

## HIGHLIGHTS

- Following commissioning of the mining unit and wet concentrator in early October, production at the Kwale Project commenced during the quarter producing 42,472 tonnes of heavy mineral concentrate.
- Ilmenite and rutile production through the mineral separation plant commenced in December ready for bulk shipments to commence in February.
- Fourth US\$20 million drawdown on the Kwale Project Debt Facility completed in October 2013.
- Further US\$25 million extension to the Kwale Project Debt Facility secured in December 2013 to provide an increase in the working capital buffer during the ramp up phase.

**Base Resources Limited** (ASX & AIM: BSE) (“Base” or the “Company”) is pleased to provide a quarterly production and commissioning update at its Kwale Mineral Sands Project (“Kwale Project” or the “Project”) in Kenya, East Africa. All work packages are now complete and operational, with the exception of the zircon circuit of the mineral separation plant (“MSP”) which is currently undergoing feed commissioning. The Project will commence bulk product shipments from February 2014.

## KWALE PROJECT

Following commissioning of the dry mining unit (“DMU”) and wet concentrator in early October, the production of heavy mineral concentrate (“HMC”) commenced. Optimisation of these circuits continued throughout the quarter resulting in a steady increase in throughput, recoveries, availability and runtime towards design targets.



Stacking of ilmenite at the Likoni port facility storage shed

The DMU proved extremely effective with the Caterpillar D11T dozers performing to expectation. Slimes separation and disposal and sand tails stacking has proceeded and performed according to plan. Wet concentrator production and performance has been ramping up consistently and is in line with ramp up expectations.

Month	Ore mined (dmt)	Ore mined (tph)	HMC produced (dmt)
October	105,304	586	4,080
November	275,315	685	10,163
December	451,373	941	28,229
<b>Total Quarter</b>	<b>831,992</b>	<b>783</b>	<b>42,472</b>

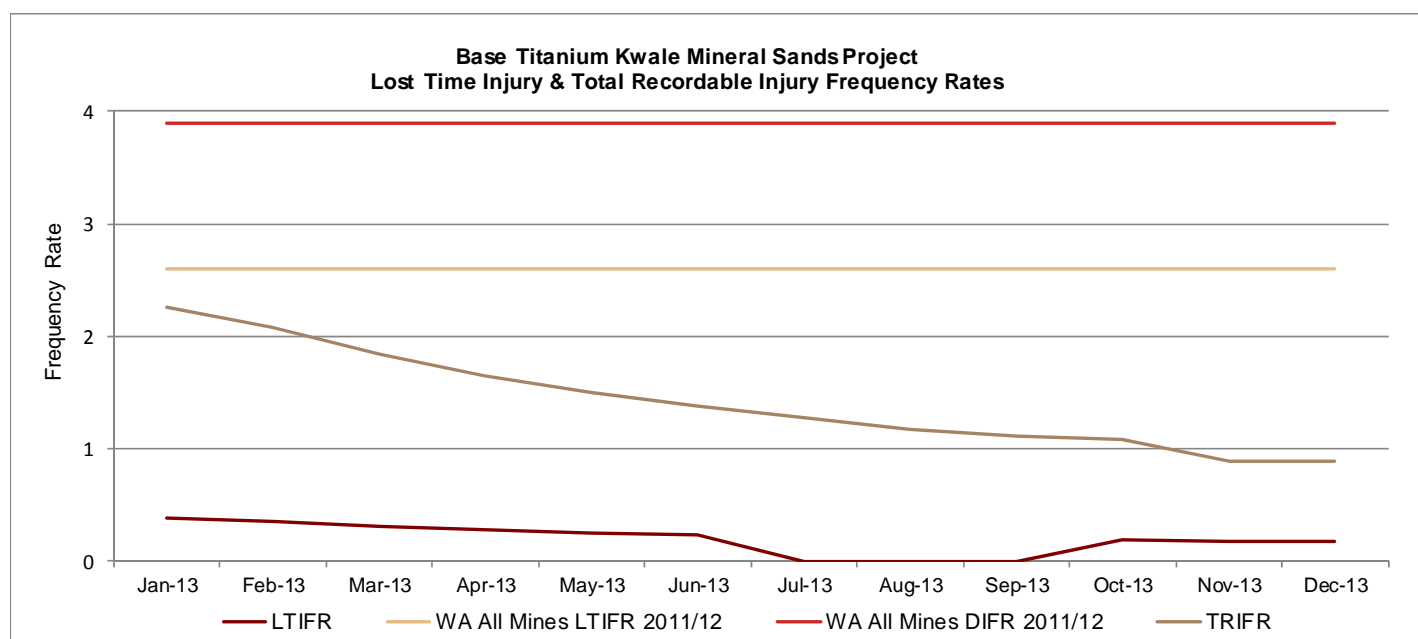
Commissioning of the MSP commenced in December with the main focus on balancing and debottlenecking in order to progress the ramp-up to achieve nameplate throughput. Ilmenite production is on track in terms of both tonnage and quality to achieve the first bulk shipment in February 2014, slightly later than planned. Ramp up of rutile production has been slower due to an initial focus on the front end ilmenite circuit as well as the rectification of a number of plant bottlenecks. The first bulk rutile shipment is scheduled for March.

Trucking of bulk ilmenite and rutile to stockpile at the Likoni port facility commenced during the quarter and has proceeded without incident.

