

Quarterly Activities Report – June 2019

Highlights

- Successful transition of Kwale mining operations to the South Dune.
- Kwale North Dune Mineral Resources estimate released with 171 million tonnes at an average HM grade of 1.5%¹.
- FY19 production in line with guidance.
- Continued strengthening of rutile and ilmenite prices while zircon prices stabilised.
- No lost time or medical treatment injuries.
- 8,195m of drilling completed within the Vanga prospecting license in Kenya.
- Toliara Project DFS remains on schedule for completion in late 2019.

African mineral sands producer, **Base Resources Limited** (ASX & AIM: BSE) (**Base Resources** or the **Company**) is pleased to provide a quarterly operational, development and corporate update.

Kwale Mineral Sands Operations (**Kwale Operations**) in Kenya successfully relocated mining operations to the South Dune orebody in June, following depletion of the Central Dune, with mining successfully recommencing after a 14-day transition shutdown. During this period, the mineral separation plant (**MSP**) operated on stockpiled heavy mineral concentrate (**HMC**) to ensure uninterrupted production.

The Toliara mineral sands project (**Toliara Project**) in the south-west of Madagascar saw sound progress on all workstreams and remains on schedule for completion of the definitive feasibility study (**DFS**) in late 2019.

KWALE OPERATIONS

Production & Sales	June 2018 Quarter	Sept 2018 Quarter	Dec 2018 Quarter	Mar 2019 Quarter	June 2019 Quarter
Production (tonnes)					
Ilmenite	114,773	118,265	108,465	87,179	88,789
Rutile	24,451	25,125	24,505	20,171	22,588
Zircon	9,286	9,683	8,252	6,943	7,063
Zircon low grade	-	-	-	172	347
Sales (tonnes)					
Ilmenite	107,170	107,632	106,788	81,339	99,620
Rutile	25,635	23,580	24,008	14,593	31,889
Zircon	9,007	8,973*	8,791*	7,260	7,968
Zircon low grade ²	-	-	-	115	219

*Reported zircon sales volume has been restated upwards from that previously reported due to an error.

¹ For further information refer to Base Resources' market announcement on 1 May 2019 "Mineral Resource for Kwale North Dune deposit" available at <https://www.baseresources.com.au/investor-centre/asx-releases/>.

² Reported as tonnes of zircon contained in concentrate, it realises 90 to 100% of the value of the equivalent volume of standard grade zircon, due to rutile credits.

The last blocks of the Central Dune orebody were mined during the quarter before mining operations were halted in mid-June to commence the two-week transition to the South Dune. As a result of the transition, mining volume was lower than the prior quarter at 3.64Mt.

Mining & WCP Performance	June 2018 Quarter	Sept 2018 Quarter	Dec 2018 Quarter	Mar 2019 Quarter	June 2019 Quarter
Ore mined (tonnes)	3,543,430	4,791,969	5,036,211	4,349,984	3,644,160
HM %	6.36	4.78	3.60	3.59	3.52
HMC produced (tonnes)	192,559	199,079	148,937	154,001	131,475

Wet concentrator plant (**WCP**) production of HMC reduced to 131kt (last quarter: 154kt) due to the lower mined ore tonnes and slightly lower heavy mineral grade of the ore. HMC stockpiles were drawn down 29kt to close the quarter at 20kt (last quarter: 49kt) as HMC was utilised to maintain production during the transition of mining to the South Dune.

Sand tails continued to be deposited into the mined-out Central Dune area, representing the first stage of rehabilitation in this section.

MSP Performance	June 2018 Quarter	Sept 2018 Quarter	Dec 2018 Quarter	Mar 2019 Quarter	June 2019 Quarter
MSP Feed (tonnes of HMC)	192,376	194,311	191,633	155,373	160,766
MSP feed rate (tph)	90	91	90	78	76
MSP recovery %					
Ilmenite	100	101	102	104	100
Rutile	101	99	99	102	104
Zircon	79	79	73	78	76

As planned, the MSP feed rate remained at 71tph for the first two months of the quarter to ensure sufficient HMC stocks were available for continuous feed to the MSP during the transition to the South Dune orebody, before returning to 87tph in June. The consumption of stockpiled HMC throughout the transition period supported an increase in production of all final products in the quarter compared to the prior quarter:

- Ilmenite production rose to 88.8kt (last quarter: 87.2kt) with recoveries of 100% (last quarter: 104%).
- Rutile production rose to 22.6kt (last quarter: 20.2kt) with recoveries of 104% (last quarter: 102%).
- Zircon production rose to 7.1kt (last quarter: 6.9kt) with recoveries (inclusive of low-grade zircon) of 76% (last quarter: 78%).

