

## Quarterly Activities Report – March 2022

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.

### KEY POINTS

- Kwale Operations maintained production consistency through the quarter, in line with FY22 guidance.
- Ongoing strong demand supported further price increases for all products in the quarter, delivering a record revenue to cost of sales ratio of 3.3:1 for the quarter.
- Bumamani DFS on track for completion in the June quarter.
- Fourth Tanzanian prospecting licence granted, and 15m auger rig acquired.
- Discussions with the Government of Madagascar on Toliara Project fiscal terms continued.
- FY22 half-year dividend of AUD 3.0 cents per share paid, totalling US\$26.1m.

### KWALE OPERATIONS

#### Operational performance

Mining operations continued on the South Dune orebody with mined tonnage lower than the previous quarter due to a planned 4 day mine move and a 5-day outage caused by the failure of one of two penstocks used to recover surface water from the tailings storage facility (TSF). Mining was halted during the outage to stop further fine tails from the wet concentrator plant (WCP) being deposited into the TSF as the necessary remediation actions were implemented. Mining returned to normal throughputs following the outage. The heavy mineral (HM) grade of ore mined in the quarter was slightly higher at 3.84% (last quarter: 3.82%).

WCP production of heavy mineral concentrate (HMC) was lower at 133kt (last quarter: 153kt) due to the lower mined volume. HMC stocks decreased to 10kt (last quarter: 23kt) as a consequence of the lower HMC production. Sand tails continued to be deposited into the mined-out Central Dune area and capped with a 2 metre thick co-disposed slimes/sand layer to aid water retention and subsequent rehabilitation and alternate land use. Rehabilitation of the Central Dune slopes and plateau continued to plan and post mining land use agricultural trials continued. Rehabilitation of the mined-out sections of the South Dune proceeded as scheduled, though low rainfall impeded growth.

SUMMARY BY QUARTER	FY2021		FY2022		
	MAR	JUN	SEP	DEC	MAR

#### Mining (million tonnes)

Ore mined	4.7	4.7	4.4	4.3	<b>3.9</b>
HM %	3.58	3.65	3.26	3.82	<b>3.84</b>
VHM %	2.80	2.78	2.50	2.94	<b>2.92</b>

#### Production (thousand tonnes)

Ilmenite	84.2	88.7	72.9	84.0	<b>84.5</b>
Rutile	19.5	20.1	17.8	18.4	<b>18.9</b>
Zircon	7.4	7.1	6.1	6.4	<b>6.3</b>

SUMMARY BY QUARTER	FY2021		FY2022		
	MAR	JUN	SEP	DEC	MAR

#### US\$ per tonne

Sales revenue	\$478	\$497	\$668	\$459	<b>\$740</b>
Operating costs	\$142	\$148	\$174	\$161	<b>\$149</b>
Cost of goods sold	\$169	\$202	\$264	\$156	<b>\$227</b>
Revenue: Cost ratio	2.8	2.5	2.5	2.9	<b>3.3</b>

#### Sales (thousand tonnes)

Ilmenite	97.2	94.0	34.1	130.0	<b>75.5</b>
Rutile	26.1	24.6	13.8	11.6	<b>25.3</b>
Zircon	6.6	7.7	5.6	6.2	<b>6.9</b>

Mineral separation plant (**MSP**) feed tonnage of 146kt was consistent with the previous quarter, resulting in steady production of all products. Bulk loading operations at Kwale Operations' Likoni export facility continued to run smoothly, dispatching a combined 95kt of bulk ilmenite and rutile during the quarter (last quarter: 138kt). Containerised shipments of rutile and zircon through the Mombasa Port also proceeded to plan.

Total cash operating costs of US\$16.9 million decreased compared to the prior quarter (last quarter at US\$18.1 million) due to the reduced mining volume and associated WCP throughput, and lower power prices. With consistent final production, the decrease in operating costs resulted in lower unit operating costs of US\$149 per tonne produced (rutile, ilmenite, zircon, low-grade zircon and low-grade rutile) (last quarter: US\$161 per tonne).

Cost of goods sold increased to US\$227 per tonne sold (operating costs, adjusted for stockpile movements, and royalties) due to the sales mix (last quarter: US\$156 per tonne), as did average unit revenue of US\$740 per tonne (prior quarter: US\$459 per tonne). Due to these factors, the revenue to cost of goods sold ratio for the quarter increased to 3.3 (last quarter: 2.9).

