Limited |
| Sector: | Mining and Exploration |
| No. of Employees: | 754 at 31 st December 2016 |
| COE Signatory Since: | 14 th January 2018 |
| Contact Person: | Simon Wall |
| Address: | P.O. Box 1214 – 80400 Ukunda, Kenya |
| Period covered by this COP: | 14 th January 2017 to 13 th January 2018 |

LEADERSHIP: Statement of Continued Support by the Managing Director

To our Stakeholders:

I am pleased to reaffirm Base Titanium’s (“Base” or “the Company”) support of the principles of the Code of Ethics for Business in Kenya, for corporate responsibility relating to our organisation, our shareholders and investors, our products and services, our suppliers, contractors and agents, our local communities, our state and government and our natural environment.

In this annual Communication on Progress (“COP”), we describe our actions to maintain and continually improve the integration of the above standards into our business strategy, culture and daily operations. We also commit to share this information with our stakeholders using our primary channels of communication.

Yours sincerely,

Tim Carstens
Managing Director

ORGANISATIONAL GOVERNANCE:

Base Titanium Limited is a wholly-owned subsidiary of Australian and UK-listed mining company, Base Resources Limited (ASX and AIM: BSE).

FINANCIAL SUSTAINABILITY:

Information for financial year 2016/17 is available in the Base Resources Annual Report 2016-2017 published on the website at: <http://basetitanium.com/announcements>.

The annual reports provide a description of the Company’s operational and financial performance.

BRIEF DESCRIPTION OF NATURE OF BUSINESS

Base is the owner and operator of the Kwale Mine, Kenya’s first large-scale modern mining project. Located in Kwale County, the mine is a KES26 billion investment, making it the county’s largest industrial investment and the country’s largest mining operation. Construction of the infrastructure was completed at the end of 2013 and the first bulk consignment of ilmenite was shipped from Mombasa in February 2014. The mine is currently producing around 470,000 tonnes of ilmenite; 90,000 tonnes of rutile; and 36,000 tonnes of zircon annually.

SCOPE OF THIS COP

At Base we uphold the **10 Principles of the UN Global Compact**:

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2: Make sure that they are not complicit in human rights abuses.

Labour Standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4: The elimination of all forms of forced and compulsory labour.

Principle 5: The effective abolition of child labour.

Principle 6: The elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges.

Principle 8: Undertake initiatives to promote greater environmental responsibility.

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

Anti- Corruption

Principle 10: Businesses should work against corruption in all its forms including extortion and bribery.

In addition, Base is committed to ensuring **Social** and **Economic** responsibility.

HUMAN RIGHTS

UN Global Compact Principles:

Principle 1: Business should support and respect the protection of internationally proclaimed human rights.

Principle 2: Business should ensure that they are not complicit in human rights abuses.

Current status

Assessment, Policy and Goals

Base's approach to human rights is guided by Kenyan legislation and international standards, including the International Labour Organization ("ILO") conventions ratified by Kenya, the International Finance Corporation Performance Standards, the Equator Principles, the Voluntary Principles on Security and Human Rights and the World Bank Group Environmental, Health and Safety Guidelines (collectively deemed "best practice").

The Company has adopted these best practices through a series of internal policies and engages continuously and transparently with all stakeholders in order to understand impacts of its operations and to work collaboratively in developing strategies to address their concerns and aspirations.

Implementation

The Company's policies are communicated to employees, prominently displayed in the work place and are publicly available on its website at <http://basetitanium.com/governance/company-policies>. The Fair Treatment and Whistle Blower systems have been established to protect the rights of employees.

Base has a well-structured community engagement system that allows dissemination of information to village level through consultative committees and its community liaison officers who engage continuously with stakeholders.

Measurement of Outcomes

Base is regularly audited both internally and externally. Audits are a regulatory requirement and a condition of lender financing. They assess performance against various human rights indicators.

