Quarterly Activities Report – September 2015

21 October 2015

HIGHLIGHTS

- Record production volumes in all three products.
- Improved zircon recoveries of 66% being achieved in September following the successful completion of the wet zircon circuit upgrade project in late August.
- Rutile recoveries reached 100% in September, 3% above design, as a result of enhanced secondary rutile recovery in the zircon circuit following the wet zircon upgrade.
- No lost time injuries.
- Confirmations of credit approval from all lenders to the proposed refinancing of the Kwale Project Debt Facility, with completion subject to the collective agreement and execution of final terms and documentation.
- Backstop date for finalisation of "Project Completion" under the existing Kwale Project Debt Facility has been extended to 31 December 2015 to allow time for completion of the proposed refinancing currently in progress.
- Receipt of Kenyan VAT refunds commenced in early July, with approximately US$4 million received by quarter end.

Base Resources Limited (ASX & AIM: BSE) ("**Base**" or the "**Company**") is pleased to provide a quarterly operational 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**") and recoveries in the WCP, the focus remains firmly on continuing to drive product recovery and throughput increase opportunities in the MSP. The successful completion and implementation of two out of three MSP upgrade projects and ongoing process optimisation resulted in record production of all products during the quarter.

KWALE OPERATIONS

SUMMARY PHYSICAL DATA	Sept 2014 Quarter	Dec 2014 Quarter	Mar 2015 Quarter	Jun 2015 Quarter	**Sept 2015 Quarter**
Ore mined (dmt)	2,191,455	2,328,746	2,291,444	2,334,457	**2,327,361**
HM%	8.44%	7.49%	9.33%	9.18%	**9.66%**
HMC produced (dmt)	172,885	165,953	206,324	206,123	**210,104**
HMC consumed (dmt)	164,317	165,512	159,926	169,061	**170,258**
Production (dmt)					
Ilmenite	100,533	107,893	105,753	113,476	**116,121**
Rutile	16,612	18,672	16,754	19,499	**20,926**
Zircon	5,210	5,308	5,414	6,484	**6,546**
Sales (dmt)					
Ilmenite	116,578	53,345*	103,736	121,727	**130,608**
Rutile	12,923	23,328	15,168	25,382	**14,686**
Zircon	2,601	5,883	5,178	7,621	**6,193**

*Reported volume includes 22,340t which was reversed after it was determined that the terms of the sales agreement did not satisfy revenue recognition criteria at the time of shipment. The product was sold in later quarters.

Average mined ore grades increased to 9.7% heavy mineral ("**HM**") as mining continued through a high grade section of the Central Dune ore body (9.2% HM during the previous quarter). Tonnage mined remained steady at 2.3Mt in the quarter.

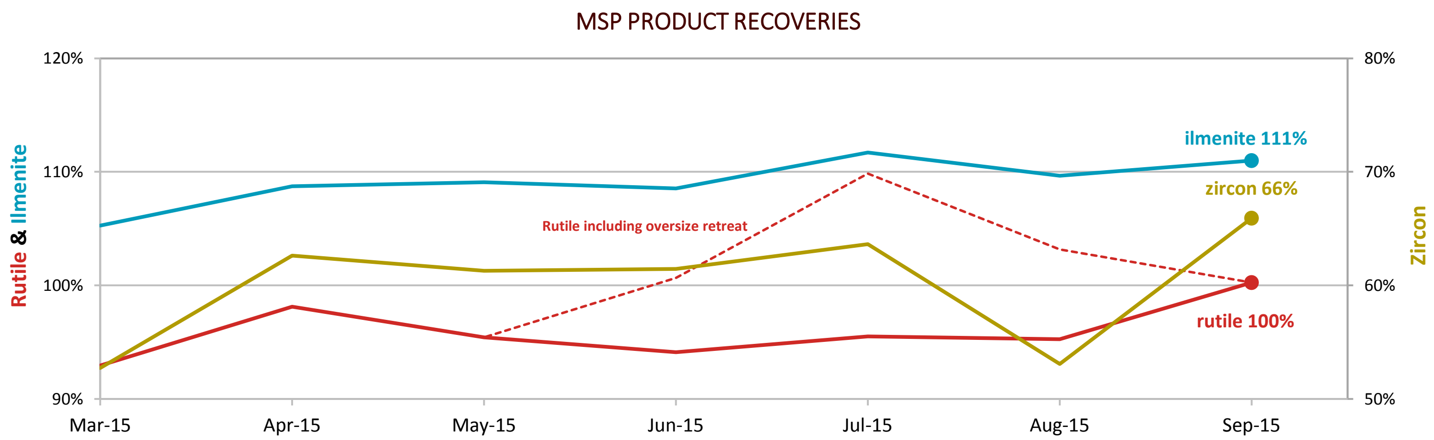
Above design WCP availabilities of 90.2% for the quarter (89.2% in the previous quarter), coupled with higher HM grades, resulted in HMC production increasing to 210kt (206kt in previous quarter) and closing stocks of HMC increasing to 154kt (114kt at 30 June 2015). HMC production will drop during the coming quarter as mining moves to the south eastern fringes of the orebody for the next several months, with an associated reduction in HM grade. HMC stocks will be drawn down to compensate for lower production levels and ensure a consistent feed to the MSP is maintained.

