

Quarterly Activities Report – September 2021

Key points

- Ongoing strong demand for all products supported further price increases in the quarter.
- Kwale Operations mine life extended to December 2023 following finalisation of mining lease extension.
- Bumamani PFS released concluding that higher grade subsets of the Bumamani and Kwale North Dune deposits can be economically mined, which would extend Kwale mine life to mid-2024.
- Three Tanzanian prospecting licences granted, with a fourth pending, and preparatory work for an exploration program commenced.
- Ranobe Mineral Resources and Ore Reserves estimates updated to incorporate drilling program results.
- Toliara Project scale and economics enhanced with release of DFS2.
- FY21 full-year dividend of AUD4.0 cents per share paid, totalling US\$34.8 million.

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 operates under a suite of controls and 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. On site rapid antigen COVID-19 testing is utilised and employees have been encouraged to access the Government of Kenya vaccination program. The Company continues to assist governments and communities with initiatives focused on the construction of hygiene facilities, and the donation and distribution of food and medical supplies and equipment.

KWALE OPERATIONS

Production & Sales	Sept 2020 Quarter	Dec 2020 Quarter	Mar 2021 Quarter	June 2021 Quarter	Sept 2021 Quarter
Production (tonnes)					
Ilmenite	65,863	78,500	84,178	88,735	72,866
Rutile	15,513	18,171	19,448	20,116	17,762
Zircon	6,000	6,677	7,388	7,057	6,069
Zircon low grade ¹	426	516	482	454	506
Sales (tonnes)					
Ilmenite	75,502	53,798	97,179	93,959	34,107
Rutile	11,651	12,017	26,074	24,597	13,791
Zircon	7,336	6,399	6,612	7,690	5,622
Zircon low grade ¹	505	-	502	698	617

¹ Reported as tonnes of zircon concentrate which contains low grades of zircon and rutile credits.

Mining operations continued to plan on the South Dune orebody with mined tonnage decreasing due to two mining block moves during the quarter. As expected, heavy mineral (**HM**) grade for the quarter was lower at 3.26% (last quarter: 3.65%) due to mining commencing on the lower grade fringes of the new mining blocks.

Mining & WCP Performance	Sept 2020 Quarter	Dec 2020 Quarter	Mar 2021 Quarter	June 2021 Quarter	Sept 2021 Quarter
Ore mined (tonnes)	3,938,494	4,600,172	4,695,052	4,748,860	4,409,883
HM %	3.12	3.43	3.58	3.65	3.26
VHM %	2.36	2.62	2.80	2.78	2.50
HMC produced (tonnes)	103,730	142,309	149,618	162,428	133,874

Wet concentrator plant (**WCP**) production of heavy mineral concentrate (**HMC**) was lower as a consequence of the lower mined tonnes and ore grade. HMC stocks were slightly lower at 16.5kt (last quarter: 20kt). Sand tails continued to be deposited into the mined-out Central Dune area and capped with a 2m thick co-disposed slimes/sand layer to aid water retention and subsequent rehabilitation or alternate land use. Agricultural trials on the co-disposed water retention layer are proving successful. Rehabilitation of the mined-out sections of the South Dune proceeded according to plan.

MSP Performance	Sept 2020 Quarter	Dec 2020 Quarter	Mar 2021 Quarter	June 2021 Quarter	Sept 2021 Quarter
MSP Feed (tonnes of HMC)	114,873	134,019	145,110	160,691	137,182
MSP feed rate (tph)	61	64	69	76	64
MSP recovery %					
Ilmenite	100	102	102	101	100
Rutile	102	102	100	100	104
Zircon	86	87	85	86	84

Mineral separation plant (**MSP**) feed tonnage of 137kt was lower than the prior quarter (last quarter: 161kt), being limited by HMC feed availability. Underlying MSP product recoveries were steady, with the increase in reported rutile recoveries due to a one-off stock adjustment. Production of final products was in line with plan. Production of HMC, MSP feed and final product output are expected to increase in the coming quarter as higher-grade mining areas are accessed.

