



# Transition to Operations

Annual General Meeting

November 2014



# Statements

## Restriction on Distribution

Not for distribution directly or indirectly, to US persons or in or into the United States, Canada, Japan or South Africa.

## Forward Looking Statements

Certain statements made during or in connection with this presentation contain or comprise forward looking statements regarding the capital cost, production and financial performance of the Kwale Project. Although Base believes the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to be correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes in the regulatory environment and other government actions, fluctuations in product prices and exchange rates and business and operational risk management. Base undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events.

## Competent Persons Statement

Information in this presentation that relates to Mineral Resources at the Kwale Project is based on information compiled by BSE's Manager – Geology, Scott Carruthers, who is a member of The Australasian Institute of Mining and Metallurgy. Mr Carruthers has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Carruthers consents to the inclusion in this announcement of the information based on his work in the form and context in which it appears.





# A Snapshot



- ▶ Based in Perth, Australia.
- ▶ Market listings - ASX & AIM - code BSE
- ▶ An institutionally dominated share register.
- ▶ A\$145 million market capitalisation @ \$0.25.
- ▶ US\$215 million in drawn debt facilities.
- ▶ US\$11 million in cash (at 30 September 2014).
- ▶ 100% ownership interest in the Kwale Mineral Sands Project in Kenya.
- ▶ June 2014 maiden cash flow positive quarter.

## Substantial Shareholders

## Interest

Pacific Road Capital	20.5%
Taurus Funds Management	13.0%
L1 Capital	8.8%
Acorn Capital	7.6%
Aterra Investments	5.7%
Genesis Asset Management	5.0%

