

Quarterly Activities Report – March 2021

Key points

- Kwale Operations maintained operational consistency through the quarter with health and safety protocols in place to minimise the risk of COVID-19 to personnel and surrounding communities.
- Kwale Operations FY21 production guidance increased for both ilmenite and zircon.
- Ilmenite and rutile prices trended upwards in the quarter, with higher zircon prices secured for the June quarter.
- Kwale North Dune PFS completed, with a focused study on mining higher grade subsets of the North Dune and Bumamani deposits underway and due in mid-2021.
- Discussions with the Government of Madagascar on Toliara Project fiscal terms continue to progress.
- Half-year dividend of AUD3.0 cents per share paid.
- Outstanding US\$25 million balance of the revolving credit facility repaid, and facility retired early.

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.

COVID-19 UPDATE

Base Resources continues to closely monitor the COVID-19 pandemic and its impacts on the Company's business, people and wider stakeholders. The Company's **Kwale Operations** in Kenya continue to operate under a suite of mitigations aimed at protecting the health and safety of our employees and neighbouring communities, including modified workplace practices and a focus on hygiene and social distancing. As the number of COVID-19 cases in Kenya and Madagascar have increased significantly in recent weeks, the Company has also re-introduced work-from-home protocols for non-operational staff. The Company is also assisting governments and communities in both Kenya and Madagascar with several initiatives, primarily involving the construction of hygiene facilities, and the donation and distribution of food and medical supplies and equipment.

KWALE OPERATIONS

Production & Sales	Mar 2020 Quarter	June 2020 Quarter	Sept 2020 Quarter	Dec 2020 Quarter	Mar 2021 Quarter
Production (tonnes)					
Ilmenite	105,035	84,843	65,863	78,500	84,178
Rutile	23,683	19,035	15,513	18,171	19,448
Zircon	9,163	7,590	6,000	6,677	7,388
Zircon low grade ¹	780	578	426	516	482
Sales (tonnes)					
Ilmenite	87,819	102,364	75,502	53,798	97,179
Rutile	25,280	27,268	11,651	12,017	26,074
Zircon	7,377	9,086	7,336	6,399	6,612
Zircon low grade ¹	-	1,516	505	-	502

¹ Reported as tonnes of zircon concentrate, it typically realises between 30% to 50% of the value of the equivalent volume of standard grade zircon, due to rutile credits.

Mining operations continued according to plan on the South Dune orebody with mined tonnage increasing to 4.7Mt (last quarter: 4.6Mt) due to higher mining faces reducing the downtime associated with relocating mining units and higher mining water pressures following process water pump reconfiguration. The heavy mineral (HM) grade of ore mined was also higher at 3.58% (last quarter: 3.43%). This was driven by mine path as well as better grade than predicted by the resource model in some areas. Previously reported September 2020 and December 2020 quarter HM and VHM grades have been amended to reflect a revision of mine feed grade sampling methodology.

Mining & WCP Performance	Mar 2020 Quarter	June 2020 Quarter	Sept 2020 Quarter	Dec 2020 Quarter	Mar 2021 Quarter
Ore mined (tonnes)	4,295,645	4,271,811	3,938,494	4,600,172	4,695,052
HM %	3.86	3.87	3.12	3.43	3.58
VHM %	2.98	2.95	2.36	2.62	2.80
HMC produced (tonnes)	153,754	148,699	103,730	142,309	149,618

Wet concentrator plant (WCP) production of heavy mineral concentrate (HMC) was higher at 150kt (last quarter: 142kt) due to a combination of higher mined tonnes and HM grades. HMC stocks increased to 18kt at quarter end (last quarter: 14kt). Sand tails continued to be deposited into the mined-out Central Dune area and significant progress was made with rehabilitation of the mined-out areas of the South Dune, with 66 hectares provisionally rehabilitated in the quarter (last quarter: 49 hectares).

MSP Performance	Mar 2020 Quarter	June 2020 Quarter	Sept 2020 Quarter	Dec 2020 Quarter	Mar 2021 Quarter
MSP Feed (tonnes of HMC)	186,197	145,550	114,873	134,019	145,110
MSP feed rate (tph)	90	78	61	64	69
MSP recovery %					
Ilmenite	99	99	100	102	102
Rutile	99	100	102	102	100
Zircon	87	85	86	87	85

Total mineral separation plant (MSP) feed tonnage was higher than the prior quarter, due to improved HMC availability, while recoveries were generally steady. Consequently, production of all final products increased compared to the prior quarter.

Bulk loading operations at the Company's Likoni Port facility continued to run smoothly, dispatching a combined 117kt of bulk ilmenite and rutile during the quarter (last quarter: 64kt). Containerised shipments of rutile and zircon through the Mombasa Port proceeded according to plan.