Spiral banks in the wet concentrator plant

Slime and sand deposition in the tailings storage facility continued to operate according to plan. The Mukurumudzi Dam capacity dropped slightly to 7.85GL, however it is anticipated that the commencement of the short rains in October will return storage to its maximum level of 8.6GL.

MSP throughput for the quarter was maintained at 170kt, with MSP availability of 94% and feed rate of 82tph maintaining the prior quarter's high rates.

Rutile production for the quarter of 20.9kt represented an increase of 7% due to higher average MSP recoveries of 104% (98% in the previous quarter). A proportion of this improvement (1,510t of rutile product) was attributable to a programme to re-treat an accumulated rutile oversize reject stockpile, which was completed in August. After adjusting for re-treat gains, underlying average rutile recoveries increased 1% this quarter to 97%, the design target for the MSP. In the month of September, rutile recoveries averaged 100%, benefiting from enhanced secondary rutile recovery in the zircon circuit following the wet zircon upgrade. Further improvements are expected from planned modifications to be completed over the remainder of 2015, notably additional magnet stages.



Ilmenite production continued above design capacity, increasing 2% to 116kt due to further improvements in MSP recoveries (111% versus 109% in the previous quarter). The presence of altered ilmenite species that are not defined as "ilmenite" in the Resource that are recovered to ilmenite production results in calculated recoveries above 100%.

Zircon production improved again during the quarter to 6,546t (6,484t in the previous quarter), consistent with the planned ramp-up to design capacity. A major upgrade to the wet zircon pumping systems was completed in August, impacting recoveries for that month. Following commissioning, the benefits of this modification have been immediately apparent with September achieving 66% zircon recovery, the highest monthly zircon recovery to date. Further improvements to primary magnet separation capacity and efficiencies are planned to commence in October, which, along with on-going optimisation work, is expected to further improve zircon recovery towards design levels of 78%.

Bulk loading operations at Base's Likoni Port facility continued to run smoothly, dispatching more than 125,000 tonnes during the quarter. Sales continue to be made from Base's China warehouse as part of our strategy for securing market share in China by offering product for immediate delivery and in smaller volumes than could be justified for a shipment direct from Kenya. By adopting this strategy, Base is tapping into smaller scale customers not able to commit to large shipment volumes and also allows Base to offer prospective large new customers sample size volumes for testing.

Containerised shipments of rutile and zircon proceeded according to plan.

Cash operating costs for the quarter (inclusive of royalties) were US$13.6 million, in line with the prior quarter. Operating costs per tonne produced (rutile, ilmenite and zircon) were slightly lower at US$95 compared to the US$97 of the prior quarter, due to the higher production volumes this quarter. Operating costs in the coming quarter are expected to increase due to planned mid-life servicing of the mobile mining fleet. It can be expected that maintenance costs will trend up over time as the plant and equipment ages.

MARKETING

The recent stock market correction in China and the RMB devaluation, together with heightened economic uncertainty in Europe, resulted in unusually sluggish demand conditions for all mineral sands products through much of the quarter. Confidence among customers was negatively affected and many customers have adopted cautious purchasing approaches.

