

HIGHLIGHTS

- Record zircon production and sales achieved.
- Continued improvement in Zircon recoveries with 76% achieved for the month of March towards a target of 78%.
- No lost time injuries.
- Increase in production guidance for financial year 2016 to:
 - Rutile - 82,000 to 86,000 tonnes;
 - Ilmenite – 440,000 to 455,000 tonnes; and
 - Zircon – 29,000 to 31,000 tonnes.
- Successful completion of an accelerated pro rata renounceable entitlement offer, raising gross proceeds of approximately A\$10 million.

Base Resources Limited (ASX & AIM: BSE) (“**Base Resources**” or the “**Company**”) is pleased to provide a quarterly corporate and operational update for its Kwale Mineral Sands Operations (“**Kwale Operations**”) in Kenya, East Africa. Operationally, the quarter has been one characterised by consistent production, further enhanced plant performance in throughput and zircon recovery and sound cost control.

KWALE OPERATIONS

SUMMARY PHYSICAL DATA	Mar 2015 Quarter	Jun 2015 Quarter	Sept 2015 Quarter	Dec 2015 Quarter	Mar 2016 Quarter
Ore mined (tonnes)	2,291,444	2,334,457	2,327,361	2,101,295	2,410,503
HM%	9.33%	9.18%	9.66%	4.31%	8.96%
HMC produced (tonnes)	206,324	206,123	210,104	88,087	209,787
HMC consumed (tonnes)	159,926	169,061	170,258	176,717	175,224
Production (tonnes)					
Ilmenite	105,753	113,476	116,121	109,649	110,760
Rutile	16,754	19,499	20,926	21,768	21,194
Zircon	5,414	6,484	6,546	7,507	7,865
Sales (tonnes)					
Ilmenite	103,736	121,727	130,608	103,035	95,984
Rutile	15,168	25,382	14,686	23,896	14,500
Zircon	5,178	7,621	6,193	7,723	9,556

Mining activity progressed back into higher grade zones of the Central Dune in mid-January, resulting in increased heavy mineral concentrate (“**HMC**”) production compared with the December 2015 quarter. This has allowed for an increase in the HMC stockpile from 65,616t to 100,255t. Mining will remain in higher grade zones until the end of the current financial year.

Slime and sand deposition in the tailings storage facility continued to operate according to plan. The Mukurumudzi Dam



volume dropped from 8.6GL to 6.1GL ahead of the onset of the ‘long rains’, the main wet season of the year, in the coming weeks.

MSP optimisation during the quarter focussed on increasing MSP feed rates and zircon recoveries. Following the installation of higher speed motors on the ilmenite magnetic separation drums, the MSP feed rate was tested to above 90tph and achieved an average rate of 86tph (up from 84tph last quarter) whilst maintaining a high availability of 94% (95% last quarter). Ongoing optimisation is expected to yield sustained increases in feed rates above 90tph from mid-year, following the delivery and installation of additional equipment in the coming quarter.

Rutile production for the quarter was slightly lower at 21.2kt (21.8kt last quarter) despite recovery remaining stable at 101%¹ (equal with last quarter), well above the 97% design target for the MSP. The slightly lower production is a consequence of the proportionally lower rutile content of high (HM) grade ore in the Central Dune, a feature of the Kwale deposit.

