



# The Transition to Operations

AAMIG

August 2014

Signatory to  
**EITI**  
Extractive  
Industries  
Transparency  
Initiative

Member of  
**AAMIG**  
Australasian Association of Mining  
Industries and Geosciences  




**BASE  
RESOURCES**

# Statements

## Restriction on Distribution

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## 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.
- ▶ Market capitalisation of around A\$168 million at A\$0.30 per share.
- ▶ 100% ownership interest in the Kwale Mineral Sands Project in Kenya
- ▶ US\$310 million spent to develop Kwale
- ▶ US\$19 million in cash (at 30 June 2014).
- ▶ US\$215 million in drawn debt facilities.

Substantial Shareholders	Interest
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 Management	5.0%
<i>Total interest of Substantial Shareholders</i>	<i>67.2%</i>
<i>Total interest of top 10 shareholders</i>	<i>approx 75%</i>

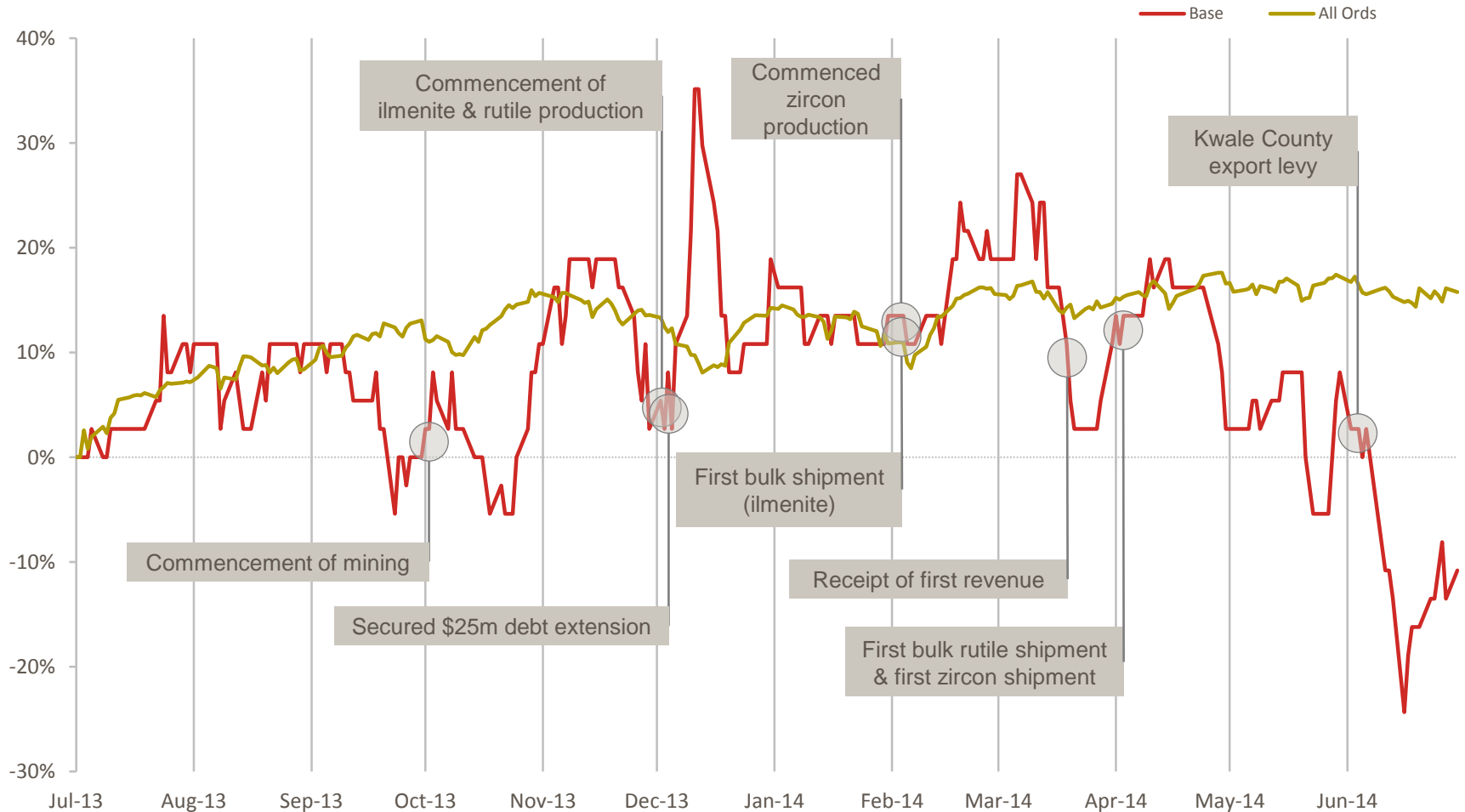
## Broker Coverage

Australia	UK
Euroz	GMP
Credit Suisse	RBC
Goldman Sachs	Macquarie
J P Morgan	RFC Ambrian

# Another busy 12 months...



With shipments of all 3 products now underway and ramp-up proceeding relatively 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 animation at [www.baseresources.com.au](http://www.baseresources.com.au)**



