

## HIGHLIGHTS

- Bulk rutile and containerised zircon shipments commenced in April
- Design through puts, plant availability and runtime now being consistently achieved
- Recoveries progressively improving towards design targets with ongoing implementation of process design enhancements and optimization
- No lost time injuries occurred
- First quarter of positive operating cash flows
- Achievement of “Commercial Production” for accounting purposes with effect from 1 April

**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. Following the completion of commissioning in the March quarter, the focus has been on debottlenecking and metallurgical optimisation of the mineral separation plant (“MSP”) circuits towards achieving design throughput, recoveries, availability and run-time. With significant success achieved in relation to runtime and throughput, the focus is now firmly on the progressive improvement in recoveries.

## KWALE OPERATIONS



Kwale process plant and load out facilities

Mining activities delivered steadily increasing feed grades as the mine path approached the central, high grade, section of the Central Dune. Tonnages were restricted due to a planned program of rectifying the concentrator spiral collection



launders under a defects liability claim. This was, however, compensated for by the higher grade areas which maintained heavy mineral concentrate output to plan with the mined ore grade increasing from 6.4% to 8.1% heavy mineral over the quarter. This rectification work was successfully completed by the end of June.

Heavy Mineral Concentrate (“HMC”) production continued to increase over the quarter as a function of higher ore grades and improved recoveries. Valuable Heavy Mineral (“VHM”) recoveries in the concentrator improved by 3.5% over the previous quarter to 93.8%.



Kwale mining operations and dozer trap mining unit

Slime and sand deposition continued to operate according to plan. By the end of the quarter, stacking of the second 5 metre sand wall lift was underway.

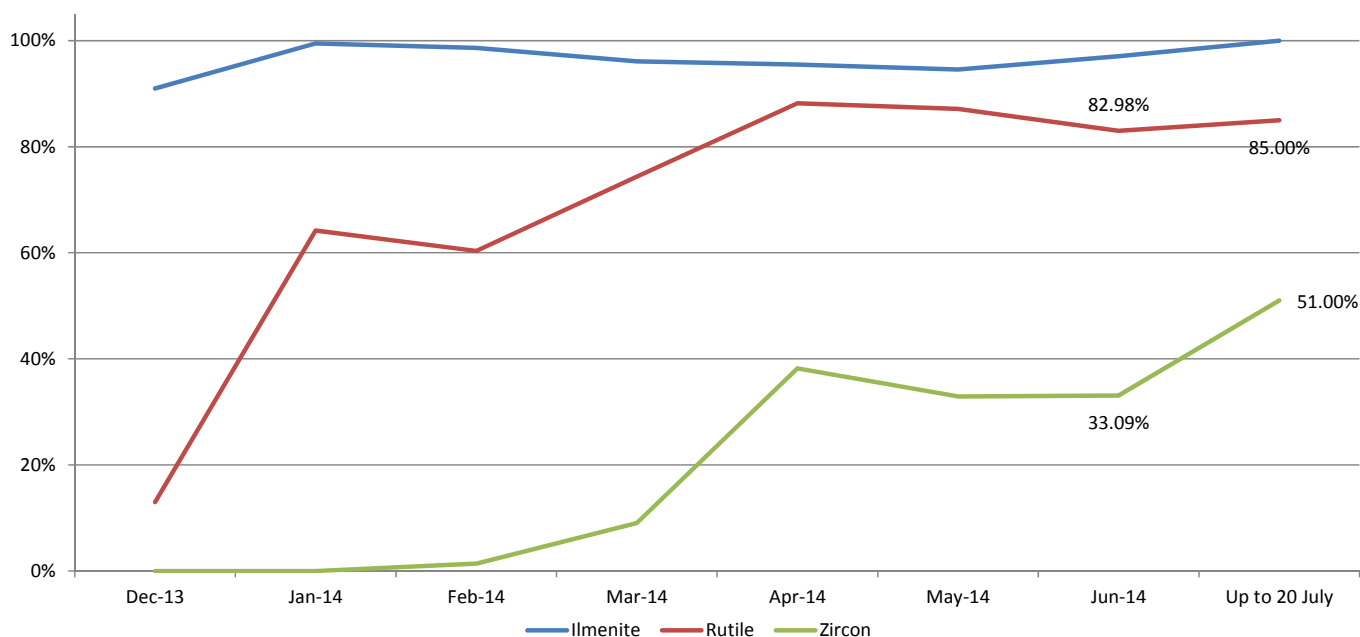
Excellent rains during May filled the Mukurumudzi Dam to its 8.6GL capacity and, at the end of June, the spillway was still flowing.

Mineral separation plant (“MSP”) throughput of 152,777 tonnes was 38% above the previous quarter’s 110,860 tonnes and feed rates were consistently at design levels of 80tph during the quarter. MSP availability increased from 72% to 87% over the quarter, providing a stable operation on which to undertake further refinement testwork and plant optimisation over the next few quarters.