## Broker Coverage

### Australia

Euroz

Credit Suisse

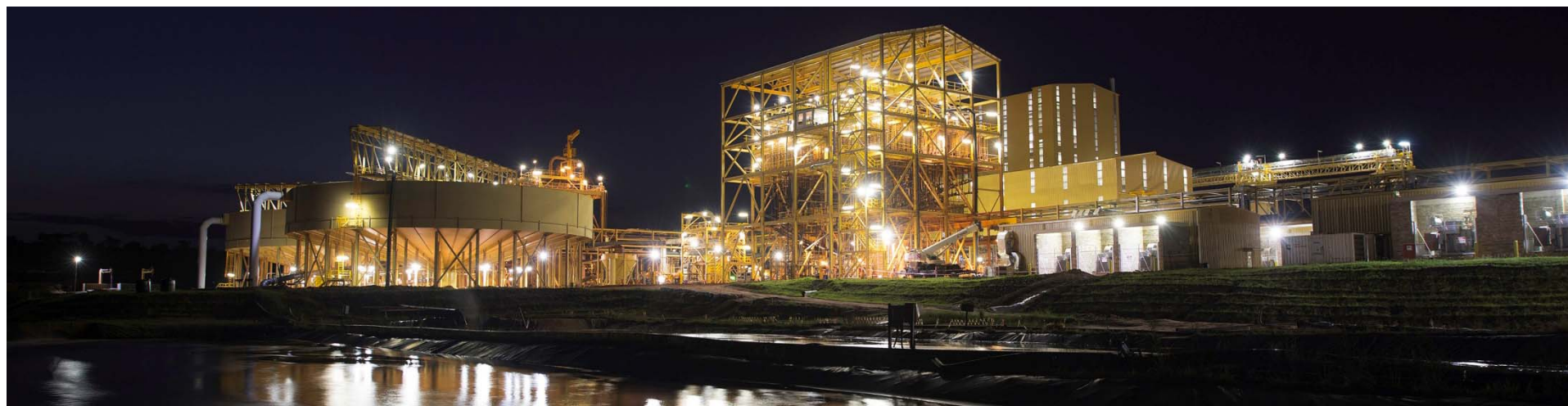
J P Morgan

### UK

GMP

RBC

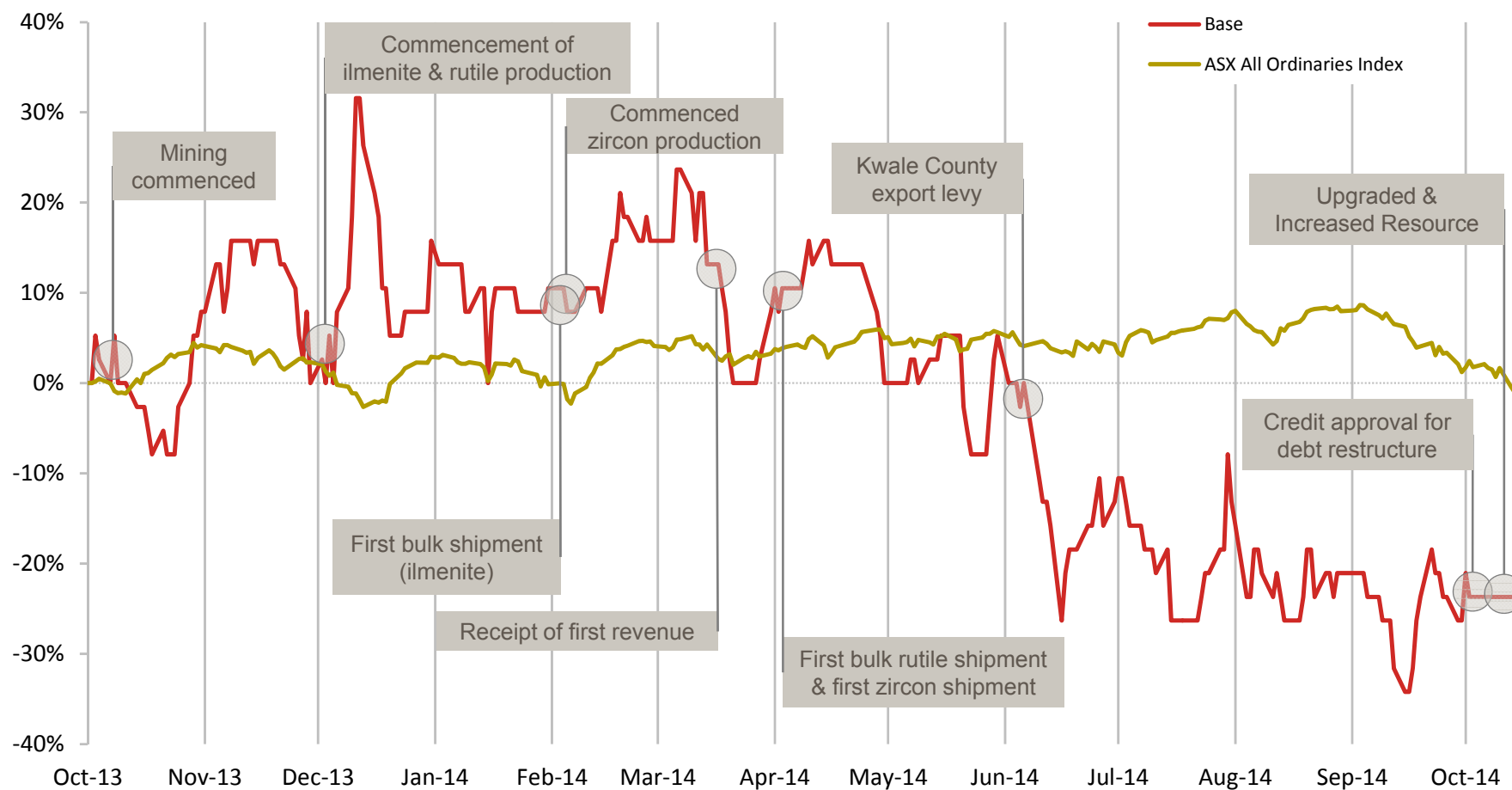
RFC Ambrian



# Another busy 12 months.....



With shipments of all 3 products now underway and ramp-up continuing to proceed smoothly, Kwale achieved its maiden cashflow-positive quarter in June.