Summary of unit costs & Revenue per tonne (US\$)	Mar 2020 Quarter	June 2020 Quarter	Sept 2020 Quarter	Dec 2020 Quarter	Mar 2021 Quarter
Unit operating costs per tonne produced	\$128	\$153	\$189	\$161	\$176
Unit cost of goods sold per tonne sold	\$175	\$189	\$192	\$207	\$198
Unit revenue per tonne of product sold	\$476	\$479	\$413	\$464	\$478
Revenue: Cost of goods sold ratio	2.7	2.5	2.1	2.2	2.4

Total operating costs of US\$19.6 million were significantly higher this quarter (last quarter: US\$16.8 million) due to a revision of the underlying assumptions for the rehabilitation and mine closure provision, resulting in a once off non-cash adjustment of US\$3.3 million. Excluding this adjustment, operating costs were \$0.5 million lower than the prior quarter. This adjustment is reflected in the increased unit operating costs to US\$176 per tonne produced (rutile, ilmenite, zircon and low-grade zircon) (last quarter: US\$161 per tonne).

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 most of the 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 bulk 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\$198 per tonne sold (operating costs, adjusted for stockpile movements, and royalties) decreased, despite the higher operating costs, due to the sales mix in the quarter (last quarter: US\$207 per tonne). Average unit revenue increased to US\$478 per tonne (prior quarter: US\$464 per tonne) due to increased ilmenite and rutile prices. From the combination of these factors, the revenue to cost of goods sold ratio for the quarter increased to 2.4 (last quarter: 2.2).

PRODUCTION GUIDANCE (tonnes)	Original FY21 Guidance Range	Updated FY21 Guidance Range
Rutile	70,000 to 80,000	70,000 to 80,000 (no change)
Ilmenite	270,000 to 300,000	300,000 to 320,000
Zircon	23,000 to 27,000	26,000 to 28,000

The Company provided its 2021 financial year (**FY21**) production guidance on 28 July 2020². Base Resources' production guidance range for FY21 has been increased for ilmenite and zircon due to higher than forecast ilmenite and zircon content in the MSP feed. Production guidance for rutile has not changed. There remains, however, the possibility of a halt to, or curtailment of, operations at some point in the future due to a severe COVID-19 outbreak on site or change in government health directives that could impact on the achievement of this guidance.

The above updated FY21 production guidance is based on the following assumptions:

- Mining of 17.6Mt at an average HM grade of 3.39%, with all remaining FY21 volume coming from Ore Reserves³.
- Average MSP feed rate of 68tph.
- Average MSP product recoveries of 101% for rutile, 101% for ilmenite and 84% for zircon.

MARKETING

Global pigment producers have indicated that the strong recovery in demand over the past two quarters has continued through the March quarter, more than offsetting the usual seasonal weakness experienced by the pigment industry at this time of year.

Western pigment producers continued to ramp up production rates towards full capacity through the quarter. Chinese pigment producers maintained high output rates as their domestic market improves and high volumes of pigment exports are sustained. Globally, pigment prices have stepped up at regular intervals throughout the quarter as conditions have tightened and the price gap between the historically cheaper Chinese pigment exports and western pigment has now narrowed substantially.

Demand for ilmenite as a feedstock for Chinese pigment producers again exceeded supply resulting in further solid price gains for ilmenite in the quarter. Ongoing strong demand will maintain a tight ilmenite market through the June quarter and further price increases are expected.

The ramp up of western pigment production through the past two quarters has absorbed the slight surplus in high grade feedstock inventory that was created in the second half of 2020 and has resulted in an increasingly tight market for rutile. This has been

² For further information refer to Base Resources' market announcement on 28 July 2020 "Quarterly Activities Report – June 2020" available at <https://baseresources.com.au/investors/announcements/>.

³ The Ore Reserves estimate underpinning the above production guidance was prepared by Competent Persons in accordance with the JORC Code (2012 edition). For further information regarding the Ore Reserves estimate refer to Base Resources' announcement on 27 July 2020 "Updated Kwale South Dune Mineral Resources and Ore Reserves estimate" available at <https://baseresources.com.au/investors/announcements/>. The above production guidance is 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.

compounded by a significant recovery in demand for rutile in the welding sectors throughout Asia, and the Chinese titanium metal sector, since late in 2020. As a consequence, rutile prices have increased through the quarter and are expected to continue an upward trend through the coming quarters.

The demand recovery for zircon gathered pace through the quarter as ceramic plants in Europe operated at full capacity and Chinese consumption of zircon accelerated on the back of strong economic conditions. Minimal inventory being held through most parts of the supply chain has resulted in a rapid pull through in demand for zircon. Zircon prices for March quarter contracts were consistent with the December quarter but the tightening conditions have resulted in significant price improvement for June quarter contracts.

