

# The RFC Ambrian Metals, Mining and Oil & Gas

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## In the News - Base Resources

### Base Resources — Positive PFS Keeps Toliara Project on Target

Base Resources has released the results of the pre-feasibility study (PFS) on its Toliara minerals sands project in Madagascar. The PFS has been delivered on schedule following the company's purchase of the project in early 2018 and it is now clear that Toliara is a sound strategic fit. Further development will allow the company to utilise its considerable experience from Kenya where it constructed and continues to operate the Kwale mineral sands operations. Combined, Toliara and Kwale (and its potential resource expansion), will give the company a strong resource and production platform going forward.

Toliara's first production planned for early 2022. With the PFS completed, the company is already working on the definitive feasibility study (DFS) which it aims to complete by end of 2019, ahead of a final investment decision (FID) in 1Q20. Mining would then be able to start in October 2021, with production from the mineral separation plant (MSP) commencing in January 2022.

Capital costs outlined. The capital cost is estimated at US\$439m (+20%/-10%) based on preliminary engineering and budget quotes from vendors and includes 15% contingencies. A further US\$34.3m (from April 2019) is required to fund the Pre-FID expenditure and progression of the project, including early work activities required to meet the overall project schedule timelines.

Mining to produce 805ktpa of ilmenite plus zircon and rutile. Mining is initially planned at 13Mtpa before increasing to 19Mtpa for the remaining mine life. The increased mining rate would require an additional US\$67m capex. Production remains steady over the 33-year LOM producing an average of 805.4ktpa of ilmenite (sulphate 36.5%, chloride 28.4%, and slag 35.0%), 54.2ktpa of zircon, and 8.4ktpa of rutile.

#### Maintaining BUY and raising TP from A\$0.46 to A\$0.47/sh

The increase in our company valuation is partly a result of an upward adjustment to our Toliara valuation and an increase in the risk multiple from 0.4x of the NPV10 of the project to a multiple of 0.5x following the PFS. We now include a value of US\$179m (A\$0.22/sh) for Toliara in our sum-of-the-parts NAV valuation for Base Resources. The change also reflects a reduction in our NPV10 estimate for the Kwale operations from US\$275m to US\$194m (A\$0.23/sh) based on the ongoing reduction of ore reserves from continued mining.

The positive PFS for Toliara helps de-risk the company's valuation. With continued strong cashflow generation from Kwale, the exciting potential presented by Toliara, and a supportive mineral sands outlook, we maintain our BUY rating and have slightly raised our target price to A\$0.47/share.

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