Commitment

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| | Through its policies the Company is committed to upholding these two principles by protecting, respecting and promoting human rights at all times. |
| Future intent | <p>Activities Planned for Next Year</p> <p>Base will continue to support and protect human rights, both of employees and external stakeholders. It will continue to monitor the impact of its operations to ensure that human rights are never infringed.</p> |
| LABOUR RIGHTS | |
| UN Global Compact Principles: | <p><i>Principle 3: Business should uphold the freedom of association and the effective recognition of the right to collective bargaining.</i></p> <p><i>Principle 4: Business should support the elimination of all forms of forced and compulsory labour.</i></p> <p><i>Principle 5: Business should support the effective abolition of child labour.</i></p> <p><i>Principle 6: Business should support the elimination of discrimination in respect of employment and occupation.</i></p> |
| Current status | <p>Assessment, Policy and Goals</p> <p>By adopting best practice, Base's Employment Policy values and encourages a diverse workforce. Employment is based on merit and without discrimination. Employees are trained to work in safe, healthy and environmentally responsible ways. No forced, bonded or child labour is practised.</p> <p>Implementation</p> <p>The Company respects freedom of association and has provided access to trade unions to recruit employees to their membership. All employees are over the age of 18 on commencement of employment.</p> <p>Salaries are paid directly into bank accounts held in the names of employees.</p> <p>Measurement of Outcomes</p> <p>A key objective is to provide job opportunities to local communities. To this effect 63% of the workforce, inclusive of on-site contractors, is drawn from Kwale County, while 96% is Kenyan. The Company is also proud of its exceptional safety record with no Lost-time Injuries occurring in 48 months of continuous operations.</p> <p>Commitment</p> <p>Base is committed to providing a safe working environment that is free from discrimination, forced and child labour. It is also committed to maximising employment and economic opportunities for project affected and local communities.</p> |
| Future intent | <p>Activities Planned for Next Year</p> <p>The Company will continue to ensure rigorous adherence to employment standards and labour laws while continuing to provide a safe working environment and training opportunities for its employees.</p> |
| ENVIRONMENT | |
| UN Global Compact Principles: | <p><i>Principle 7: Business should support a precautionary approach to environmental challenges.</i></p> <p><i>Principle 8: Business should undertake initiatives to promote greater environmental responsibility.</i></p> <p><i>Principle 9: Business should encourage the development and diffusion of environmentally friendly technologies.</i></p> |
| Current status | <p>Assessment, Policy and Goals</p> <p>The approach to environmental management is guided by Kenyan legislation and best practice, which are adopted through a series of internal policies and standards. The overriding objective is to prevent, mitigate or offset harmful effects on the environment and conserve biodiversity.</p> <p>Implementation</p> <p>Base operates under an Environmental Impact Assessment License issued by the National</p> |

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| | <p>Environmental Management Authority (“NEMA”), which is revalidated annually by way of independent environmental audits.</p> <p>Employees and contractors are empowered and required to prevent pollution, maximise resource efficiency and reduce emissions.</p> <p>Base collaborates with the National Museums of Kenya, WWF-Kenya, the Kenya Wildlife Service and the Kenya Forest Service and is an active member of Kwale environmental civil society organisations.</p> <p>Systems and technologies that provide mechanisms to improve environmental performance are continually assessed and implemented where appropriate.</p> <p>Measurement of Outcomes</p> <p>An extensive monitoring programme, incorporating water and air quality, noise, waste and ecology is in place to identify, report and respond to any environmental issues that may arise.</p> <p>Base is working on the restoration of a wetland and establishment of a biodiversity corridor.</p> <p>Commitment</p> <p>Protection of the environment is a central part of the Company’s values and principles and is considered sound business practice.</p> |
| Future intent | <p>Activities Planned for Next Year</p> <p>Extensive environmental monitoring programmes and audits put in place will continue and progressive rehabilitation of the mine utilising indigenous flora will continue.</p> |
| ANTI-CORRUPTION | |
| UN Global Compact Principles: | <i>Principle 10: Business should work against corruption in all its forms, including extortion and bribery.</i> |
| Current status | <p>Assessment, Policy and Goals</p> <p>Base is committed to conducting its business in a legal, honest and ethical manner as governed by its clear and unequivocal Integrity Policy.</p> <p>The policy prohibits bribery and corruption in all its forms. The Company remains apolitical and does not make donations to parties or politicians and does not make payments that could be perceived as bribes or seeking to gain an undue advantage.</p> <p>Third parties acting on behalf of the Company are also required to comply with the policy.</p> <p>Implementation</p> <p>As part of the Whistle Blower System an anonymous helpline has been established to allow employees to report any corrupt behaviour witnessed in the workplace.</p> <p>Base is a corporate signatory to the Extractive Industries Transparency Initiative (“EITI”) and publishes annually its payments to government (http://basetitanium.com/governance/extractive-industries-transparency-initiative). Base also advocates that the Government of Kenya adopts the EITI standards and seeks accreditation.</p> <p>Commitment</p> <p>Demanding absolute integrity and advocating for anti-corruption are central to Base’s business principles.</p> |
| Future intent | <p>Activities Planned for Next Year</p> <p>Base will continue to vigorously enforce anti-bribery and anti-corruption measures internally and to support the EITI initiative. The company is cognisant of the Bribery Act and has updated its integrity policy accordingly and circulated it to all employees.</p> |
| SOCIAL | |
| Current status | Assessment, Policy and Goals |