# Mining & DMU





# Mukurumudzi Dam, Spillway & TSF



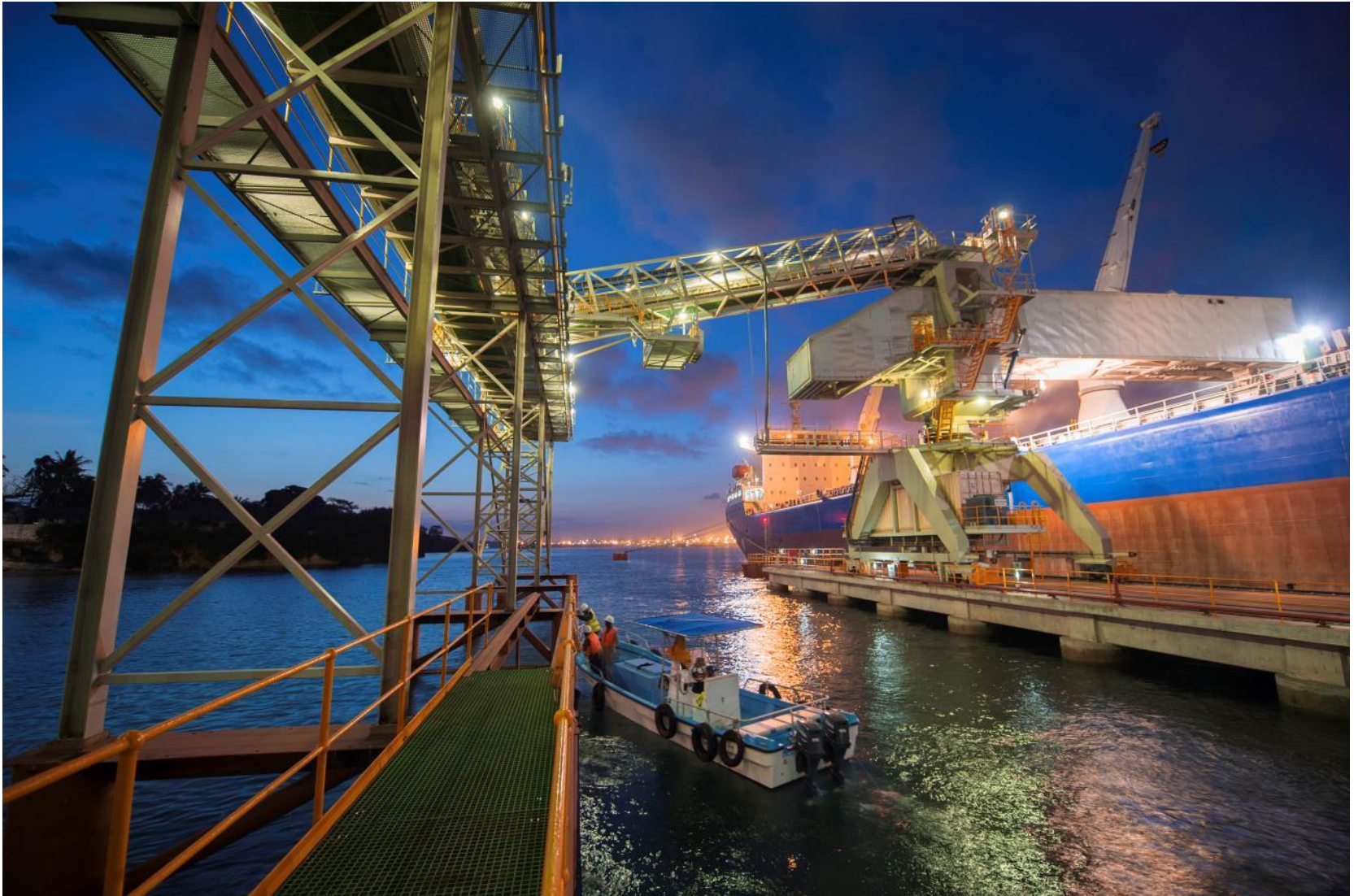