At the end of the quarter, 100% of Kwale Operations employees had received at least one dose of COVID-19 vaccine, with 89% being double vaccinated. Booster shots commenced early in 2022.

### **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.<sup>1</sup>

### **MARKETING**

The Chinese TiO<sub>2</sub> pigment industry (the main global market for ilmenite) and all zircon end-use sectors in China experienced rapid demand growth following the Chinese New Year holiday period which added to ongoing strong demand for the Company's products in all other markets through the quarter. While some demand-side concerns are emerging from China's COVID-19 management policies, as well as global inflationary pressures, the Company's markets remain firm and further price gains have been achieved for all products early in the June quarter. The Ukraine conflict is expected to significantly disrupt supply of Ukrainian mineral sands into the global market for the foreseeable future – further tightening the market for all products.

Demand for imported ilmenite as a feedstock for Chinese TiO<sub>2</sub> pigment producers, particularly from the Company's customers, again exceeded supply resulting in significant price gains. Despite this very high price environment, ilmenite supply from traditional swing sources has not been able to keep pace with demand and markets remain very tight. Volatility in bulk freight rates is expected to continue, which may impact the net FOB pricing of ilmenite sales to China.

Demand for high grade TiO<sub>2</sub> feedstocks (which includes rutile) increased through the quarter as western TiO<sub>2</sub> pigment producers maximise their output volumes and the welding consumable and titanium metal sectors continue to strengthen. Supply of high-grade feedstock remains constrained with no new major sources of supply likely to impact the market in the coming quarters. Major western pigment producers have reported that a lack of titanium feedstock is limiting their production rates and inhibiting their ability to meet demand from their end customers. Rutile prices increased significantly through the quarter and further price increases have been secured for the June quarter.

Zircon demand remains firm across all end-use sectors and regions while limited supply, and minimal inventories, are maintaining tight market conditions and upward price pressure. Following a substantial increase in December quarter prices, the March quarter saw a marginal increase in the Company's achieved zircon price. An average increase of approximately US\$285/t has been agreed with customers for June quarter contracts.

---

<sup>1</sup> Refer to Base Resources' announcement on 19 October 2021 "Quarterly Activities Report – September 2021" for the assumptions upon which the FY22 production guidance is based.

## SUSTAINABILITY

### Safety

The Company suffered its first lost time injury since 2014 during the quarter at Kwale Operations, resulting from a pinched finger injury to a contractor's employee, precipitating a lost time injury frequency rate (**LTIFR**) for Base Resources of 0.25 per million hours worked. Compared to the Western Australian All Mines 2020/2021 LTIFR of 2.0, this remains an exceptional performance reflective of the ongoing focus and importance placed on safety by management. Base Resources group employees and contractors have now worked 29.2 million hours with only two lost time injuries since production commenced at Kwale Operations in late 2013.

With three medical treatment injuries recorded in the last 12 months, Base Resources' total recordable injury frequency rate is 0.99 per million hours worked.

### Community and environment – Kwale Operations

The Company has continued to assist the Kwale community through the COVID-19 pandemic, including by collaborating with county and national health authorities to encourage the uptake of vaccines.

Agricultural livelihood programs in Kwale continued through the PAVI farmers' cooperative, with over 230 acres of land identified for planting ahead of seasonal rains. Poultry and beekeeping programs also continue to be popular with farmers and community groups as they provide substantial incomes. The application process for secondary school scholarships commenced at the end of the quarter with over 300 bursaries available.

Implementation of identified projects by the Msambweni, Lunga Lunga and Likoni Community Development Agreement Committees continued with considerable progress made on several infrastructure projects.

Rehabilitation activities on the mined-out sections of the South Dune were ongoing with community groups supplying indigenous legumes, grass seed and manure. On the Central Dune, preparation of 14 hectares set aside for additional post-mining agricultural trials continued. A pre-feasibility study was commenced to progress the Company's post-mining land use concepts.

### Community and environment – Toliara Project

All community training programs, and social infrastructure construction, remained on hold.

## BUSINESS DEVELOPMENT

### Toliara Project development – Madagascar

On-the-ground activities on the Toliara Project remain suspended by the Government of Madagascar. 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 lifting of the suspension.