Construction work at the Kwale processing plant is winding down. Over 80% of the contractor workforce has demobilised and outstanding activity comprises mainly remedial work and commissioning of the wet and dry zircon circuits. Zircon production is expected to commence slightly behind schedule in early February. Construction works at the Likoni port facility are complete with the 60,000 tonne capacity storage shed receiving both ilmenite and rutile product.

## SAFETY PERFORMANCE

With an excess of 20,000 hours of operational readiness training completed prior to start up, the Company's safety performance has been maintained through the transition from construction into operations with only minor first aid injuries reported. The lost time injury frequency rate ("LTIFR") is currently 0.18 per million man hours following a lost time injury (the Projects second) during the quarter when a diver, welding underwater, was stung by a stonefish.



## COMMUNITY AND ENVIRONMENT

With construction scaling back, many local workers are being demobilised. Base is continuing to conduct demobilisation workshops to assist these workers learn skills that will improve their employability.

Rehabilitation of construction areas following contractor demobilisation is ongoing, with successful revegetation and indigenous tree planting taking place across all areas.

A road safety campaign was carried out early in the quarter with the involvement of the mineral haulage contractor, aimed at sensitising communities along the transport corridor on road safety in preparation for the mineral transport that commenced in December.

Construction of social infrastructure continued during the quarter with the Magaoni Health Centre nearing completion. Construction of three boreholes to provide clean water to villages near the mine site has commenced after receiving regulatory approval in the September quarter. A further programme to rehabilitate existing hand-pump boreholes for villages on the western side of the mine property is planned for the coming quarter.

## BUDGET

The estimated cost at completion for the Project is currently US\$310 million, of which US\$300 million had been incurred to 31 December 2013.

## FINANCING

In December 2013, Base executed documentation to extend its existing project finance facility agreements by a further US\$25 million. The additional project finance facility will increase the working capital buffer during the ramp up phase of the Kwale Project. The key terms of the additional facility are consistent with the existing facility.

Subsequent to quarter end, the additional US\$25 million project finance facility was drawn in January 2014, bringing the total Kwale Project debt facilities drawn to US\$215 million.

## MARKETING

The short term market for titanium dioxide feedstocks continued to show signs of improvement through the December quarter with reports from major pigment producers suggesting that pigment demand has improved, and stock levels and plant utilisation rates have started to normalise, through H2, 2013. However, supply of titanium dioxide feedstock into the market through the latter part of the December quarter out-paced demand and resulted in further price weakness towards year end.

Construction indices in the major markets of USA, China and Europe have been trending strongly positive for the past 6-9 months which suggests that 2014 will see further improvement in pigment demand. Price improvement for ilmenite and rutile in 2014 will be dependent on the pace of stock re-balancing between producers and consumers.

Demand for zircon was firm in the major markets of China and USA throughout 2013, although some user segments (such as zirconium chemicals) remained subdued. Unfavourable economic conditions continued to persist in other major markets, Europe in particular, which suppressed demand in all user segments in those markets for much of the year.







## Quarterly Activities Report – December 2013

Overall, it is expected that global zircon consumption for 2013 has exceeded 2012 and this positive trend is expected to continue through 2014. Although zircon pricing remained relatively stable for much of 2013, the rate of supply into the market through the December quarter exceeded that of demand and forced a drop in pricing by year end.

Base has agreed sales schedules with all customers for 2014 and is currently finalising shipping and logistics arrangements for the initial shipments in Q1, 2014.

## CORPORATE

*In summary, at 31 December 2013:*

- Cash and cash equivalents were A\$33.3 million.
- Debt drawn of US\$190.0 million.
- 561,840,029 shares on issue.
- 16,600,000 unlisted options.

Ends.

## BASE RESOURCES LIMITED

Tim Carstens  
Managing Director  
Email: tcarstens@baseresources.com.au  
Phone: +61 (0)8 9413 7400

### RFC Ambrian Limited (Nominated Advisor and Broker)

As Nominated Advisor:	As Broker:
Andrew Thomson or Trinity McIntyre	Jonathan Williams
Phone: +61 (0)8 9480 2500	Phone: +44 20 3440 6800

### Africappractice (East Africa) (Kenyan Media Relations)

David Maingi / James Njuguna / Joan Kimani  
Phone: +254 (0)20 239 6899  
Email: jkimani@aficappractice.com

### Tavistock Communications (UK Media Relations)

Jos Simson / Emily Fenton / Nuala Gallagher  
Phone: +44 (0) 207 920 3150

### Cannings Purple (Australian Media Relations)

Annette Ellis / Warrick Hazeldine  
Email: aellis@canningspurple.com.au  
whazeldine@canningspurple.com.au  
Phone: +61 (0)8 6314 6300

## TENEMENT SCHEDULE:

Tenement Number:	Interest:	Location:
Special Mining Licence 23	100%	Kwale – Kenya
Exploration Licence 173	100%	Kwale North – Kenya

## CORPORATE DETAILS:

Board of Directors:	Principal & Registered Office:	Contacts:
Andrew King <b>Non-Executive Chairman</b>	Level 1	Email:
Tim Carstens <b>Managing Director</b>	50 Kings Park Road	info@baseresources.com.au
Colin Bwye <b>Executive Director</b>	West Perth	Phone: +61(0)8 9413 7400
Sam Willis <b>Non-Executive Director</b>	WA 6005	Fax: +61(0)8 9322 8912
Michael Anderson <b>Non-Executive Director</b>		
Trevor Schultz <b>Non-Executive Director</b>		
Malcolm Macpherson <b>Non-Executive Director</b>		
Winton Willesee <b>Company Secretary</b>		