Bulk loading operations at the Company's Likoni export facility continued to run smoothly, dispatching a combined 54kt of bulk ilmenite and rutile during the quarter (last quarter: 104kt). Containerised shipments of rutile and zircon through the Mombasa Port proceeded to plan.

Summary of unit costs & Revenue per tonne (US\$)	Sept 2020 Quarter	Dec 2020 Quarter	Mar 2021 Quarter	June 2021 Quarter	Sept 2021 Quarter
Unit operating costs per tonne produced	\$189	\$161	\$142	\$148	\$174
Unit cost of goods sold per tonne sold	\$192	\$207	\$169	\$202	\$264
Unit revenue per tonne of product sold	\$413	\$464	\$478	\$497	\$668
Revenue: Cost of goods sold ratio	2.1	2.2	2.8	2.5	2.5

Total cash operating costs of US\$16.9 million were steady compared to the prior quarter (last quarter at US\$17.2 million), however lower production results in higher unit operating costs of US\$174 per tonne produced (rutile, ilmenite, zircon and low-grade zircon) (last quarter: US\$148 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 rutile, is sold in bulk, with typical shipment sizes of 50kt for ilmenite and 10kt for rutile, which means any given quarter will usually contain either one or two bulk ilmenite and rutile 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\$264 per tonne sold (operating costs, adjusted for stockpile movements, and royalties) increased due to the sales mix (last quarter: US\$202 per tonne). Average unit revenue increased to US\$668 per tonne (prior quarter: US\$497 per tonne) due to sales mix and increased prices for all products. Due to the above factors and the timing of sales, the revenue to cost of goods sold ratio for the quarter remained steady at 2.5 (last quarter: 2.5).

FY22 PRODUCTION GUIDANCE

Kwale Operations production guidance for the 2022 financial year (**FY22**) remains at:

- Rutile - 73,000 to 83,000 tonnes.
- Ilmenite - 310,000 to 340,000 tonnes.
- Zircon - 24,000 to 28,000 tonnes.

This guidance is based on the following assumptions:

- Mining of 17.4Mt at an average HM grade of 3.53%.
- Average MSP feed rate of 68tph.
- Average MSP product recoveries of 101% for rutile, 101.5% for ilmenite and 84.5% for zircon.

The possibility of a halt to, or curtailment of, operations at some point in the future remains if a severe COVID-19 outbreak occurs on site or if government health directives change.

MARKETING

Despite the usual seasonal dip in the Chinese pigment market at the start of the northern hemisphere summer, which has since recovered, overall global pigment demand remained very strong through the quarter leading to ongoing robust demand for titanium feedstocks. As a result, pigment prices maintained upward momentum with further price increases expected in coming months.

Demand for ilmenite as a feedstock for Chinese pigment producers was again very strong in the quarter, enabling further ilmenite price gains. Increased ilmenite supply from some African sources, Vietnamese exports and Chinese domestic production through 2021 is not yet sufficient to meet demand and ilmenite prices are expected to continue their upward trend through the December quarter. However, escalating bulk freight costs to China are partially eroding these price gains.

Demand for high grade feedstocks (which includes rutile) increased significantly through the quarter as western pigment producers sought to maximise output rates and the welding consumable and titanium metal sectors continued to strengthen. The tight market for high grade feedstocks is being exacerbated by supply constraints and uncertainties at major high grade feedstock producers. Rutile prices increased through the quarter and are expected to accelerate further through the coming quarters.

Zircon demand continues to be very strong due to recoveries in all end use sectors and regions, which, when combined with limited supply and minimal inventories, has resulted in a tightening zircon market and significant upward price pressure. Zircon prices for the Company's September quarter contracts increased by approximately US\$150/t from the June quarter and prices agreed for the Company's December quarter contracts have increased by an additional US\$600/t.

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 Company 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 25.9 million hours lost time injury (**LTI**) free, with the last LTI recorded in early 2014.

Two medical treatment finger injuries were recorded during the quarter. As a result, Base Resources' total recordable injury frequency rate (TRIFR) is 0.50 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.