Ilmenite production has reached design capacity and is exceeding expectations. Zircon production is consistent with a planned twelve month ramp-up to design capacity. Rutile production ramp-up has been hampered by wet gravity circuit losses (feed preparation and zircon wet plants) which are expected to be largely resolved during the September quarter. Further plant modifications and optimisation are expected to increase production to design output over the balance of the 2015 financial year. Early results from this work have been encouraging with MSP recoveries of 85% and 51% achieved in the month of July to date for rutile and zircon respectively.



## MSP PRODUCT RECOVERIES



Bulk loading at Base’s fully owned and operated Likoni Port facility continued to perform to expectations throughout the June quarter. Base completed four bulk shipments of ilmenite (a total of more than 90,000 tonnes) and two bulk shipments of rutile (a total of approximately 14,000 tonnes) during the June quarter. A further bulk shipment of 10,000 tonnes of rutile scheduled for late June was delayed into the first week of July by the late arrival of the vessel.

Base commenced container shipments of zircon in April and completed a total of 12 individual shipments (a total of approximately 2,700 tonnes) through the June quarter. The first container shipment of rutile was dispatched in early July and this will be followed by a regular container shipping schedule.

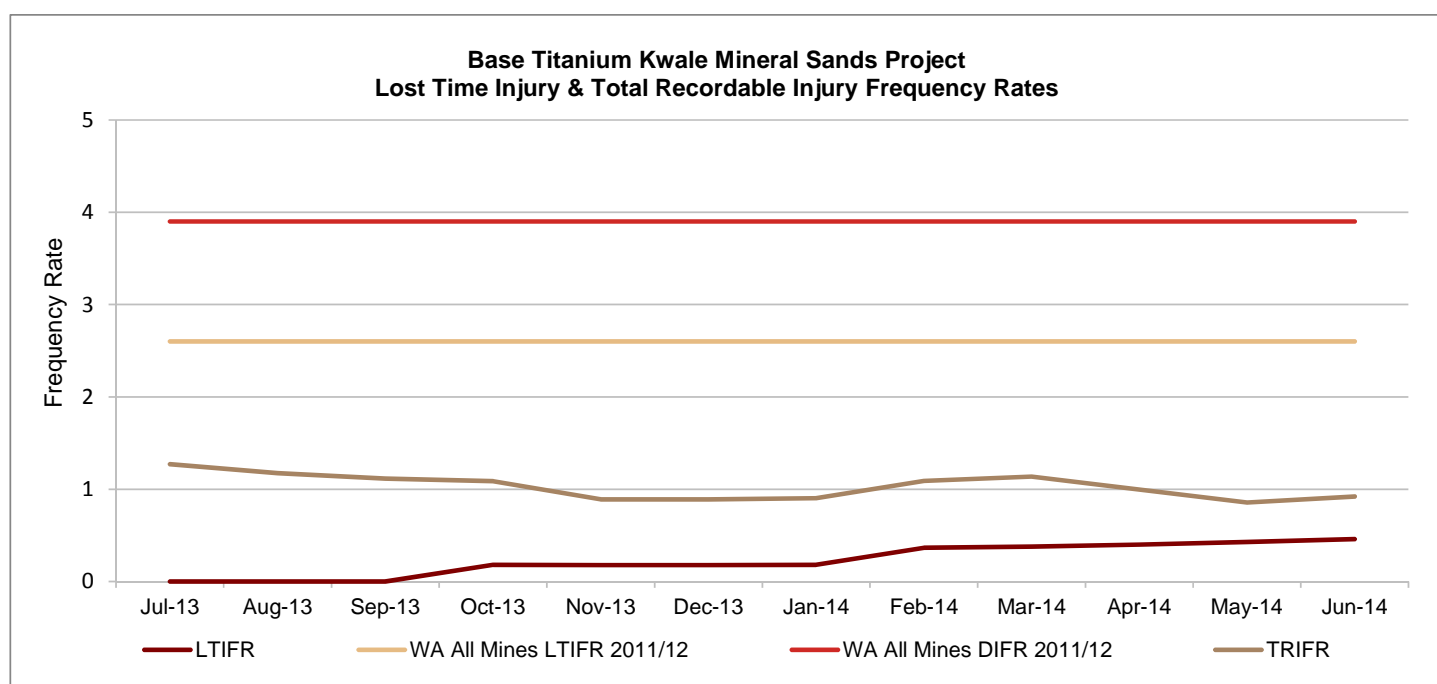
## SUMMARY PHYSICAL DATA

	March 2014 Quarter	June 2014 Quarter
Ore mined (dmt)	1,940,951	1,759,211
HMC produced (dmt)	113,196	141,753
Production (dmt)		
Ilmenite	68,193	91,620
Rutile	8,843	15,221
Zircon	356	4,130
Sales (dmt)		
Ilmenite	47,300	91,529
Rutile	0	14,005
Zircon	0	2,704



## SAFETY PERFORMANCE

No serious injuries or incidents occurred during the quarter. Positive performance indicators have been the focus this quarter with over 800 formal inspections and hazard reports submitted. The annual Department of Safety and Health compliance audit was conducted during the quarter resulting in a favorable report. Occupational health monitoring together with occupational health programs were also implemented this quarter and these included noise mapping and monitoring, dust monitoring, radiation monitoring and heat stress mapping.