Bulk loading operations at the Company's Likoni Port facility continued to run smoothly, dispatching more than 145kt of ilmenite, rutile and low-grade zircon during the quarter (last quarter: 90kt). Containerised shipments of rutile and zircon through the Mombasa Port proceeded to plan. In addition to the 219t of zircon low grade sold in the quarter, an additional 17.4kt of 'off spec' zircon low grade, produced from a previously rejected MSP tailings stream, was sold in the quarter. This off spec zircon low grade contained an equivalent of 3.9kt zircon and realised approximately 64% of the value of the equivalent quantity of standard grade zircon.

Summary of unit costs & Revenue per tonne (US\$)	June 2018 Quarter	Sept 2018 Quarter	Dec 2018 Quarter	Mar 2019 Quarter	June 2019 Quarter
Unit operating costs per tonne produced	\$102	\$103	\$115	\$138	\$127
Unit cost of goods sold per tonne sold	\$143	\$124	\$146	\$151	\$180
Unit revenue per tonne of product sold	\$376	\$354	\$377	\$368	\$482
Revenue: Cost of goods sold ratio	2.6	2.8	2.6	2.4	2.7

Total operating costs were marginally lower than the previous quarter due to lower mining volumes which, when combined with higher production volumes, resulted in a lower unit operating cost of US\$127 per tonne produced (rutile, ilmenite, zircon and low-grade zircon) (last quarter: US\$138 per tonne). Unit operating costs are higher than the same period last year (June 2018 quarter: US\$102 per tonne)

due to lower MSP feed and therefore lower production volumes this quarter.

Unit cost of goods sold is influenced by both the underlying operating costs and product sales mix. Operating costs are allocated to each product based on revenue contribution, which sees the higher value rutile and zircon products attracting a higher cost per tonne than the lower value ilmenite. Therefore, the greater the sales volume of rutile and zircon relative to ilmenite in a quarter, the higher both unit revenue per tonne and unit cost of goods sold will be.

Ilmenite, and the majority of rutile, is sold in bulk, with typical shipment sizes of 50-54kt for ilmenite and 10-12kt for rutile, which means any given quarter will usually contain either one or two rutile and ilmenite sales. Zircon is sold in smaller parcels and sales generally align with production volume. Product sales mix will therefore vary depending on the number of bulk shipments of ilmenite and rutile in each quarter.

Cost of goods sold of US\$180 per tonne sold (operating costs, adjusted for stockpile movements, and royalties) was higher (last quarter: US\$151) due to a significant increase in the volume of rutile sold this quarter. The higher proportion of rutile sold in the quarter contributed to an increase in the average revenue per tonne to US\$482 per tonne (last quarter: US\$368 per tonne) and lifted the revenue to cost of goods sold ratio to 2.7 (last quarter: 2.4).

Mining transition to the South Dune orebody

The transition of mining to the South Dune orebody was completed on schedule at the end of the June quarter and resulted in a two-week shutdown of the WCP. The MSP operated on stockpiled HMC throughout the transition period to ensure uninterrupted production.

Preparation for the transition of mining to the South Dune primarily involved the installation of 7,400m of slurry and water piping, an 8,500m 11kV power line, a bridge across the Mukurumudzi Dam spillway, a 1.25MW slurry booster pump and a 1MW process water booster pump. The transition of mining operations from the fully depleted Central Dune orebody to the South Dune orebody took place over a two-week period and involved moving the hydraulic mining units and commissioning of the new pumps, pipes and power supply. Total expenditure on the transition to the South Dune orebody during the quarter was US\$1.6 million, bringing the total to date to US\$11.7 million (against a budget of US\$12.3 million).



Moving the collection hopper during the transition of mining operations to the South Dune orebody

Production Guidance (tonnes)	FY19 Guidance Range	FY19 Actual	FY20 Guidance Range
Rutile	88,000 to 94,000	92,389	64,000 to 70,000
Ilmenite	385,000 to 415,000	402,698	315,000 to 350,000
Zircon	31,000 to 34,000	31,941	25,000 to 28,000

Total Kwale Operations production for the 2019 financial year was within the provided guidance range. The above FY20 production guidance is based on the following assumptions:

- Mining of 18.0Mt at an average HM grade of 3.58%, with all FY20 volume coming from Ore Reserves³.
- MSP feed rate at an average of 75tph.
- MSP product recoveries of 100% for ilmenite, 99% for rutile and 77% for zircon.