# The right project.



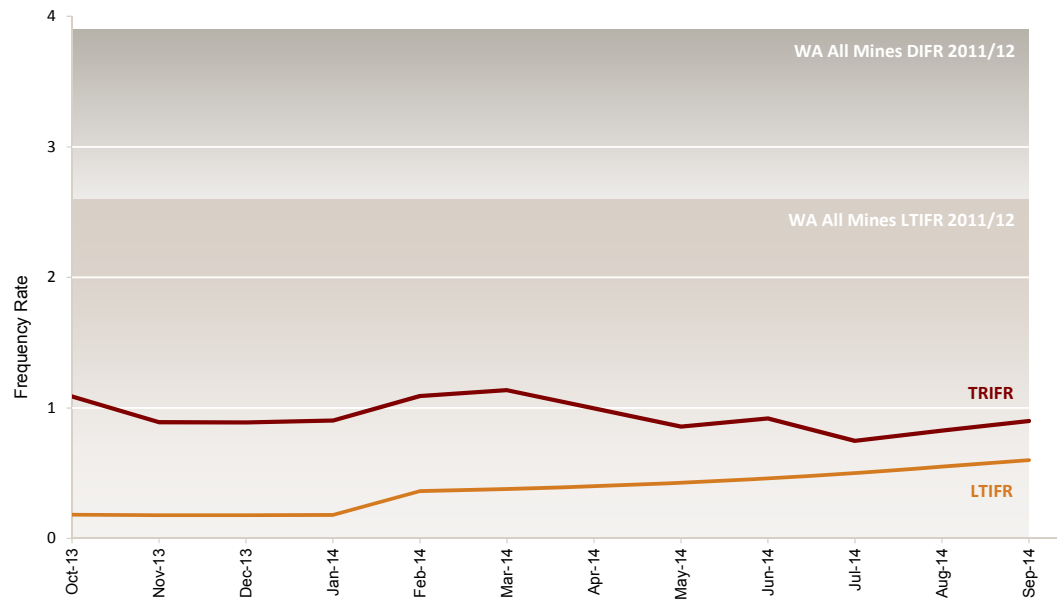
Kwale is large scale, technically straightforward and supported by well developed physical and social infrastructure.

See project video at [www.baseresources.com.au](http://www.baseresources.com.au)

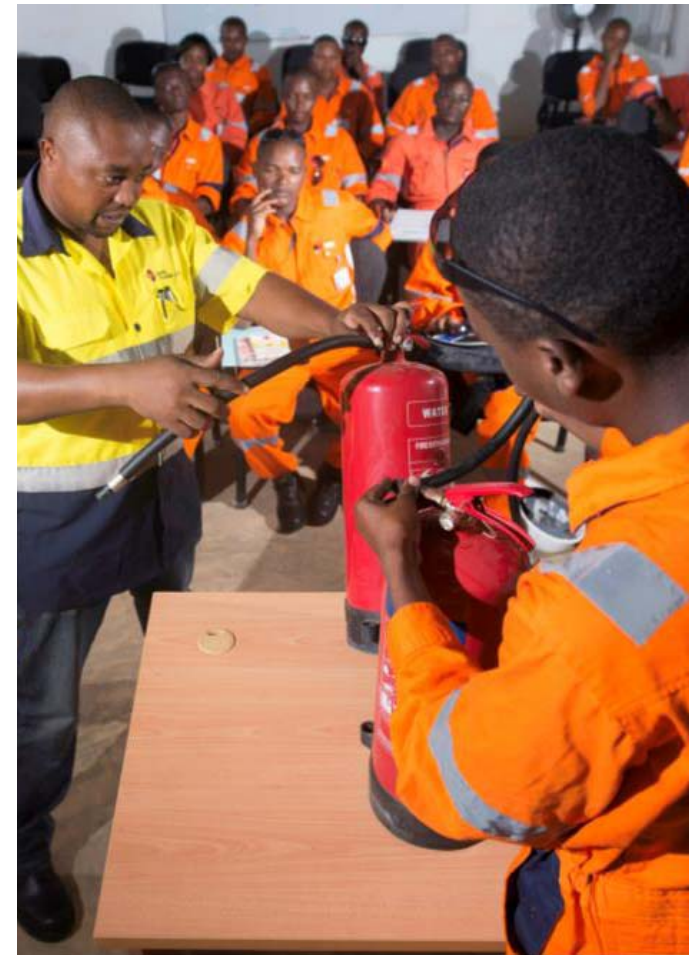
# Developed and commissioned safely



Establishing our required safety culture has been one of the key challenges.....and our success a lead indicator for operational performance.



- ▶ 10.6 million man hours (mmh) worked.
- ▶ 2 LTI's for entire project (6.5 mmh LTI free), 1 operational LTI.
- ▶ 2,400 people on site at peak of construction with 1,000 people recruited from local community – most had never had a job before.
- ▶ 26,000 hours of operational readiness training prior to start up.
- ▶ 660 employees across operations, external affairs and community.
  - ▶ 60% local and 92% Kenyan



# The management team



A highly experienced management team with deep experience in mineral sands and African operations, with the capability to successfully deliver Kwale and pursue further opportunities.