Agricultural livelihood programs in Kwale continued through the PAVI farmer's cooperative although, with rains being significantly below average throughout most of the year, alternative drought resistant crop variants have been planted. Poultry and beekeeping continue to expand and provide farmers and community groups with substantial incomes.

Implementation of the Community Development Agreements (CDAs) with the Msambweni, Lunga and Likoni communities progressed well. Representing their respective communities, each committee undertook further training and capacity building to ensure more efficient delivery of community development projects set out in each CDA.

Rehabilitation activities on the mined-out sections of the South Dune continued in the quarter with community groups supplying indigenous legumes, grass seed and manure.

The heads of several government ministries and lead agencies visited Kwale Operations in the quarter to see the success of ongoing rehabilitation activities and the agricultural potential of rehabilitated land on the South Dune. This information sharing is key to creating awareness and understanding among stakeholders of the various options being considered for post-mining land use. Crops harvested from trial plots on the South Dune continue to be distributed to local schools and children's homes.

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, who recently completed their two-year training programs in Kenya at Kwale Operations, returned to Madagascar following their certification through the Kenyan training authority and completion of further work experience at Kwale Operations.

Base Resources partnered with local governments and community health groups in the Toliara region to provide additional support to vulnerable communities affected by COVID-19, including programs to address food insecurity and hygiene.

BUSINESS DEVELOPMENT

Toliara Project development - Madagascar

In November 2019, the Government of Madagascar required the Company to suspend on-the-ground activity on the Toliara Project while discussions on fiscal terms applying to the project were progressed. Activity remains suspended as Base Resources continues to engage with 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.

In September, updated Ranobe Mineral Resources and Ore Reserves estimates were released, incorporating available assay results from the 2018/19 drill program. This resulted in the Ranobe Mineral Resources almost doubling to 2,580Mt (597Mt Measured, 793Mt Indicated, 1,190Mt Inferred) at an average HM grade of 4.3% and Ore Reserves contained heavy mineral tonnes increasing by 45% to 55Mt (30Mt Proved, 25Mt Probable) at 6.1% HM grade².

The substantially increased Ranobe Ore Reserves estimate, combined with the attractive long-term supply-demand outlook for mineral sands, provided the opportunity for Base Resources to complete an enhanced Definitive Feasibility Study (DFS2) for the Toliara Project incorporating an increase in scale, the outcomes of which were released in September 2021. DFS2, compared to the 2019 DFS, has

² For further information, refer to Base Resources' announcement on 27 September 2021 "Updated Ranobe Mineral Resources and Ore Reserves estimates". Base Resources confirms that it is not aware of any new information or data that materially affects the information in this announcement and that all material assumptions and technical parameters underpinning the estimates in that announcement continue to apply and have not materially changed.

delivered a substantial improvement in the forecast financial returns for the Toliara Project, including a post-tax/pre-debt (real) NPV₁₀ of US\$1.0 billion and an average revenue to cost of sales ratio of 3.5, over an initial 38-year mine life.³

The DFS2 schedule assumes construction will commence at the start of 2023, at a capital cost of US\$520 million, which would see production starting in early 2025. However, timing of the Final Investment Decision (FID) to proceed with the construction of the Toliara Project remains subject to lifting of the suspension of on-the-ground activities and agreeing acceptable fiscal terms with the Government of Madagascar. Once these two key milestones are achieved, there will be approximately 11 months' work to complete prior to reaching FID, including finalising funding, completing the land acquisition process, concluding major construction contracts and entering into offtake agreements with customers. Resumption of reasonable international travel will also be required to complete a significant portion of this pre-FID work and the Company maintains readiness to accelerate progress when conditions support.

Total expenditure on the Toliara Project for the quarter was US\$2.1 million (last quarter: US\$3.1 million).

Kwale mine life extension

Significant progress was made in the quarter to extend mine life at Kwale Operations.