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| | <p>Achieving the Company’s long-term goals is dependent on building relationships with the communities in which it operates and establishing a balanced flow of mutual benefits. The Communities Policy is based on best practice and ensures broad participation of affected people. By establishing enduring relationships, it aims to provide long-term sustainable benefits to local communities.</p> <p>Implementation</p> <p>Consultative committees act as an interface between the Company and communities. This is an important tool for achieving participatory and inclusive engagement. The committees play a major role in identifying community development priorities as well as identifying and resolving grievances.</p> <p>Links have also been established with a variety of development organisations with a view to working collaboratively with them and with Kwale County Government.</p> <p>Measurement of Outcomes</p> <p>Base has completed 250 community projects in social infrastructure, sustainable livelihood enhancement, health and education. Agricultural programmes now involve 2,000 farmers.</p> <p>Commitment</p> <p>Base is committed to engaging local communities honestly and transparently to strengthen relationships and work to empower them to achieve sustainable economic benefits.</p> |
| Future intent | <p>Activities Planned for Next Year</p> <p>Base will continue to implement community programmes to ensure a flow of mutual benefits derived from the Kwale Mine. In compliance with the Mining Act 2016, the Company will establish a community development committee to negotiate a Community Development Agreement to incorporate its existing programmes. With the support of key partners, it aims to expand the agricultural livelihood programme and to invest further in health and education.</p> |
| ECONOMIC | |
| Current status | <p>Assessment, Policy and Goals</p> <p>The Company aims to achieve a strong economic partnership with Kenya and make a real contribution to its development. It is also committed to honouring its tax and royalty obligations, making payments to its suppliers in a timely manner and delivering its products to customers in line with contractual obligations.</p> <p>Implementation</p> <p>The Kwale Mine is making a significant contribution to Kenya’s economy. In addition to creating 754 direct employment opportunities, it supports a further 2,800 jobs in the wider economy. By maximising local content, the mine spends KES3.7 billion with Kenyan suppliers annually, thus acting as a catalyst for further economic activity and close to KES1.9 billion in government revenue is generated annually as a result of the Base’s activities.</p> <p>Commitment</p> <p>Base will continue to act in a responsible manner to deliver economic benefits.</p> |
| Future intent | <p>Activities Planned for Next Year</p> <p>Base is working with an international development organisation to identify ways of further expanding opportunities for local businesses to participate in its supply chain. The estimated contribution to GDP over the life of mine is close to KES100 billion.</p> |
| <p>How do you intend to make this COP available to your stakeholders?</p> <p>Base will post the commitment renewal on its website http://basetitanium.com/governance/code-of-ethics and make it available to the Global Compact Network Kenya.</p> | |