SAFETY

There were no lost time injuries during the quarter, or in the past year, at Kwale Operations' or the Toliara Project, resulting in a lost time injury frequency rate (**LTIFR**) for the group of zero. Compared to the Western Australian All Mines 2019/2020 LTIFR of 2.1, this is an exceptional performance reflective of the ongoing focus and importance placed on safety by management. Base Resources group employees and contractors have now worked 23.9 million hours lost time injury (**LTI**) free, with the last LTI recorded in early 2014. No medical treatment injuries were recorded during the quarter. With one medical treatment injury recorded in the last 12 months, the Base Resources group's total recordable injury frequency rate (**TRIFR**) is 0.25 per million hours worked.

COMMUNITY AND ENVIRONMENT

Kwale Operations

Base Resources has continued to assist the Kwale community through the COVID-19 pandemic, including collaborating with county and national health authorities to provide public education through community health workers and by providing additional schools-based handwashing equipment to help improve sanitation. To support social distancing requirements, 2,000 school desks were donated and distributed to 20 schools across Kwale County and Likoni.

Agricultural livelihood programs in Kwale continued through the PAVI Cooperative as farmers prepare for the upcoming rains. Poultry and beekeeping have been particularly productive alternatives during the current dry season. Kenyan cotton spinners are attracting international interest for their yarn made from Kenyan lint which has improved the outlook for the cotton value chain and the potential contribution to the government's economic development agenda.

Considerable work was undertaken in the quarter to implement the Community Development Agreement with nearby communities as required under new Kenyan regulations. The beneficiary communities have been defined and committees established, with capacity building and community consultation undertaken during the quarter to identify and prioritise development projects.

Rehabilitation activities on the mined-out areas of the South Dune increased significantly in the quarter with community groups supplying indigenous legumes, grass seed and manure. Youth groups from local villages were employed to assist with slope stabilisation, planting and road clearing. A community trial plot has also been established on a mined-out section of the Kwale South Dune to demonstrate to local farmers and stakeholders that crops and trees can be successfully grown in rehabilitated mine soils.



Image: Various stages of land rehabilitation on the Kwale Operations South Dune (foreground) following mining (background).

Toliara Project

All community training programs and social infrastructure construction remained on hold with the Government of Madagascar’s suspension of the Toliara Project’s on-the-ground activities. The 24 Malagasy apprentices training in Kenya at Kwale Operations have completed their studies, achieving very good results. They remain on site and continue to progress through further practical training programs and competency assessments prior to certification through the registered training authority.

Base Resources continued to work with local authorities to assist in the COVID-19 response in the Toliara region by supporting face mask production in conjunction with a leading local women’s group, with 48,000 re-usable masks now produced for distribution to local communities.

BUSINESS DEVELOPMENT

Toliara Project development - Madagascar

In November 2019, the Government of Madagascar required the Company to temporarily suspend on-the-ground activity on the Toliara Project while discussions on fiscal terms applying to the project were progressed⁴. Activity remains suspended as Base Resources continues to engage the Government in relation to the country’s Large Mining Investment Law (**LGIM**) regime, fiscal terms applicable to the Toliara Project and the lifting of the on-the-ground suspension.

As previously noted⁵, with the suspension of activity, international travel restrictions and broader COVID-19 measures and impacts both in Madagascar and globally, the final investment decision (**FID**) to proceed with development of the Toliara Project has been delayed. Once fiscal terms are agreed and the suspension is lifted, there will be approximately 11 months’ work to complete prior to FID. This work includes finalising financing, completing the land acquisition process and concluding major construction contracts. The resumption of international travel will also be required to complete a significant portion of this work.

⁴ Refer to Base Resources’ market announcement “Toliara Project – Government of Madagascar statement” released on 7 November 2019, which is available at <https://baseresources.com.au/investors/announcements/>.

⁵ Refer to Base Resources’ market announcement “Base delivers strong financial results and maiden dividend” released on 24 August 2020, which is available at <https://baseresources.com.au/investors/announcements/>.

Key activities during the quarter included:

- Engagement with the Government, focused on agreeing fiscal terms and resumption of on-the-ground activities.
- Negotiations with the preferred tenderers for the marine contract packages.
- Selection of the preferred piling contractor for the export storage shed.
- Selection of the preferred power supply contractor and commencement of power purchase agreement negotiations.
- Design of the haul road bridge over the Fiherenana River.
- Discussions with prospective lenders and joint venture partners.
- Ground water modelling work to allow drilling and borehole testing to commence shortly after lifting of the suspension.