In anticipation of completing tenure arrangements to extend the boundary of Kwale's Special Mining Lease 23 (SML 23), the Kwale South Dune Ore Reserves estimate was updated to incorporate previously defined Mineral Resources falling outside of SML 23, resulting in Ore Reserves of 40Mt (30Mt Proved, 11Mt Probable) at an average grade of 3.3% for 1.3Mt of contained HM as at 30 June 2021⁴. The Company subsequently finalised a Deed of Variation with the Government of Kenya to extend the boundary of SML 23 to incorporate these additional South Dune Ore Reserves, taking mine life to December 2023.

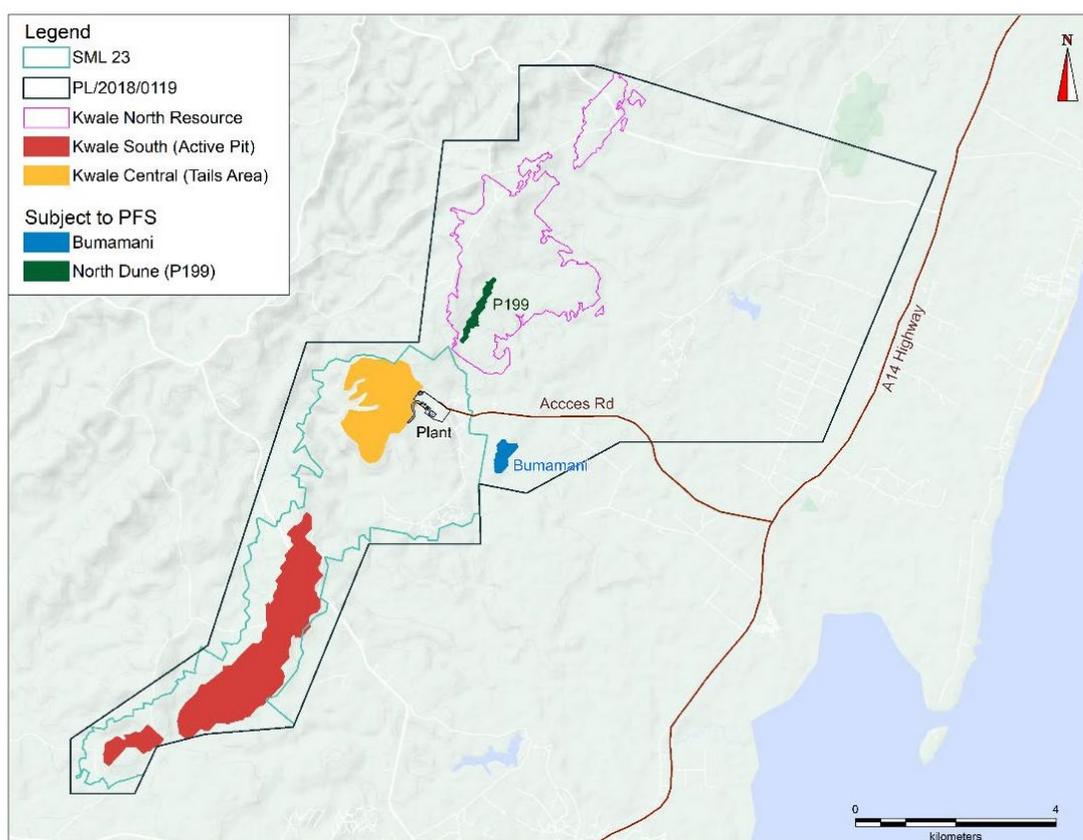


Image: Extended boundary of the Kwale SML 23 and Bumamani and North Dune (P199) subsets.

³ For further information, refer to Base Resources' announcement on 27 September 2021 "DFS2 enhances scale and economics of the Toliara Project". Base Resources confirms that all the material assumptions underpinning the production information and forecast financial information in this announcement continue to apply and have not materially changed.

⁴ For further information, refer to Base Resources' announcement on 20 August 2021 "Updated Kwale South Dune Mineral Resources and Ore Reserves estimates". Base Resources confirms that it is not aware of any new information or data that materially affects the information in this announcement and that all material assumptions and technical parameters underpinning the estimates in that announcement continue to apply and have not materially changed.