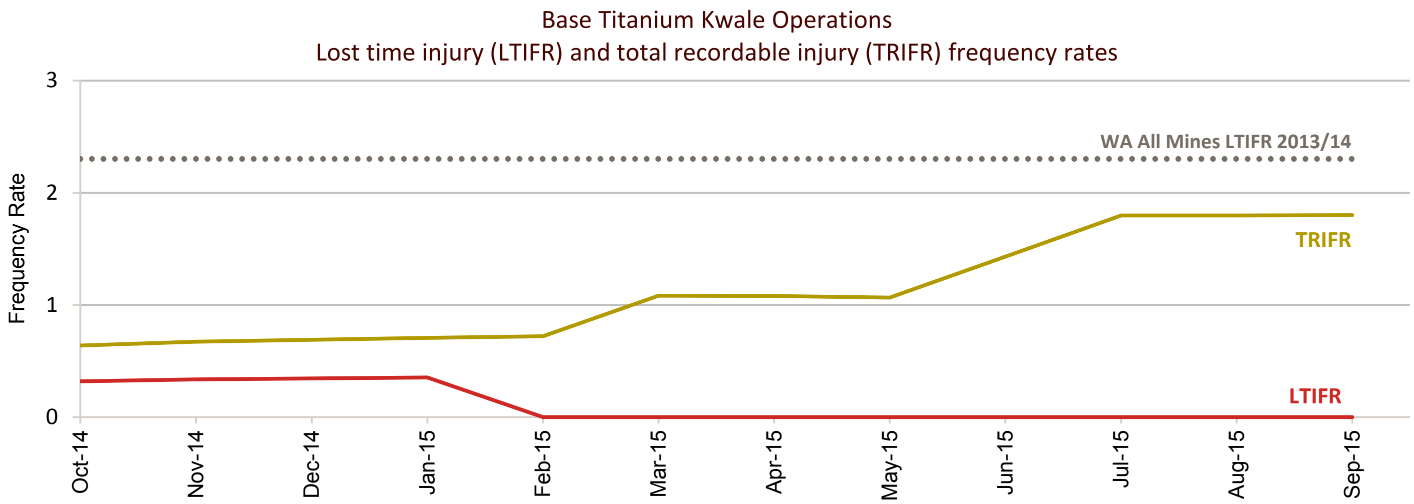
After a solid June quarter, the global TiO_2 pigment industry experienced a slowdown through the September quarter with pigment sales volumes and prices declining through the quarter. This has placed pressure on many pigment producers who have become heavily cost-focused and, in many cases, have reduced output. Base maintained solid sales for the quarter but saw pricing for ilmenite and rutile come under further pressure towards the end of the quarter as competition for sales increased. Many ilmenite producers continue to experience significant financial pressure as market prices remain at unsustainable levels. At least two major ilmenite producers in China are reported to have stopped production during the quarter and will remain closed indefinitely.

Looking ahead, the December quarter is generally a period of modest demand for titanium feedstocks and it is not expected that there will be any significant improvement in conditions over its course. However, it is considered likely that further supply will drop out of the market through the December quarter, particularly so for ilmenite.

Zircon trade activity remained relatively stable through the September quarter. However, a continued stock over-hang in the market, combined with a slight increase in competition for sales between the major zircon producers, resulted in some price erosion through the quarter. Conditions are expected to remain stable for the foreseeable future with pricing dependent on how aggressively major suppliers increase production, seek to reduce stock levels and/or compete for sales.

SAFETY & TRAINING

With no serious injuries occurring during the quarter, Kwale's LTIFR remains at zero. Base employees and contractors have now worked 4.7 million man-hours LTI free, with the last LTI recorded in the March quarter of 2014. There was one injury requiring medical treatment recorded this quarter, with the contractor returning to normal duties immediately following on-site medical treatment.



COMMUNITY AND ENVIRONMENT

Agricultural livelihood programmes, run in conjunction with partners Business for Millennium Development and DEG, have now reached the commercialisation phase with current activities focusing on extensional agricultural training, the establishment of farmer associations and developing further market linkages. The results thus far have been encouraging.

The second potato rotation was harvested in the past quarter, producing a very good crop and providing added income to local farmers. The next phase will include the planting of new varieties recently introduced in Kenya which are expected to provide higher yields over a shorter planting season.

This year's cotton crop is looking very promising with new varieties planted as part of an expanded program producing high numbers of exceptional bolls per plant when compared to last year's trial. The harvest is expected to commence in the next quarter. Preparation for harvesting, ginning and marketing, through the new cotton farmers association, are underway with guidance from specialist agronomists from the Kenyan Fibre Crop Directorate and CompAci.

With critical learnings from the initial trial, the poultry project will utilise dual-purpose birds to improve marketability of poultry products and income to farmers. Field trials have been implemented to develop alternatives to purchasing poultry feed from external suppliers, which are expensive and consume a large portion of final revenues. With home grown supplemental feeds such as sorghum, soy beans and cotton seed, production costs can be reduced significantly.