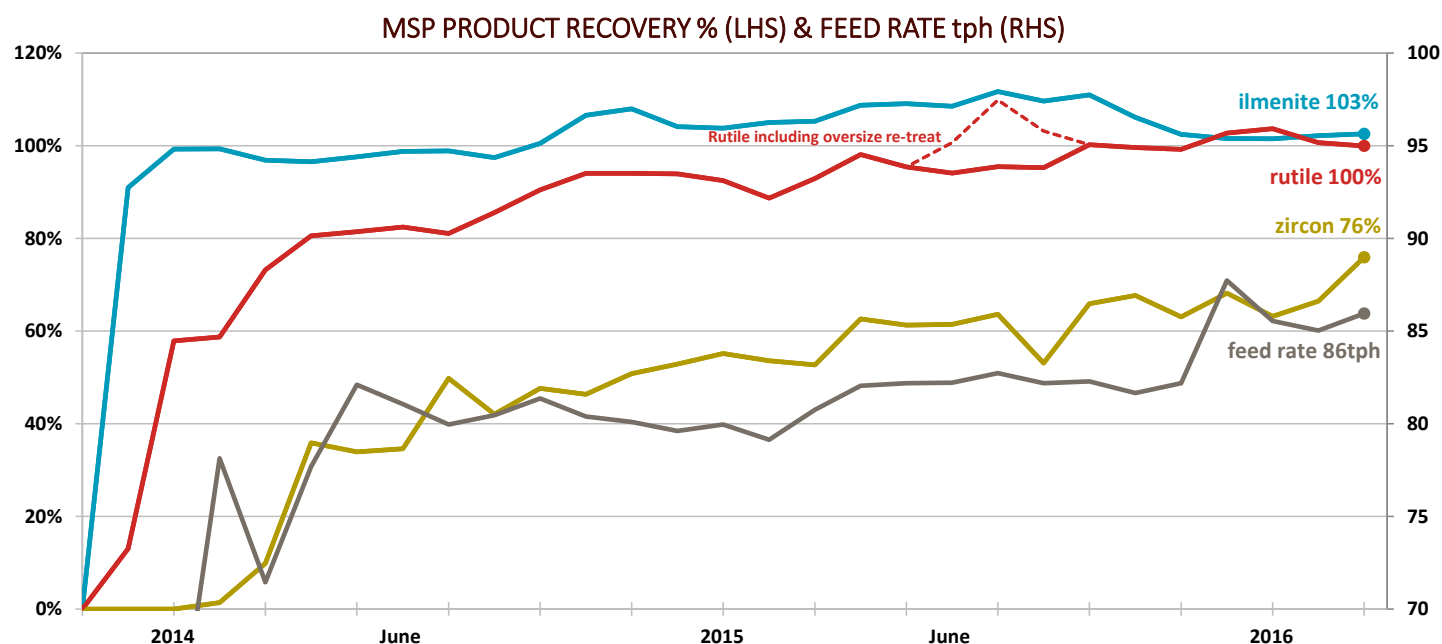
Ilmenite production remained steady at 111kt (110kt last quarter) and average recoveries for the quarter were 102%¹, consistent with 103% achieved last quarter.

Zircon recovery for the quarter increased from 66% to 69% as a result of wet and dry zircon circuit optimisation, with 76% achieved for the month of March, lifting zircon production to 7,865t (7,507t last quarter). The focus remains on optimising the zircon circuit to achieve the final design recovery of 78% over the coming months.



Zircon circuit wet tables

¹ The presence of altered ilmenite species that are not defined as either “rutile” or “ilmenite” in the Resource but are recovered in the production of both, results in calculated recoveries above 100% being achievable for both products.



Bulk loading operations at Base Resources' Likoni Port facility continued to run smoothly, dispatching more than 93kt during the quarter. Sales continue to be made from Base Resources' 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 Resources is tapping into smaller scale customers not able to commit to large shipment volumes and also allows Base Resources to offer prospective large new customers sample size volumes for testing.

Containerised shipments of rutile and zircon through the Mombasa Port proceeded according to plan.