**Colin Bwye**  
Director - Operations

- Metallurgist
- Mineral sands experience: 24 yrs
- Project commissionings: 2

**Denham Vickers**  
GM - Operations

- Mining engineer
- Project commissionings: 5
- African experience: 20 yrs

**Christo Schmidt**  
Manager - Production

- Metallurgist
- Mineral sands experience: 25 yrs
- African experience: 25 yrs

**Vaughan Shaw**  
Manager - Mining

- Tailings dam const. & ops: 20 yrs
- Mineral sands experience: 10 yrs
- African experience: 20 yrs

**Tony Venturini**  
Manager - Maintenance

- Mining industry: 30 years
- Project commissionings: 3
- Mineral sands experience: 4 yrs

**Americo Barata**  
Manager - Port

- Marine & Port management: 20yrs
- Mineral sands experience: 4 yrs
- Worldwide experience

**Tim Carstens**  
Managing Director

- Chartered accountant
- Mining industry experience: 15 yrs

**Kevin Balloch**  
Chief Financial Officer

- Certified practicing accountant
- Mining industry: 10 yrs
- African experience: 9 yrs

**Stephen Hay**  
GM - Marketing

- Lawyer
- Marketing experience: 10 yrs
- Mineral sands experience: 13 yrs

**Joe Schwarz**  
GM – External Affairs

- Chemical engineer
- Mining industry: 40 years
- African experience: 35 years

**Colin Forbes**  
GM – Social & Enviro

- Social management
- Community engagement: 14 yrs
- African experience: 24 yrs

**Georgina Jones**  
Manager - Environment

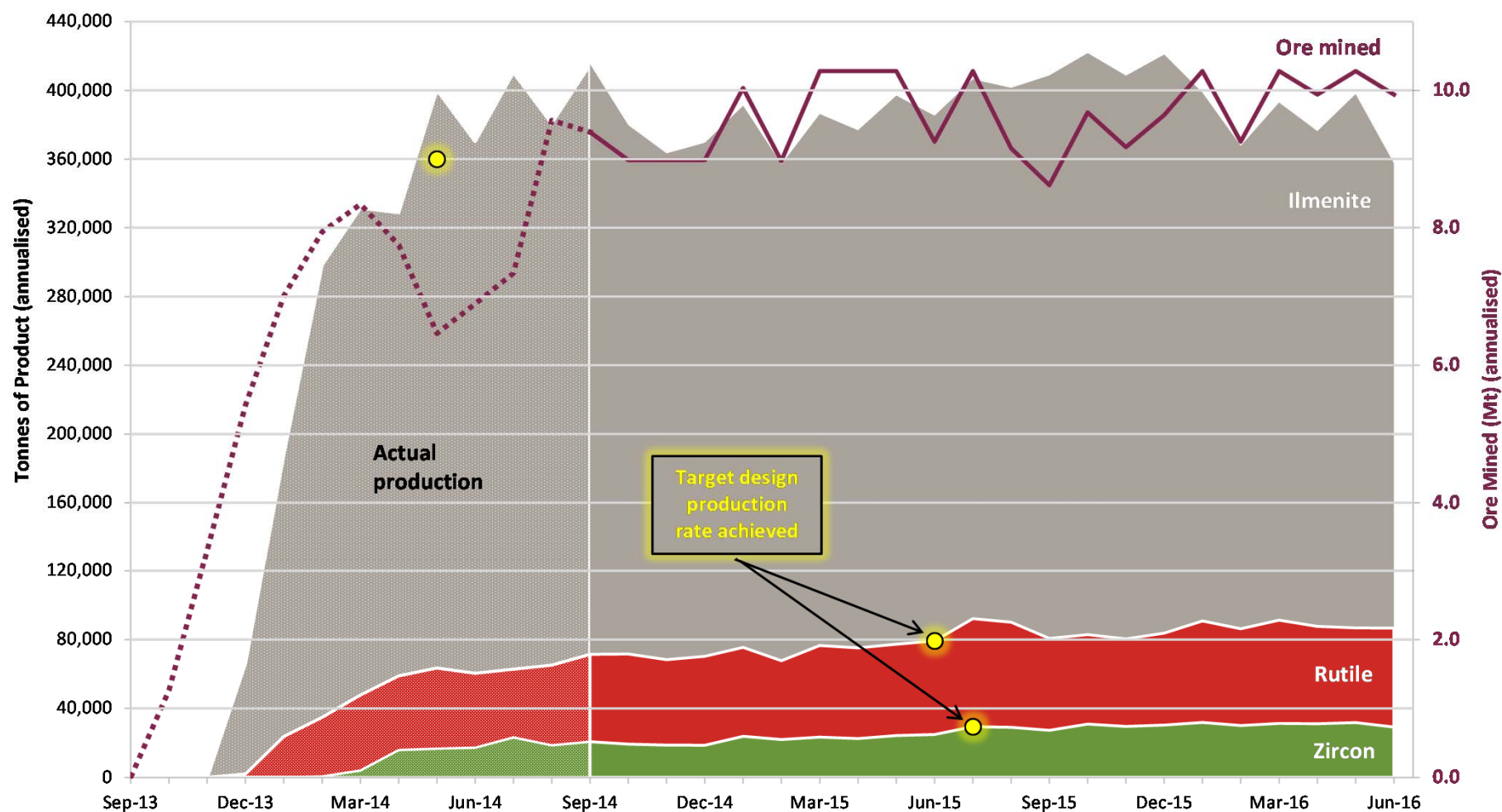
- Environmental science
- Environmental consulting: 12 yrs
- African experience: 20 yrs