## COMMUNITY AND ENVIRONMENT

Agricultural trials have been implemented on seven farms throughout Kwale County for a series of projects being conducted in conjunction with Business for Millennium Development. Potato and cotton trials began in time for seasonal rains and germination has been achieved, whilst commercial poultry production is in the planning stage. 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.

Base's collaboration with Little Sports Organisation in providing after-school sports to primary children, aimed at teaching life skills through play and sports activities, is continuing to prove a success. Planning has been completed to expand the programme to over 20 schools from July 2014.

On the environmental front, the effectiveness of the recent rehabilitation of construction areas and stabilisation of slopes was demonstrated recently with the onset of the wet season. All embankments and rehabilitated construction areas have remained stable.



Mukurumudzi dam filled to capacity and spillway overflowing

## MARKETING

The global pigment industry continued to improve throughout the June quarter. Recent feedback from China suggests that Chinese pigment demand had improved, and the prices achieved by Chinese pigment producers commenced a gradual uplift, during the quarter. Inventories of titanium dioxide feedstock are being gradually worked down but are likely to remain at elevated levels for the remainder of 2014. Pricing of high grade titanium dioxide feedstock (including rutile) appeared to stabilise through the June quarter and Base now expects prices to remain relatively flat for the remainder of the year. Ilmenite prices continued to be under pressure through the June quarter but recent reports of reduced output in some of the main ilmenite-producing regions may indicate that prices will stabilise at, or near, current levels.

Zircon trade activity continued to firm through the June quarter. Stocks of zircon held by producers continued to be run down and prices have remained relatively flat since the early stages of 2014. There are increasing signs that the zircon market has reached the bottom of the cycle and is turning towards a firm recovery. With this expected strength in the zircon market over the coming months there may be support for zircon price improvement towards the end of 2014 or the beginning of 2015.

## CORPORATE

### “COMMERCIAL PRODUCTION”

The achievement of “Commercial Production” by an operation in ramp-up represents the point at which revenue and costs are no longer capitalised and depreciation of the asset commences. It is achieved when the plant is producing at commercial levels and the Board believes there will be no impediments to the plant reaching its intended operating capacity per design specifications (i.e. when the Board feel the plant is capable of operating as intended.)

The Kwale processing plant achieved the “Commercial Production” milestone with effect from 1 April 2014.



### DEBT RESCHEDULING

Base is currently working with the syndicate of lenders that has provided the Kwale Project debt facility to realign the repayment schedule to reflect the delay in commencement of sales to February 2014 from the original expectation of October 2013, with a satisfactory outcome expected in the next couple of months.

### 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 Release dated 5 June 2014) on the basis that it is unconstitutional. Base is comfortable with its legal position and expects to have the matter resolved in the near future.

*In summary, at 30 June 2014:*

- Cash and cash equivalents were A\$20.9 million.
- Debt drawn of US\$215.0 million.
- 561,840,029 shares on issue.
- 16,600,000 unlisted options.

Ends.



# CORPORATE PROFILE

Base Resources Limited ABN 88 125 546 910

## DIRECTORS

<b>Andrew King</b>	Non-Executive Chairman
<b>Tim Carstens</b>	Managing Director
<b>Colin Bwye</b>	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

Phone: +44 20 3440 6800

## 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)

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## PRINCIPAL & REGISTERED OFFICE

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<b>Sam Willis</b>	Non-Executive Director
<b>Michael Anderson</b>	Non-Executive Director
<b>Trevor Schultz</b>	Non-Executive Director
<b>Malcolm Macpherson</b>	Non-Executive Director

## SHARE DETAILS

As at 30 June 2014, there were 561,840,029 ordinary shares on issue.

## SUBSTANTIAL SHAREHOLDERS

Pacific Road Capital	20.5%
Taurus Funds Management	13.0%
L1 Capital	8.8%
Acorn Capital	8.2%
BT Investment Management	6.0%
Aterra Investments	5.7%
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

## SHARE REGISTRY

### ASX

#### Computershare Investor Services Pty Ltd

Level 2, 45 St Georges Terrace

PERTH WA 6000

Enquiries: 1300 850 505 / +61 (3) 9415 4000

[www.computershare.com.au](http://www.computershare.com.au)

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## TENEMENT SCHEDULE

Special Mining Licence 23, 100% interest, Kwale, Kenya  
Exploration Licence 173, 100% interest, Kwale, Kenya