In addition, Base Resources completed the Bumamani pre-feasibility study (PFS) which concluded that it was economically viable to mine higher-grade subsets of the Bumamani and Kwale North Dune (P199) deposits, which would extend mine life at Kwale Operations by a further 7.5 months to July 2024.⁵ A DFS is now underway to improve the accuracy of project estimates and is expected to be completed in the first half of 2022.

Extensional exploration – Kenya & Tanzania

No further work was conducted on Vanga Prospecting License (PL/2015/0042) in the quarter and 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 in the Kuranze region of Kwale county, about 70 km west of Kwale Operations (applications 2019 0260, 2510 and 2512), together with an area south of Lamu (applications 2019 0263, 0265, 0266), remain in progress towards granting. An additional prospecting licence application has been lodged for the area surrounded by the Kuranze applications in Kenya, however application numbers and boundaries have not yet been issued. A Government of Kenya moratorium on the issuance of prospecting licences in November 2019 has affected the progress of all licence applications. The Company continues to work with the Government, and other mining sector stakeholders, to see the moratorium lifted and recommencement of the issuance of mineral rights.

During the quarter, the Company received three prospecting licences in Tanzania for areas adjacent to the Kuranze region in Kenya with a fourth licence pending. Training of a Tanzanian exploration field team is underway ahead of an auger drilling program planned to commence in the December quarter.

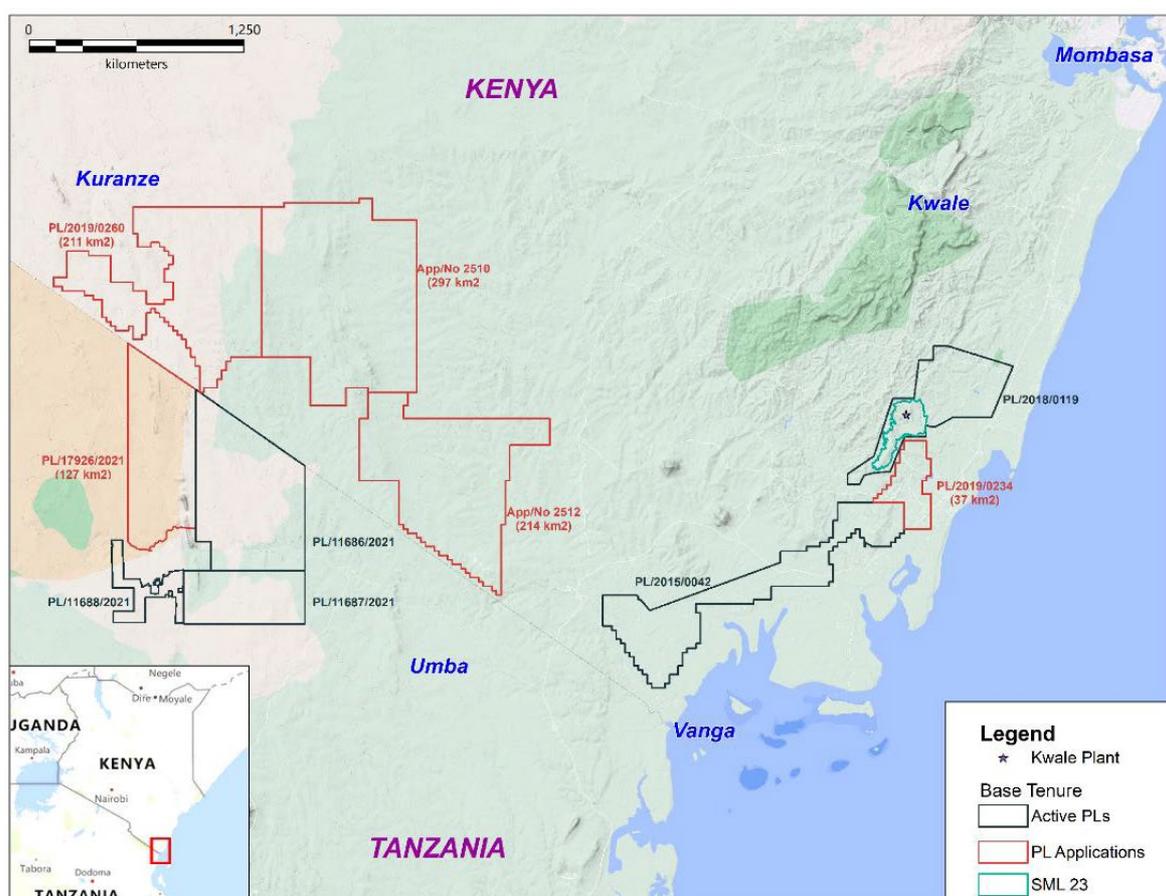


Image: Kenyan and Tanzanian prospecting licence applications.