# MSP & Product Load Out



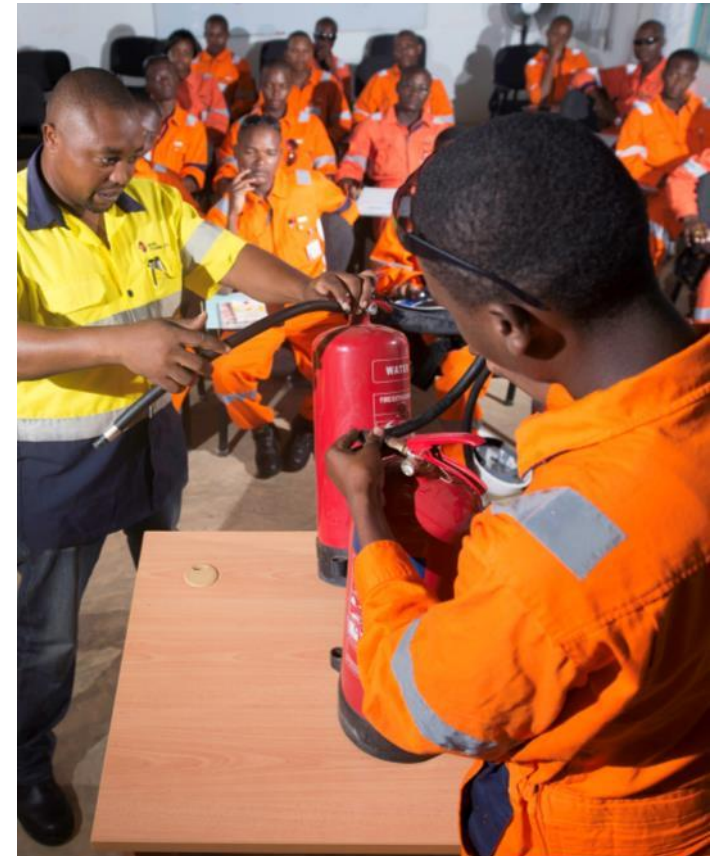
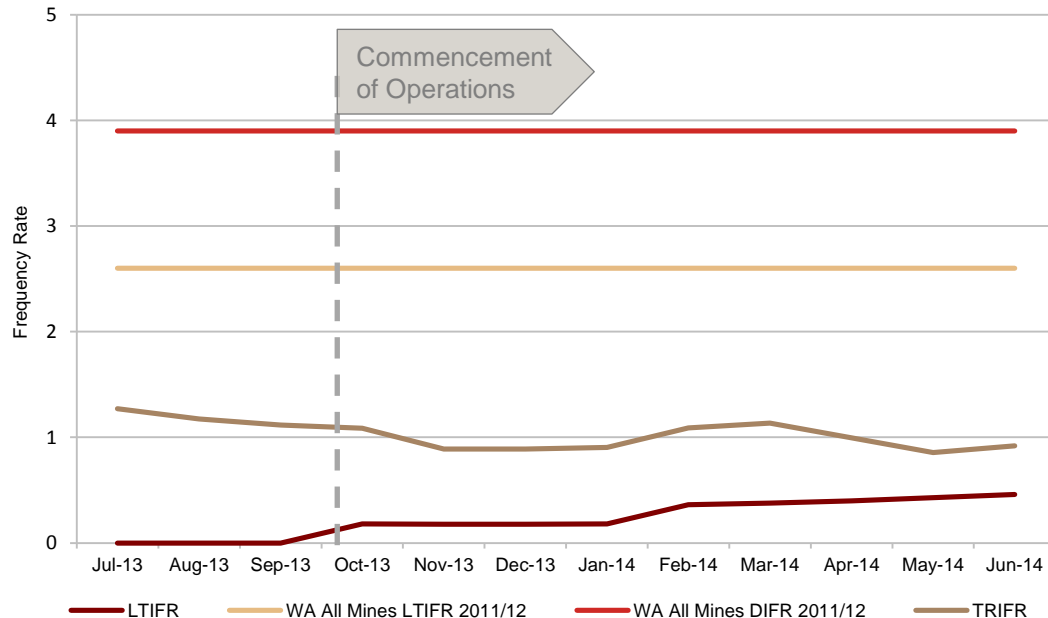