# Early production profile



Pursuing a rapid ramp up for ilmenite, slightly longer for rutile and zircon, to being a “globally significant” producer.



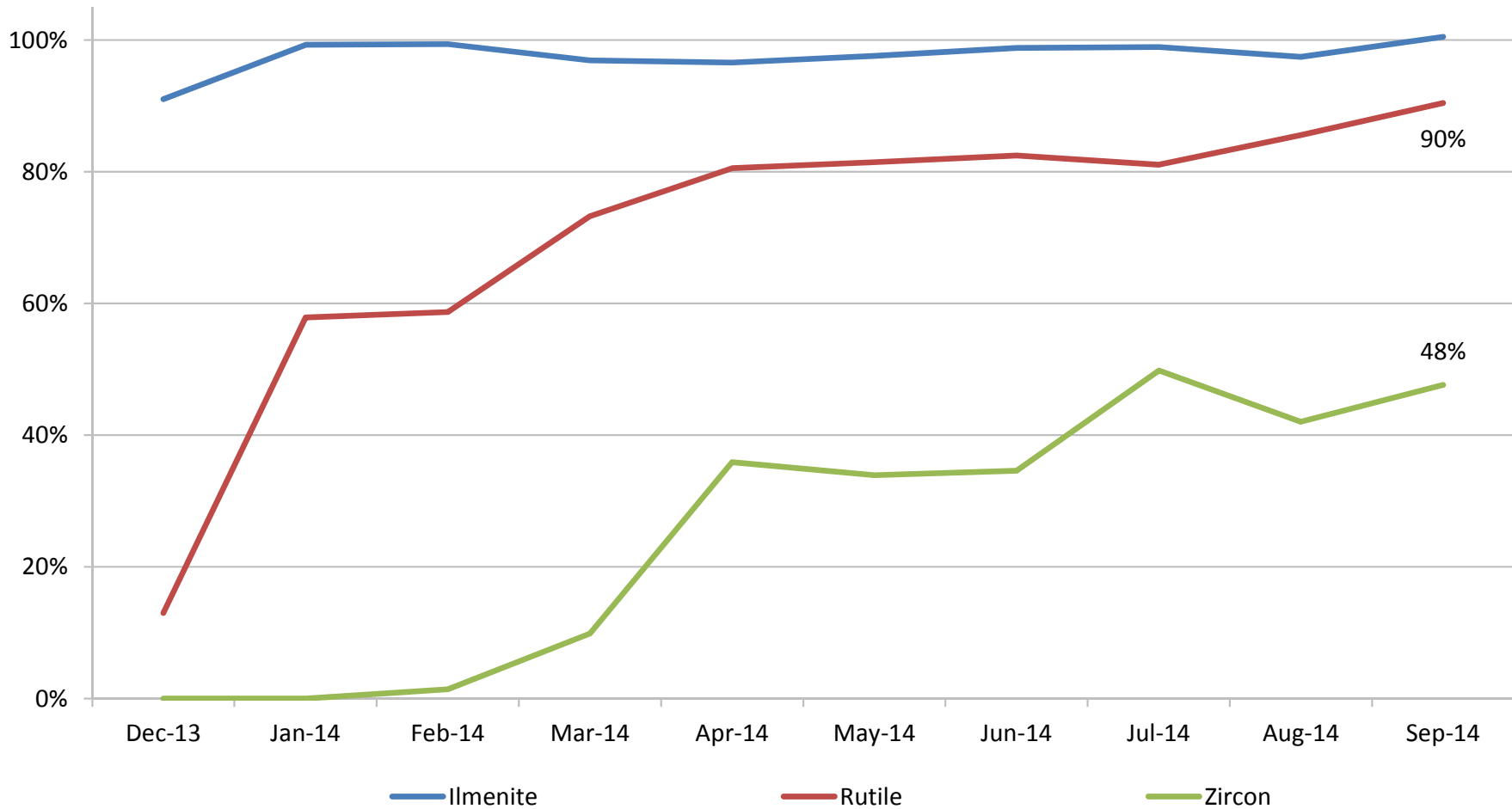


# Its all about recoveries



With design throughputs, availabilities and runtimes being consistently achieved, the focus is on progressive improvement in recoveries. Ilmenite is at design and rutile and zircon are on track.