MARKETING

As expected, constraints on the global supply of sulphate ilmenite and high-grade chloride feedstocks (including rutile) have continued to have an impact on the market and supported further positive price momentum.

Supply of ilmenite from India remains significantly constrained by government bans and the absence of export quota renewals, together with high production costs, have continued to constrain ilmenite output from Vietnam. Chinese pigment producers, no longer encumbered by the significant environmental inspections and shutdowns of recent years, are now operating at optimal capacity which has resulted in higher pigment production through the March and June quarters and a consequent high level of demand for ilmenite.

The emerging ilmenite deficit being created by strong demand and supply restrictions has continued to support a strengthening ilmenite price through the quarter. Demand for Base Resources ilmenite from existing customers remains greater than the Company's ability to supply and enquiries are regularly being received from potential new customers globally.

A number of western pigment producers have reinforced their view that pigment de-stocking by their customers, which took place through the latter part of calendar 2018 and early 2019, has slowed or come to an end in the quarter and the consensus is that pigment demand growth should improve through the coming quarter. Chloride pigment production remains strong and the constraints on high grade feedstock supply has continued to support price improvement for rutile. Prices for Base Resources rutile strengthened again in the quarter with further improvements being contracted for the coming quarter.

Following two quarters of moderating demand, zircon consumption and prices stabilised through the quarter. Major global suppliers of zircon are believed to have fixed prices at June quarter levels through to the end of calendar 2019. The price for Base Resources zircon in the coming quarter has been contracted at the same level as the June quarter.

SAFETY

With no lost time or medical treatment injuries occurring during the quarter, or in the past year, Kwale Operations' lost time injury frequency rate (LTIFR) and total recordable injury frequency rate (TRIFR) are both zero. No injuries were recorded in the quarter for the Toliara Project and the total number of injuries of any type since project commencement remains at zero. Compared to the Western Australian All Mines 2017/2018 LTIFR of 2.0, this is an exceptional performance reflective of the ongoing focus and importance placed on safety by management. Base Resources' employees and contractors have now worked 17.0 million man-hours LTI free, with the last LTI recorded in early 2014. Further, 7.3 million man-hours have been worked without a medical treatment injury.

COMMUNITY AND ENVIRONMENT

Agricultural livelihood programs at Kwale, run in conjunction with partners Business for Development, DEG, FMO, Australia's DFAT and the Cooperative Bank of Kenya continue to develop. Following the success of the Kwale Cotton Program, the Government of Kenya is now looking to replicate it in other areas of the country as the cotton value chain is seen as a significant contributor to Kenya's economic

³ The Ore Reserves estimates underpinning the above production targets were prepared by Competent Persons in accordance with the JORC Code (2012 edition). 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.

growth and is part of the Government's Big4Agenda to encourage job creation. Exploring opportunities for further value addition in Kenya, the PAVI Co-operative is developing links with local textile manufacturers with the capability to convert cotton lint to finished fabrics.

Seasonal crop planting, supported by Base Resources, included cotton, maize, green grams, legumes and sunflower. However, record rains in June led to flood damage in some areas which have required replanting.

Rehabilitation of the Tailings Storage Facility (TSF) outer wall, though paused during heavy seasonal rains, continued towards the end of the quarter with a significant area now rehabilitated. As Central Dune land rehabilitation work begins, outreach to communities has increased to assist with procurement of erosion control materials such as seeds, plants and labour to assist with implementation.

At the Toliara Project, three community water supply boreholes have been drilled and construction of tank stands are nearing completion. The installation of solar pumping equipment will follow in the coming quarter which will provide the three communities near the proposed mine site with cleaner, more reliable sources of water. The planning requirements for construction of schools and medical facilities has progressed with titled land now set aside for each facility.

Community training programs continue to build capacity in the Toliara area with the intention of improving skills and increasing opportunities for local people to secure jobs during construction and beyond. These include heavy equipment operator training, wet trades training and other courses to increase employability. In addition to these programs, a rigorous selection process was undertaken to identify suitable young men and women from the neighbouring communities to undertake apprenticeship training at Kwale Operations in Kenya in the coming quarter.

BUSINESS DEVELOPMENT

Toliara Project development - Madagascar

Work on the DFS continued in the quarter and remains on target for completion by the end of 2019, ahead of a planned decision to proceed to construction in the first half of 2020. On this schedule, it could be expected that the Toliara Project would be brought into production in early 2022.