# Likoni Port – Ship Loading



# Developed safely.

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



- ▶ 10.1 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.
- ▶ 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.

# Operational management team



A highly experienced management team is in place, with deep experience in mineral sands, African operations and their respective fields.

**Colin Bwye**  
Director - Operations

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

**Tim Carstens**  
Managing Director

- Chartered accountant
- Mining industry experience: 15 yrs

**Denham Vickers**  
GM - Operations

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

**Kevin Balloch**  
Chief Financial Officer

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

**Christo Schmidt**  
Manager - Production

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

**Stephen Hay**  
GM - Marketing

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

**Vaughan Shaw**  
Manager - Mining

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

**Joe Schwarz**  
GM – External Affairs

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

**Tony Venturini**  
Manager - Maintenance

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

**Colin Forbes**  
GM – Social & Enviro

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

**Americo Barata**  
Manager - Port

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

**Georgina Jones**  
Manager - Environment

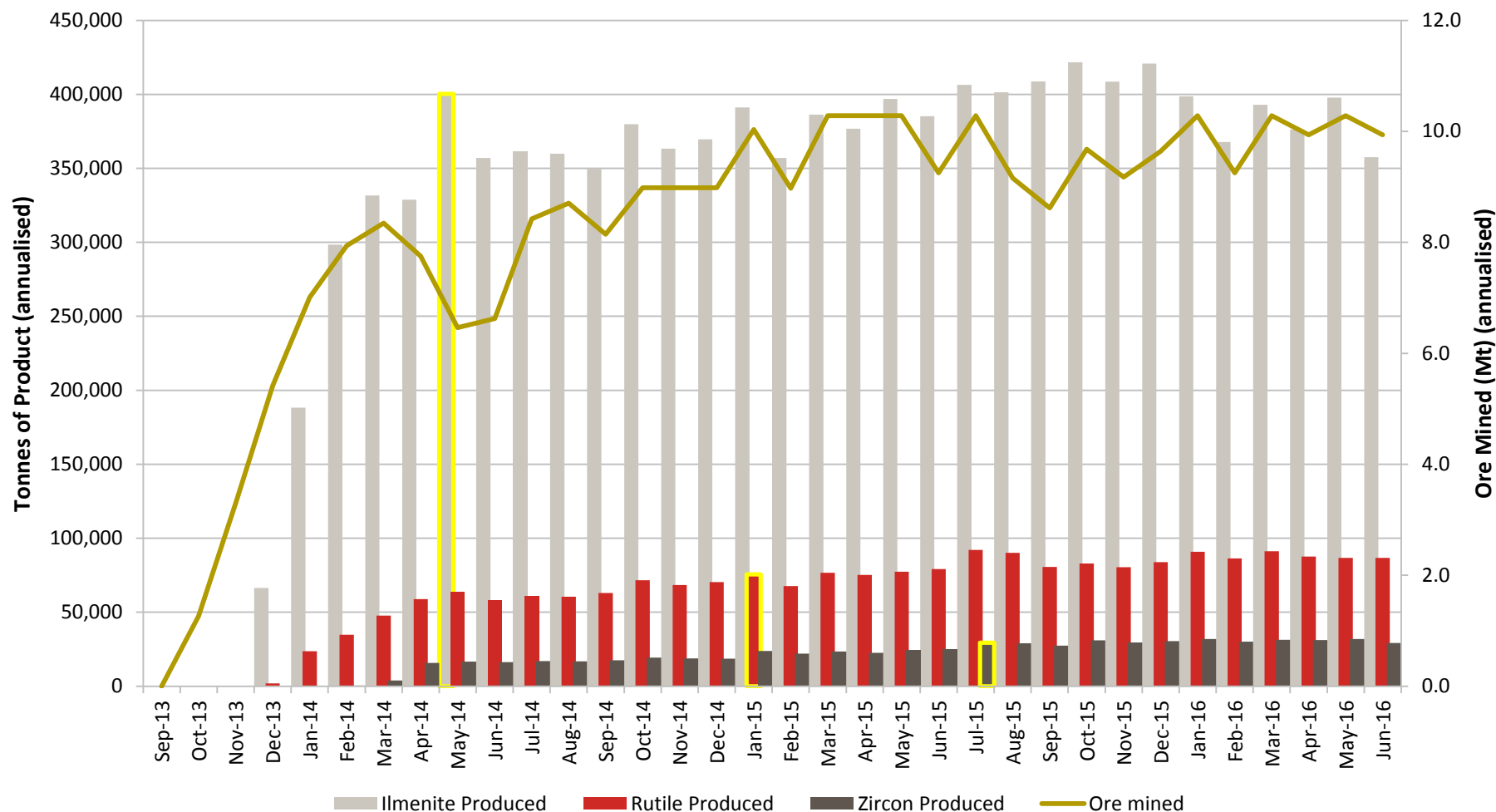
- Environmental science
- Environmental consulting: 12 yrs
- African experience: 20 yrs



# Early production profile



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



# Ramp-up experience to date

While it hasn't all been plain sailing with some delays to shipments, no issues have emerged which indicate a divergence from our operational performance assumptions.

## Mining & Concentration

- ▶ DMU performing to expectations and to design throughput.
- ▶ Slimes separation and deposition – less than 1% HM losses.
- ▶ Early challenges with concentrator logic control, mass balance and valve performance have been rectified.
- ▶ Annualised HMC production demonstrated to > 550k tpa

## Mineral Separation

- ▶ MSP feed rates and availability consistently achieving design targets. Focus now is on recoveries.
- ▶ **Ilmenite circuit** is performing well with design recoveries and annualised production at >360ktpa
- ▶ **Rutile circuit** performance is steadily improving with annualised production at 70ktpa
  - ▶ 90% recoveries being achieved on our way to 97%+
- ▶ **Zircon circuit** is earlier in ramp-up with annualised output at 20ktpa
  - ▶ 50% recoveries being achieved on our way to 78%.