In September, Base proudly received the Kenyan Total EcoChallenge Award for Industry in recognition of our demonstrated commitment to biodiversity.

CORPORATE

KWALE PROJECT DEBT FACILITY

Base is currently in the process of seeking to refinance the Kwale Project Debt Facility to establish a repayment profile more appropriate to the cash flow forecast of the Kwale Project. Confirmations of credit approval have now been received from all lenders, with completion of the refinancing subject to the collective agreement and execution of final terms and documentation.

In accordance with the proposed refinancing of the Kwale Project Debt Facility, all tranches of the refinanced facility are to be repaid over a five year period. The current repayment profile of the existing facility is expected to be replaced with lower initial repayments over the first two years.

Under the terms of the existing Kwale Project Debt Facility, "Project Completion" was required to be achieved by 30 September 2015, which has subsequently been extended by the lenders to the earlier of completion of the refinancing or 31 December 2015. Failure to achieve Project Completion by this date would, unless waived or extended further by the Lenders, trigger an event of default under the facility. In June 2015, all operational requirements for achieving Project Completion were successfully passed, including physical and economic tests conducted over a continuous 90 day test period. Outstanding regulatory and compliance components of Project Completion are proposed to be removed under the refinanced facility.

KENYAN VAT RECEIVABLE

As previously announced, Base has refund claims for VAT paid in Kenya, relating to both the construction of the Kwale Project and the period since operations commenced, totaling approximately US$21 million at 30 September 3015. These claims are proceeding through the Kenya Revenue Authority process, with a number of operational period claims, totaling approximately US$4 million, settled during the quarter. Base is continuing to engage with Kenyan Treasury and the Kenya Revenue Authority, seeking to expedite the remainder of the refund.

In summary, at 30 September 2015:

- Cash and cash equivalents were A$58.4 million (unrestricted) and A$7.2 million (restricted).
- Debt drawn of US$224.0 million.
- 563,902,771 shares on issue.
- 77,025,061 unlisted options.

ENDS.

CORPORATE PROFILE

Base Resources Limited ABN 88 125 546 910

DIRECTORS

Keith Spence	Non-Executive Chairman
Tim Carstens	Managing Director
Colin Bwye	Executive Director
Sam Willis	Non-Executive Director
Michael Anderson	Non-Executive Director
Malcolm Macpherson	Non-Executive Director
Michael Stirzaker	Non-Executive Director

COMPANY SECRETARY

Chadwick Poletti

NOMINATED ADVISOR & BROKER

RFC Ambrian Limited
As Nominated Advisor:
Andrew Thomson or Stephen Allen
Phone: +61 (0)8 9480 2500
As Broker:
Jonathan Williams
Phone: +44 20 3440 6800

AUSTRALIA MEDIA RELATIONS

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

UK MEDIA RELATIONS

Tavistock Communications
Jos Simson / Emily Fenton
Phone: +44 (0) 207 920 3150

KENYA MEDIA RELATIONS

Africapractice (East Africa)
Evelyn Njoroge / James Njuguna / Joan Kimani
Phone: +254 (0)20 239 6899
Email: jkimani@africapractice.com

PRINCIPAL & REGISTERED OFFICE

Level 1, 50 Kings Park Road
West Perth WA 6005
Email: info@baseresources.com.au
Phone: +61 (0)8 9413 7400
Fax: +61 (0)8 9322 8912

SHARE DETAILS

As at 30 September 2015, there were 563,902,771 ordinary shares on issue.

SUBSTANTIAL SHAREHOLDERS

Pacific Road Capital	20.4%
Taurus Funds Management	18.6%
Sustainable Capital	13.9%
Aterra Investments	7.7%
Genesis Asset Managers	6.0%

UNLISTED SHARE OPTIONS

Options expiring January 2016 ex A\$0.09	7,100,000
Options expiring January 2016 ex A\$0.25	8,500,000
Options expiring December 2018 ex A\$0.40	61,425,061

SHARE REGISTRY

ASX
Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
PERT H WA 6000
Enquiries: 1300 850 505 / +61 (3) 9415 4000
www.computershare.com.au
AIM
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
BRISTOL BS99 6ZZ
Enquiries: +44 (0) 870 702 0003
www.computershare.co.uk

TENEMENT SCHEDULE

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