SUMMARY OF CASH OPERATING COSTS & REVENUE PER TONNE (US\$)	Mar 2015 Quarter	Jun 2015 Quarter	Sept 2015 Quarter	Dec 2015 Quarter	Mar 2016 Quarter
Cash operating costs (incl. royalties)	\$16.7m	\$13.7m	\$13.6m	\$14.1m	\$13.4m
Cash op. costs per tonne produced	\$130	\$98	\$95	\$102	\$96
Revenue per tonne of product sold	\$191	\$247	\$172	\$245	\$208

Continued tight control of costs saw total cash operating costs for the quarter (inclusive of royalties) of US\$13.4 million, marginally lower than the prior quarter. Operating costs per tonne produced (rutile, ilmenite and zircon) were lower at US\$96/t compared to the US\$102/t of the prior quarter, due to the lower total cash operating costs, as total production volume remained steady at 140kt (139kt last quarter). Operating costs in the coming quarter are expected to increase due to planned mid-life servicing of the mobile mining fleet, however the timing of this is dependent on condition monitoring of the fleet. It can be expected that maintenance costs will trend up over time as the plant and equipment ages.

Revenue per tonne of product sold varies significantly each quarter depending on the number of bulk rutile sales during that quarter. In a normal year there are usually six bulk rutile sales of approximately 10-12kt each, which means any given quarter will contain either one or two of these sales. As annual rutile sales account for approximately 50% of revenue, but only 15% of volume, the number of bulk rutile sales in a quarter will have a significant bearing on revenue, but not sales volume. The March quarter saw only one bulk rutile shipment this quarter and this was the predominant

cause of the lower average revenue per tonne sold of US\$208/t, compared to the prior quarter's US\$245/t where two bulk rutile sales occurred.

FY2016 PRODUCTION GUIDANCE

For financial year 2016 ("FY2016"), the Kwale Operations are expected to achieve production (including production to date) in the range of:

- Rutile - 82,000 to 86,000 tonnes
- Ilmenite – 440,000 to 455,000 tonnes
- Zircon – 29,000 to 31,000 tonnes

The above production targets are a slight increase on previous guidance and are based on the following assumptions for the remaining three months of FY2016:

- Mining of 2.3Mt at an average HM grade of 7.3%, all from Ore Reserves².
- MSP feed rate at a minimum 84tph, comfortably within the rate achieved this quarter.
- MSP product recoveries of at least 103% for ilmenite and 98% for rutile, and ramping up to 78% for zircon.

MARKETING

The usual seasonal slow-down in demand through the March quarter, and the continued lack of a firm direction in the markets, resulted in ongoing cautious buying behaviour from customers.

Efforts by major global TiO₂ pigment producers during the quarter to increase prices from the very low levels seen in the December quarter have been encouraging. While there have been mixed reports of the success of such price increases, there is an expectation that they will gain momentum during the traditionally seasonally stronger June quarter. Despite the challenging conditions, as well as the lack of offtake from a major ilmenite customer (discussed further below), Base Resources achieved solid sales for the quarter while maintaining stable prices. Ilmenite production from some major Chinese producers continued to be constrained through the March quarter on the back of low seasonal demand and ongoing low market prices. It is expected that demand for TiO₂ pigment feedstocks will pick up during the seasonally strong June quarter and this, together with increases in the pigment price, could provide an opportunity for ilmenite prices to gather some upward momentum.

A significant reduction in 2016 offtake of high grade feedstocks, including rutile, by a major pigment producer (discussed below) is creating a short term surplus of high grade feedstock production. Prices for rutile are likely to be under some pressure during the June quarter as a result of this surplus as producers compete for market share.

Demand for Base Resources zircon remained steady through the March quarter, although overall competition for market share from major producers resulted in further erosion of market prices. As with titanium minerals, demand for zircon in the June quarter is typically seasonally strong and an increase in consumption is expected through the quarter. Recent reports of an unexpected sharp reduction in prices for June quarter contracts by a major zircon producer could be expected to see overall zircon market prices move sharply lower for June quarter sales. Despite an ongoing improvement in zircon demand, an improvement in zircon prices is not expected to be likely until surplus production and inventories are absorbed through the supply chain.

² The Ore Reserve estimates underpinning the above production targets were prepared by competent persons in accordance with the JORC Code 2012. The above production targets are the result of detailed studies based on the actual performance of the Kwale mine and processing plant. These studies include the assessment of mining, metallurgical, ore processing, environmental and economic factors.