Key activities planned for the coming quarter include:

- Further engagement with the Government, focused on agreeing fiscal terms, lifting of the suspension and resumption of on-the-ground activity.
- Commencing piling design at the export storage shed to allow construction to commence soon after FID.
- Continuing power purchase agreement negotiations.
- Progressing design of the revetment and bulk earthworks at the export facility.
- Concluding ground water modelling work.
- Ongoing engagement with prospective lenders and joint venture partners.

Total expenditure on the Toliara Project for the quarter was US\$3.3 million (last quarter: US\$4.0 million).

Extensional exploration – Kenya

Mining tenure arrangements continued to progress with the Kenyan Ministry of Petroleum and Mining as a precursor to an anticipated updated Ore Reserves estimate to incorporate additional Mineral Resources defined within the Kwale Prospecting Licence (PL 2018/0119), but outside the current footprint of mining lease SML 23.

The pre-feasibility study for mining the North Dune Mineral Resources was completed⁶ with the conclusion that it is not currently viable to mine the entirety of these deposits, primarily due to the combined low heavy mineral grade, high land acquisition costs and elevated slimes content and associated tailings disposal costs. The Company has commenced an assessment of the potential feasibility for mining a higher-grade sub-set of the North Dune and Bumamani deposits, with the results expected by mid-2021.

Auger drilling of a section of the northern Vanga Prospecting License (PL/2015/0042) continued during the quarter but no significant mineralisation was found. Completion of the remaining drilling program (4,200 metres) in the North-East Sector (Kwale East) of PL 2018/0119 remains on hold pending community access being secured.

Prospecting licence applications lodged for an area south of Lamu (applications 2019 0263, 0265, 0266), together with an area in the Kuranze region of Kwale county, about 70 km west of Kwale Operations (applications 2019 0260, 2510 and 2512), remain in progress through the granting process. A Government moratorium on the issuance of Prospecting Licenses in November 2019 has affected the progress of all licence applications. However, technical assessment of applications has now recommenced.

Expenditure on exploration activities in Kenya during the quarter was US\$0.1 million (last quarter: US\$0.1 million).

CORPORATE

FY21 half-year dividend payment

Following release of the Company's FY21 half-year financial results, the disciplined application of the Company's capital management policy saw a half-year dividend of AUD 3.0 cents per share, unfranked, paid to shareholders on 31 March 2021, representing a cash payment of US\$26.6 million (in aggregate).

⁶ Refer to Base Resources' market announcement "Kwale North Dune PFS outcomes" released on 1 April 2021, which is available at <https://baseresources.com.au/investors/announcements/>.

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, which totalled approximately US\$16.6 million at 31 March 2021. Refunds totalling US\$1.9 million were received during the quarter (last quarter: US\$2.0 million). Base Resources continues to actively engage with the Kenyan National Treasury and the Kenya Revenue Authority in relation to the outstanding VAT refund claims and has taken steps under the investment agreement to secure its claim with respect to the VAT paid during construction of the Kwale Project.

Revolving Credit Facility retired

Following strong quarterly financial performance, which generated US\$39.3 million of operating cashflows (excluding taxes), and with growing confidence in the trajectory of the mineral sands markets and greater clarity on the risks and impacts of the COVID-19 pandemic, the Company repaid the outstanding US\$25.0 million of the US\$75.0 million revolving credit facility during the quarter. Concurrently with this repayment, the Company retired the facility, nine months ahead of the final maturity date, saving on holding costs. The Company is now debt free.

In summary, as at 31 March 2021:

- Net cash of US\$71.6 million, after payment of US\$26.6 million half-year dividend, consisting of:
 - Cash and cash equivalents of US\$71.6 million.
 - No debt.
- 1,178,011,850 fully paid ordinary shares on issue.
- 71,078,976 performance rights on issue pursuant to the terms of the Base Resources Long Term Incentive Plan, comprising:
 - 266,893 vested performance rights, which remain subject to exercise⁷.
 - 70,812,083 unvested performance rights subject to performance testing in accordance with their terms of issue.

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Forward looking statements

Certain statements in or in connection with this announcement contain or comprise forward looking statements. Such statements may include, but are not limited to, statements with regard to capital cost, capacity, future production and grades, sales projections and financial performance and may be (but are not necessarily) identified by the use of phrases such as “will”, “expect”, “anticipate”, “believe” and “envisage”. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future and may be outside Base Resources’ control. 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. Subject to any continuing obligations under applicable law or relevant stock exchange listing rules, Base Resources 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.

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This release has been authorised by the Board of Base Resources.

⁷ Vested performance rights have a nil cash exercise price. Unless exercised beforehand, these rights expire five years after vesting.

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.