⁵ For further information, refer to Base Resources’ announcements on 3 September 2021 “Bumamani PFS supports extension of Kwale mine life” and “Further supporting information for Bumamani PFS”. Base Resources confirms that all the material assumptions underpinning the production information and forecast financial information in these announcements continue to apply and have not materially changed.

Expenditure on exploration activities in Kenya during the quarter was US\$0.3 million (last quarter: US\$0.1 million) and in Tanzania was US\$0.1 million (last quarter: zero).

CORPORATE

FY21 full-year dividend payment

Following release of the Company's FY21 annual financial results, the disciplined application of the Company's capital management policy saw a full-year dividend of AUD 4.0 cents per share (unfranked) paid to shareholders on 29 September 2021, representing a cash payment of US\$34.8 million (in aggregate). This takes total dividends in respect of FY21 to US\$61.4 million, representing AUD 7.0 cents per share (unfranked).

Kenyan VAT receivable and Kwale royalty rate

During the period Base Titanium Limited, Base Resources' wholly owned Kenyan Subsidiary, and the Government of Kenya signed Deeds of Variation for the Kwale SML 23 that amended the mining lease boundary and increased the rate of royalties payable⁶ to the Government of Kenya, such that:

- For the period from the date of first export of minerals to 30 June 2018, the royalty is increased to 3%.
- For the period from 1 July 2018 to the end of SML 23, the royalty is increased to 5%.

Prior to being varied, the applicable royalty rate under SML 23 was 2.5% and it is on this basis that royalties have been paid. However, from first export of minerals, royalty costs have been provided for, and expensed, by the Company at an assumed royalty rate of 5%, based on an expected outcome from the long running discussions with the Government of Kenya. In consideration for entry into the Deeds of Variation, in particular agreement to a royalty for the period to 30 June 2018 at a rate lower than had been accrued, Base Titanium withdrew its claim for refund of VAT receivables related to the construction of Kwale Operations.

On the basis of values at 30 June 2021, the net effect of the above is:

- Payment by Base Titanium of US\$18.6 million for the agreed increases in royalty rates, consisting of the 0.5% increase for the period to 30 June 2018 and the 2.5% increase for the period from 1 July 2018. The related accruals will be extinguished.
- A net US\$3.2 million expense will be recorded in the Company's financial statements, consisting of the write back of the excess 2% royalty accrual for the period to 30 June 2018, totalling US\$12.8 million, and the write-off of the construction period VAT receivable of US\$16.0 million.

The above additional royalty payments are due in the December quarter.

Base Resources continues to have refund claims for VAT paid in Kenya relating to the period since operations commenced, which totalled approximately US\$4.5 million at 30 September 2021. No VAT refunds were received during the quarter (last quarter: nil).

In summary, as at 30 September 2021:

- Net cash of US\$36.7 million consisting of:
 - Cash and cash equivalents of US\$36.7 million.
 - No debt.

As at 18 October 2021:

- 1,178,011,850 fully paid ordinary shares on issue.
- 62,435,197 performance rights on issue pursuant to the terms of the Base Resources Long Term Incentive Plan, comprising:
 - 13,835,392 vested performance rights, which remain subject to exercise⁷.
 - 48,599,805 unvested performance rights subject to performance testing in accordance with their terms of issue.

⁶ For further information, refer to Base Resources' announcement on 30 September 2021 "Kwale mining lease extension secured and royalty discussions finalised".

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

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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 future production and grades, capital cost, capacity, 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.

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