SALES AGREEMENT - FORCE MAJEURE NOTICE RECEIVED

As announced on 16 January 2016, Base Resources received a force majeure notice (“**Notice**”) from a counterparty to an ilmenite sales agreement seeking to suspend the counterparty’s obligations under the agreement. Base Resources is working with the counterparty to seek to mitigate the potential impact of the Notice. In the meantime, Base Resources is exploring options to sell the ilmenite concerned to other customers.

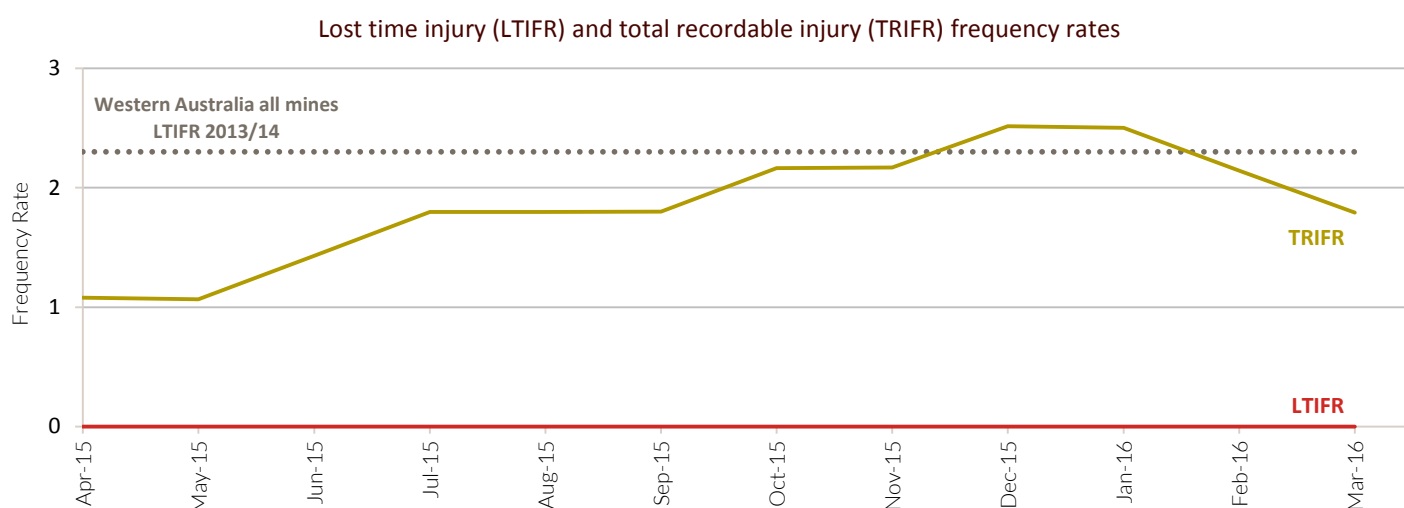
SALES AGREEMENT – NOTICE OF REDUCTION RECEIVED

As announced on 15 February 2016, Base Resources received a notice from a counterparty to a long term rutile sales agreement exercising its contractual right to reduce the annual quantity of rutile to be purchased by the counterparty by approximately 20kt in the current contract year (“**Reduction**”). The Reduction has been implemented in response to an overall decrease in the counterparty’s operational requirements for high grade titanium feedstocks.

The Reduction is expected to impact approximately 6kt of planned rutile sales in FY2016, with the balance of the Reduction to be allocated over the remaining contract year to 31 January 2017. Base Resources continues to explore options for selling the rutile concerned to other customers and anticipates being able to secure alternate sales over the coming twelve month period.

SAFETY & TRAINING

With no serious injuries occurring during the quarter, Kwale Operations’ LTIFR remains at zero. Base Resources employees and contractors have now worked 5.8 million man-hours LTI free, with the last LTI recorded in the March quarter of 2014. Initiatives launched in recent quarters to arrest the rising TRIFR are gaining traction, with no medical treatment injuries recorded during the quarter.