# What does Kwale mean for Kenya?



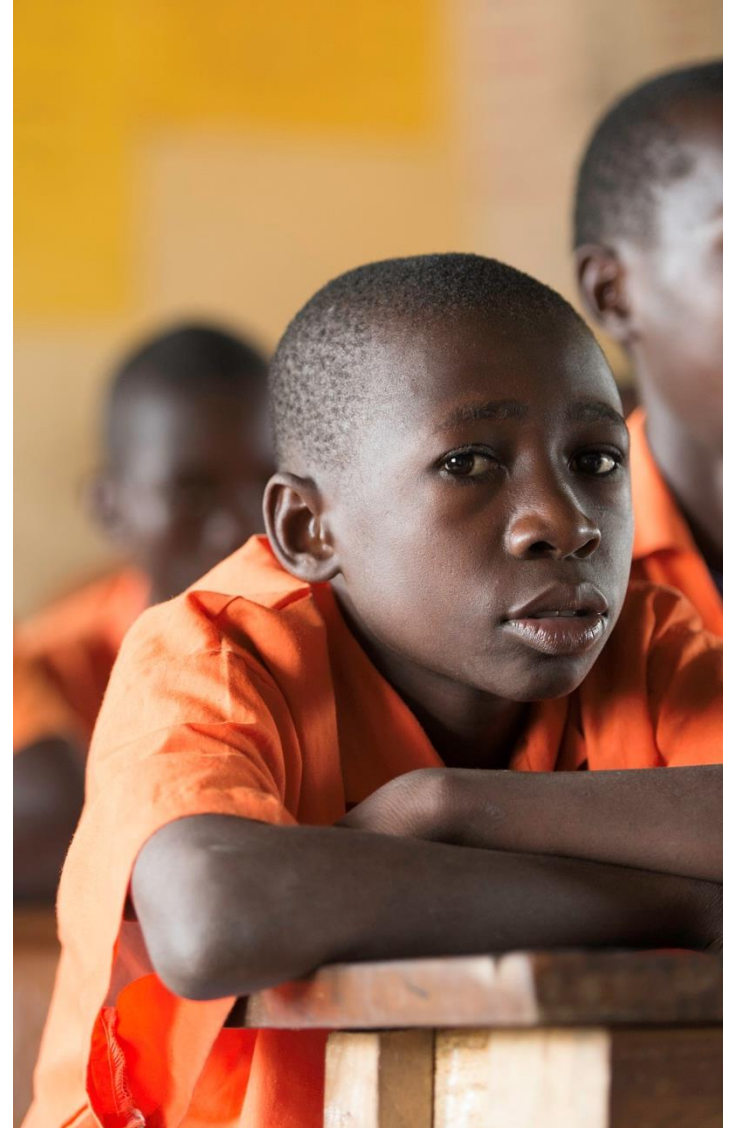
A key to unlock the potential of the mineral sector and a model for operations.

**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:**

- ▶ Officially recognised as the “flagship” mining project and a model (and benchmark) for effective mining investment in Kenya.
- ▶ The GoK recognises and is seeking to playing its role:
  - ▶ Modernisation of mining administration.
  - ▶ Establishment of an “appropriate” fiscal regime.
  - ▶ Encouraging broad local participation.





# .... 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

- ▶ Recent announcements by Ministry of Mines on proposed royalty rates and 10% free carried interest are inconsistent with stated objective to “crowd investors in, not out”.
- ▶ IMF working with Treasury on the development of sound extractives policy based on competitive positioning and best practice.
- ▶ Our Investment Agreement provides fiscal stability with a fixed 2.5% royalty for the first 5 years of operations and market value compensation for any “nationalisation”.

## Mining Regulation

- ▶ Bill for new Mining Act currently before Parliament.
- ▶ A distinct improvement but still needs work.
- ▶ Protection for existing rights.

## Devolved government

- ▶ Legal 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” KES5000/tonne export charge

## Integrity

- ▶ On the right path but still some way to go.



# 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)



# So what have we learnt?

Being the first project as a company as well as the first large scale development for Kenya, we have learnt a lot that we are distilling for what comes next. Here are but a few....

## *Corruption demands a strategy*

- ▶ A broad base of Government engagement.
- ▶ Establish a zero tolerance culture.
- ▶ Communicate that culture early.

## *Community expectations start high.....and just get higher*

- ▶ Managing expectations early and consistently is critical.
- ▶ Integration as a community member, not an island.
- ▶ Its not just about employing Kenyans.....but the right Kenyans.

## *The realities of execution*

- ▶ It's a bit like bull riding....once out of the gate it requires serious personal commitment.
- ▶ Resist the rush....spend the time on scope definition and design.
- ▶ There is nothing more satisfying than your first time....

LOCAL LABOUR DISTRIBUTION MAP