Key activities during the quarter included:

- 6,000 metres of definitional drilling in 136 holes.
- Continued mineral separation plant test work and flowsheet verification.
- Rutile and zircon marketing samples produced.
- Commenced geotechnical investigation programs at the proposed camp, mine site facilities and power plant areas.
- Commenced hydrogeological investigations of underground water aquifer and to identify future borehole locations.
- Issued requests for tenders to shortlisted companies for the mine site power station (via independent power producer), marine facilities, and bulk earth works for the early works camp and temporary access road.
- Continued training of local staff ahead of planned construction.
- Progressed baseline studies in accordance with environmental approvals.
- Progressed the land acquisition process, with completion of the final list of beneficiaries for the road and export facility areas.

Continuing the DFS activities will be the focus in the coming quarter, including:

- Preparing the application for certification under the Large Mining Investment Code.
- Generating an Ore Reserve estimate for DFS financial modelling based on the 2018 Ranobe Deposit Mineral Resource estimate⁴.
- Continuing the drill program, targeting a future increase in measured, indicated and inferred resources, completion of the Ranobe deposit mineralogy and an update to the 2018 Ranobe Deposit Mineral Resources estimate.

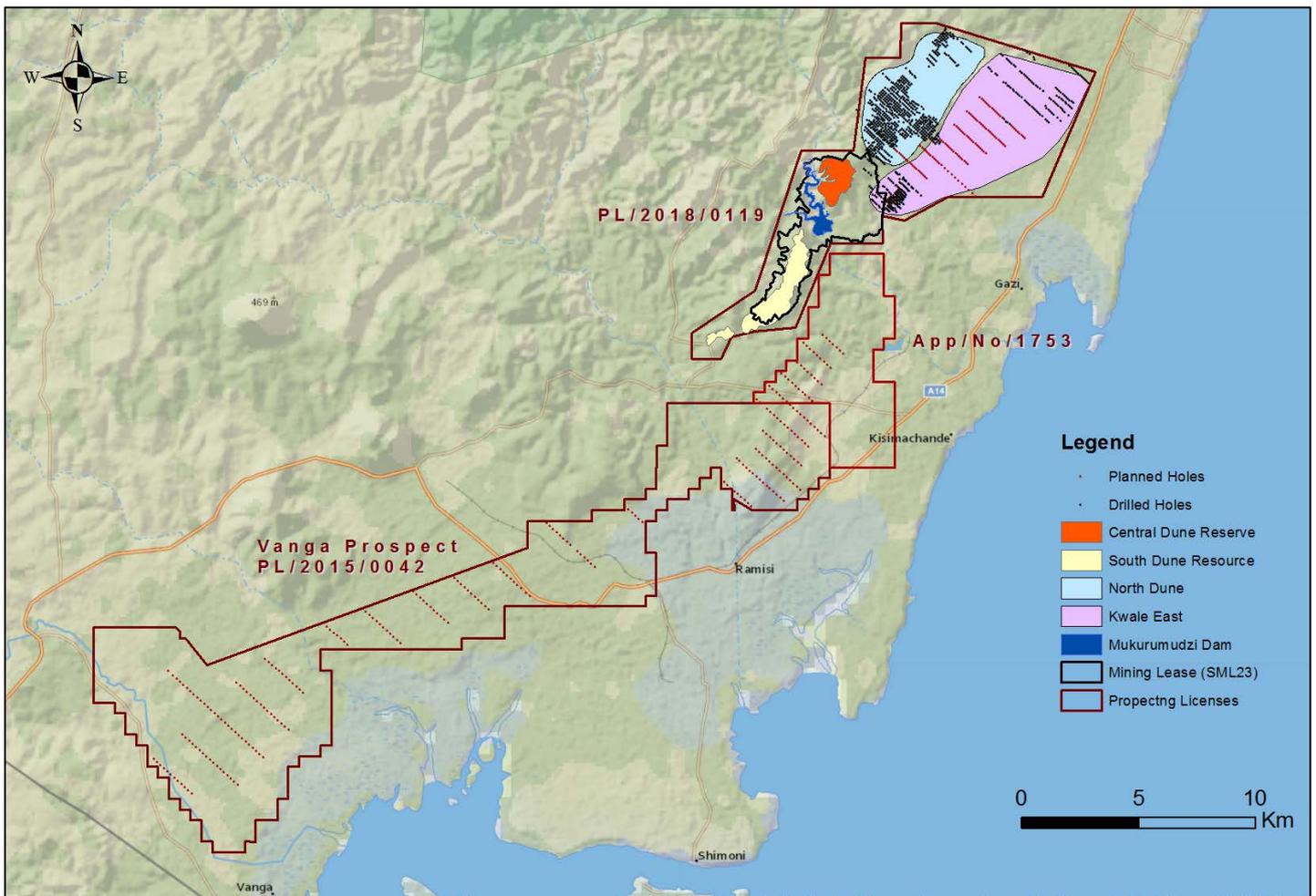
⁴ For further information refer to Base Resources market announcement on 23 January 2019 "Updated Ranobe Deposit Mineral Resources (corrected)" available at <https://www.baseresources.com.au/investor-centre/asx-releases/>.