COMMUNITY AND ENVIRONMENT

Agricultural livelihood programmes, run in conjunction with partners Business for Development, DEG and Kenya Red Cross continue to develop with encouraging support from both national and county Kenyan governments. The recent emphasis on cotton as one of the leading crops in the Kenyan government’s long term plans to become a middle income nation by 2030 has reinforced the importance of Base Resources’ cotton programme and its relevance to regional socio-economic development.



Base Resources' potato, cotton and sorghum crop programmes are being further expanded, with over 300 farmers participating in the planning for the coming season ahead of the expected 'long rains' in April and May.

The poultry project completed the distribution of dual-purpose birds to local farmers during the quarter, to enhance protein requirements and income generation. Additional in-situ training will be undertaken to reinforce good poultry rearing practices.

An agreement was reached with Kwale County Government to assist with the construction of a blood bank at Msambweni Referral Hospital near the mine site, commencing in Q2 2016. This facility was identified as one of the most critical components of delivering improved health services in both the county health development plan and Base Resources' Health Impact Assessment. Equipment and training for the facility is supported by a German donor agency.

CORPORATE

A\$10 MILLION RENOUNCEABLE ENTITLEMENT OFFER

On 29 February 2016, Base Resources launched a partially underwritten accelerated pro rata renounceable entitlement offer to existing shareholders offering 1 new fully paid ordinary share ("**New Shares**") in Base Resources for every 3.35 existing shares at A\$0.06 per New Share to raise gross proceeds of approximately A\$10 million ("**Entitlement Offer**").

The Entitlement Offer comprised two components:

- an accelerated entitlement offer to existing institutional shareholders of Base Resources ("**Institutional Entitlement Offer**"); and
- an entitlement offer to existing retail shareholders of Base Resources ("**Retail Entitlement Offer**").

The Institutional Entitlement Offer, together with the institutional shortfall bookbuild, was fully subscribed and raised gross proceeds of approximately A\$8.3 million from the issue of 137,519,329 fully paid New Shares. The institutional shortfall bookbuild was completed on Wednesday, 2 March 2016, and was well supported by both existing major shareholders and new institutional investors.

The Retail Entitlement Offer closed on 24 March 2016, with eligible retail shareholders subscribing for 13,534,908 New Shares, raising gross proceeds of approximately A\$0.8 million. The retail shortfall bookbuild was completed on Wednesday, 30 March 2016 and was fully subscribed, with subscriptions received for 17,274,948 New Shares raising gross proceeds of approximately A\$1.0 million. The retail shortfall bookbuild was again well supported by both existing and new institutional shareholders.

The funds raised will be used to provide continuity and certainty of corporate funding, and allow progression of Base Resources' strategic plan and capitalise on achievements to date.

KENYAN VAT RECEIVABLE

As previously announced, Base Resources has refund claims for VAT paid in Kenya, relating to both the construction of the Kwale Project and the period since operations commenced, totalling approximately US\$19 million at 31 March 2016. These claims are proceeding through the Kenya Revenue Authority process, with a number of operational period claims, totalling approximately US\$2 million, settled during the quarter. Base Resources is continuing to engage with the Kenyan Treasury and the Kenya Revenue Authority, seeking to expedite the remainder of the refund.



In summary, at 31 March 2016:

- Cash and cash equivalents were A\$37.3 million (unrestricted) and an additional A\$23.1 million (restricted – debt service reserve account).
- Debt drawn of US\$210.0 million.
- 701,422,100 shares on issue (732,231,956 shares on issue following settlement of the Retail Entitlement Offer on 6 April 2016).
- 61,425,061 options (exercise price of A\$0.40, expiring 31 December 2018).
- 62,527,889 performance rights issued pursuant to the terms of the Base Resources Long Term Incentive Plan.

ENDS.

CORPORATE PROFILE

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