MSP PRODUCT RECOVERIES



# September quarter highlights



Ongoing plant optimisation continues to deliver quarter on quarter improvements in all aspects of production.

- ▶ Ongoing process design enhancements and optimisation work achieving consistent improvements in rutile recovery throughout the quarter with mineral separation plant (MSP) recovery of 90% recorded for September.
- ▶ Availability of both the concentrator and MSP well above expectations at 87% and 92% respectively for the quarter.
- ▶ 10% increase in production of final products quarter on quarter.
- ▶ Over 130,000 tonnes of ilmenite, rutile and zircon shipped in the quarter.
- ▶ Containerised rutile sales commenced in July.
- ▶ No lost time injuries.
- ▶ Credit approval received for restructure of debt facilities.

	March 2014 Quarter	June 2014 Quarter	September 2014 Quarter	Qtr on Qtr Change
Ore mined (dmt)	1,940,951	1,759,211	<b>2,191,455</b>	+25%
HMC produced (dmt)	113,196	141,753	<b>172,885</b>	+22%
Production (dmt)				
Ilmenite	68,193	91,620	<b>100,533</b>	+10%
Rutile	8,843	15,221	<b>16,612</b>	+9%
Zircon	356	4,130	<b>5,210</b>	+26%
Sales (dmt)				
Ilmenite	47,300	91,529	<b>116,578</b>	+27%
Rutile	0	14,005	<b>12,923</b>	-8%
Zircon	0	2,704	<b>2,601</b>	-4%

# What does Kwale mean for Kenya?

A key to unlock the potential of the mineral sector and a model for operations.

## **Kwale will have significant direct impact on the Kenyan economy:**

- ▶ \$310 million FDI and \$900 million in operating costs
- ▶ More than triple mineral sector export earnings – US\$1.9 billion in sales – will replace coffee in 4<sup>th</sup> on export value.
- ▶ Adds 0.8% to GDP.
- ▶ US\$220+ million in tax and royalties over 13 years.
- ▶ Significant multiplier effect and skills development.

## **But an even bigger impact as a catalyst for an inflow of mining investment:**

- ▶ A “flagship” mining project and a model (and benchmark) for effective mining investment in Kenya.
- ▶ The GoK recognises and is seeking to play its role:
  - ▶ Modernisation of mining administration.
  - ▶ Establishment of an “appropriate” fiscal regime.
  - ▶ Encouraging broad local participation.
- ▶ Finding the challenge of striking the right balances.





# ..... but a few birthing pains.



Kenya is finding the challenge of striking the right balances – national benefit with global competitiveness, short term cash generation with long term economic development.

## Fiscal Regime

- ▶ Announcements on proposed royalties, taxes and 10% FCI are inconsistent with stated objective to “crowd investors in, not out”.
- ▶ Benchmarking to objectively set competitive positioning and best practice is incomplete.
- ▶ Our Investment Agreement provides fiscal stability for the Kwale Project.

## Mining Regulation

- ▶ New Mining Act has now passed Parliament
- ▶ A distinct improvement but still needs work.
- ▶ Protection for existing rights is enshrined.

## Devolved Government

- ▶ Jurisdiction set out but clarity is going to take a while.
- ▶ Benefit sharing between national and county governments is the subject of increasing debate.
- ▶ Manifesting in “illegal” County charges.



# Community engagement



Achieving our long term goals depends on our ability to build relationships with the communities in which we operate and establish a balanced flow of mutual benefit, not CSR.

## Community liaison committees

### Capability building

- Training
- Scholarships
- Agricultural development

### Basic needs

- Health
- Drinking water
- Education
- Employment
- Transport

### Establishment

- Relocation and compensation
- Infrastructure replacement
- Livelihood restoration

NGO's, specialist NFP's,  
Co-sponsors (Ausenco, Lenders, Pepsi, Cotton On)