- Completing verification of the MSP flow sheet.
- Continuing baseline studies and land acquisition programs.
- Continuing training of local staff ahead of planned construction.
- Continuing geotechnical investigations and infrastructure designs.
- Issuing DFS budget quotation requests for all major construction and supply components of the project.
- Receiving and reviewing tenders for the marine works and mine site power.
- Awarding the temporary access road and camp bulk earth works contract.
- Progressing the detailed design and tendering for the camp facilities, ahead of early works construction expected to start in the second half of 2019.

Total expenditure on the Toliara Project for the quarter was US\$5.7 million (last quarter: US\$5.0 million), including US\$0.4 million on exploration activities (last quarter: US\$0.5 million).

Extensional exploration - Kenya

Mining tenure arrangements continue to progress with the Kenyan Ministry of Petroleum and Mining as a precursor to an anticipated updated Ore Reserve based on the expanded 2017 Kwale South Dune Mineral Resource as announced on 4th October 2017⁵.



⁵ Refer to Base Resources market announcement “Mineral Resource Increase for Kwale South Dune” released on 4 October 2017, which is available at <http://www.baseresources.com.au/investor-centre/asx-releases/>.

A Mineral Resource estimate for the Kwale North Dune deposit was issued during the quarter. The 2019 Kwale North Dune Mineral Resource is estimated to be 171Mt at an average HM grade of 1.5%, containing 2.6Mt HM based on a 1% HM cut-off grade⁶. With the expectation that the resource will support modest extensions to the Kwale Operations, further drilling has been completed and a study phase has commenced to assess the economics of potential mine life extensions.

Completion of the remaining drilling program (4,200 metres) in the North-East Sector (Kwale East) of PL 2018/0119 remains suspended pending community access being secured. Drill assay results to date have shown potential for some limited extensional economic resource close to the Central Dune (Bumamani), but this remains subject to more detailed evaluation.

Drilling commenced in the Company's Vanga Prospecting License (PL/2015/0042) in April with 8,195m completed to date. Further drilling is planned once community access to the remaining land areas is secured. A north eastern extension of the Vanga Prospecting License is under application (App No/1753) to cover further prospective ground which has since become available. Expenditure on exploration activities in Kenya during the quarter was US\$0.4 million (last quarter: US\$0.2 million).

CORPORATE

Kenyan VAT receivable

As previously announced, Base Resources has refund claims for VAT paid in Kenya, relating to both construction of the Kwale Project and the period since operations commenced, totalling approximately US\$24.2 million at 30 June 2019. These claims are proceeding through the Kenya Revenue Authority process with refunds totalling US\$3.5 million received during the quarter (last quarter: nil). Base Resources is continuing to engage with the Kenyan Treasury and the Kenya Revenue Authority, seeking to expedite the refunds.

In summary, at 30 June 2019:

- Net cash of US\$19.2 million, consisting of:
 - Cash and cash equivalents of US\$39.2 million.
 - Revolving Credit Facility debt of US\$20.0 million.
- 1,166,623,040 fully paid ordinary shares on issue.
- 48,586,062 performance rights issued pursuant to the terms of the Base Resources Long Term Incentive Plan.

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For further information contact:

James Fuller, Manager Communications and Investor Relations

Base Resources

Tel: +61 (8) 9413 7426

Mobile: +61 (0) 488 093 763

Email: jfuller@baseresources.com.au

UK Media Relations

Tavistock Communication

Jos Simson and Barnaby Hayward

Tel: +44 (0) 207 920 3150

About Base Resources

Base Resources is an Australian based, African focused, mineral sands producer and developer with a track record of project delivery and operational performance. The Company operates the established Kwale Operations in Kenya and is developing the Toliara Project in Madagascar. Base Resources is an ASX and AIM listed company. Further details about Base Resources are available at www.baseresources.com.au.

⁶ For further information refer to Base Resources' market announcement on 1 May 2019 "Mineral Resource for Kwale North Dune deposit" available at <https://www.baseresources.com.au/investor-centre/asx-releases/>. Base Resources confirms that it is not aware of any new information or data that materially affects the information included in the 1 May 2019 announcement and that all material assumptions and technical parameters underpinning the estimates in the 1 May 2019 announcement continue to apply and have not materially changed.