In September 2021, the Company completed an enhanced Definitive Feasibility Study (**DFS2**) for the Toliara Project to incorporate an update to the estimated Ranobe Ore Reserves and an increase in project scale.<sup>2</sup> The outcomes of DFS2, compared to the earlier 2019 DFS, included substantially improved forecast financial returns for the Toliara Project, including a post-tax/pre-debt (real) NPV<sub>10</sub> of US\$1.0 billion and an average revenue to cost of sales ratio of 3.5, over an initial 38-year mine life<sup>3</sup>. Timing of the Final Investment Decision (**FID**) to proceed with 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 finalisation of funding, completion of land acquisition, conclusion of major construction contracts and entering into offtake agreements with customers. The Company maintains readiness to accelerate progress when conditions support.

---

<sup>2</sup> For further information, refer to Base Resources' announcement on 27 September 2021 "DFS2 enhances scale and economics of the Toliara Project" (**DFS2 Announcement**).

<sup>3</sup> Refer to the DFS2 Announcement for the material assumptions and underlying methodologies for deriving these financial outcomes. The DFS2 Announcement also discloses key pre and post FID risks in respect of the Toliara Project. Base Resources confirms that all the material assumptions underpinning the production information and forecast financial information in the DFS2 Announcement continue to apply and have not materially changed.

During the quarter, Base Resources commenced a concept study to assess the commercial potential of the monazite identified in the Ranobe Mineral Resources estimate.

Total expenditure on the Toliara Project for the quarter was US\$1.0 million (last quarter: US\$1.2 million).

#### **Kwale mine life extension**

The Company is finalising a DFS on the Bumamani and higher-grade subsets of the Kwale North Dune deposits, to seek to extend Kwale Operations' mine life to late 2024. The DFS is on schedule for completion in the June quarter.

#### **Extensional exploration – Kenya and Tanzania**

No further work was conducted on the Vanga Prospecting Licence (PL/2015/0042) in the quarter and completion of the remaining drill program (4,200 metres) in the North-East Sector (Kwale East) of PL 2018/0119 remains on hold pending land access being secured. Renewed efforts to engage the community to secure access are progressing, involving, among other things, community education programs on exploration and land rights.

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 process 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 to enable the recommencement of the issuance of mineral rights.

The Company continued on-ground exploration in Tanzania with shallow auger drilling, test pits and rock chip sampling to identify drilling targets. During the quarter, an additional Tanzanian prospecting licence was granted, and sampling work commenced in this area. Subject to the outcomes of assays, deeper drilling will be progressed utilising a recently acquired 15m auger rig.

Expenditure on exploration activities in Kenya during the quarter was US\$0.1 million (last quarter: US\$0.2 million) and in Tanzania was US\$0.1 million (last quarter: US\$0.2 million).

### **CORPORATE**

#### **FY22 half-year dividend payment**

Following release of the Company's FY22 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 2022, representing a cash payment of US\$26.1 million in aggregate. This takes total dividends distributed to shareholders since October 2020 to US\$117.3 million, representing AUD 13.5 cents per share (unfranked).

As at 31 March 2022, the Company had net cash of US\$41.5 million consisting of:

- cash and cash equivalents of US\$41.5 million; and
- no debt.

As at 31 March 2022, the Company had the following securities on issue:

- 1,178,011,850 fully paid ordinary shares.
- 62,556,558 performance rights pursuant to the terms of the Base Resources Long Term Incentive Plan, comprising:
  - 949,004 vested performance rights, which remain subject to exercise<sup>4</sup>; and
  - 61,607,554 unvested performance rights subject to performance testing in accordance with their terms of issue.

----- ENDS -----

---

<sup>4</sup> Vested performance rights have a nil cash exercise price. Unless exercised beforehand, these rights expire five years after vesting.

## 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.

## For further information contact:

### James Fuller, Manager Communications and Investor Relations

Base Resources

Tel: +61 (0) 8 9413 7426

Mobile: +61 (0) 488 093 763

Email: [jfuller@baseresources.com.au](mailto:jfuller@baseresources.com.au)

### UK Media Relations

Tavistock Communication

Jos Simson and Gareth Tredway

Tel: +44 (0) 207 920 3150

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](http://www.baseresources.com.au)