

Quarterly Activities Report – June 2022

African mineral sands producer, **Base Resources Limited** (ASX & AIM: BSE) (**Base Resources** or the **Company**) is pleased to provide an operational, development and corporate update for the quarter ended 30 June 2022.

KEY POINTS

- FY22 production guidance achieved and FY23 production guidance released.
- Ongoing strong demand supported price increases for rutile and zircon while ilmenite prices remained steady.
- Record sales revenue of US\$91.3 million supported a record revenue to cost of sales ratio of 3.5:1.
- Bumamani Project investment approved - extending Kwale Operations mine life to December 2024.
- Tanzanian exploration samples assayed, with a follow-up aircore drilling program planned for the September quarter.
- Discussions with the Government of Madagascar on Toliara Project fiscal terms continued.
- Toliara Project monazite and rare earth products concept study underway and due for completion in the December quarter.

KWALE OPERATIONS

Operational performance

Mining operations continued on the South Dune orebody with mined tonnage lower than planned due to the previously announced eight-day outage caused by localised flash flooding in early June. Mining subsequently returned to normal levels following successful recovery efforts. The heavy mineral (**HM**) grade of ore mined in the quarter was higher at 4.06% (last quarter: 3.84%).

Production was consistent with the prior quarter across all products, with the higher ore grade offsetting the lower mined volume. The heavy mineral concentrate stockpile was maintained at 10kt, following some depletion during the prior quarter. Bulk loading operations at Kwale Operations' Likoni export facility continued to run smoothly, dispatching a combined 116kt of bulk ilmenite and rutile during the quarter (last quarter: 95kt). Containerised shipments of rutile and zircon through the Mombasa Port also proceeded to plan.

SUMMARY BY QUARTER	FY21	FY22			
	JUN	SEP	DEC	MAR	JUN
Mining (million tonnes)					
Ore mined	4.7	4.4	4.3	3.9	3.9
HM %	3.65	3.26	3.82	3.84	4.06
VHM %	2.78	2.50	2.94	2.92	3.12
Production (thousand tonnes)					
Ilmenite	88.7	72.9	84.0	84.5	83.8
Rutile	20.1	17.8	18.4	18.9	19.2
Zircon	7.1	6.1	6.4	6.3	6.8
Low grade products ¹	0.4	0.5	3.5	4.4	4.9

SUMMARY BY QUARTER	FY21	FY22			
	JUN	SEP	DEC	MAR	JUN
US\$ per tonne					
Sales revenue	\$497	\$668	\$459	\$740	\$691
Operating costs	\$148	\$174	\$161	\$149	\$152
Cost of goods sold	\$202	\$264	\$156	\$227	\$196
Revenue: Cost ratio	2.5	2.5	2.9	3.3	3.5
Sales (thousand tonnes)					
Ilmenite	94.0	34.1	130.0	75.5	95.7
Rutile	24.6	13.8	11.6	25.3	24.7
Zircon	7.7	5.6	6.2	6.9	7.1
Low grade products ¹	0.7	0.6	1.5	4.8	4.7

¹ Low grade products are a combination of low grade zircon and low grade rutile which are sold separately at a discount to standard grade products.

Sand tails continued to be deposited into the mined-out Central Dune area and capped with a co-disposed slimes/sand layer to aid water retention and subsequent rehabilitation. Rehabilitation activities on both the Central Dune and the South Dune were put on hold during the rainy season through May and June, in line with normal practice.

Total cash operating costs of US\$17.4 million increased compared to the prior quarter (last quarter at US\$16.9 million) primarily due to higher unit fuel costs for mining and processing activities. With consistent final production, unit operating costs remained steady at US\$152 per tonne produced (rutile, ilmenite, zircon, low grade zircon and low grade rutile) (last quarter: US\$149 per tonne).

Cost of goods sold decreased to US\$196 per tonne sold (operating costs, adjusted for stockpile movements, and royalties) due to the sales mix (last quarter: US\$227 per tonne), as did average unit revenue, which was US\$691 per tonne (prior quarter: US\$740 per tonne). Due to these factors, the revenue to cost of goods sold ratio for the quarter increased to 3.5 (last quarter: 3.3), the highest ratio achieved for any quarter at Kwale Operations.

FY22 production and FY23 production guidance

As set out in the table below, total Kwale Operations production for the 2022 financial year (FY22) was within the Company's previously disclosed guidance range. Also set out below is the Company's production guidance for the 2023 financial year (FY23), which is unchanged from that previously announced.

Production Guidance (tonnes)	FY22 Guidance Range	FY22 Actual	FY23 Guidance Range
Rutile	73,000 to 83,000	74,349	62,000 to 73,000
Ilmenite	310,000 to 340,000	325,148	260,000 to 310,000
Zircon	24,000 to 28,000	25,557	22,000 to 27,000

The FY23 production guidance is lower than for FY22 as a consequence of the planned commencement of mining in the lower HM grade Kwale North Dune orebody from March 2023 and normal uncertainties associated with mining a new orebody. The FY23 production guidance is subject to the following assumptions:

- Land access arrangements being finalised in time to enable mining at the Kwale North Dune to commence in March 2023.
- Mining of 16.5 million tonnes (Mt) at an average HM grade of 3.51%.
- HMC produced by the wet concentrator plant of 571kt.
- HMC fed into the Mineral Separation Plant (MSP) of 556kt.
- MSP product recoveries of 101% for rutile, 101.5% for ilmenite and 84.5% for zircon.

MARKETING

Despite growing economic uncertainties across several regions during the quarter, markets for all products remained strong with further price gains achieved for zircon and rutile while net ilmenite prices were steady. Some Chinese market segments are under pressure due to the country's COVID-19 management policies, which will likely result in a stabilisation of delivered product pricing for sales to China in the September quarter. The Ukraine conflict continues to disrupt supply, further tightening the global market for all mineral sands products.

Firm demand for imported ilmenite as a feedstock for Chinese TiO₂ pigment producers is being maintained. Prices for delivered ilmenite to China increased but higher freight costs resulted in net pricing being in line with the prior quarter. Despite the ongoing higher price environment, ilmenite supply from traditional swing sources still lags demand and markets remain tight. Downstream domestic demand for Chinese pigment has eased but this has been largely offset by export demand strength. It is expected that the uncertain global and Chinese economic outlook will result in a stabilisation of delivered pricing for ilmenite in the short term.

Demand for high grade TiO₂ feedstocks (which includes rutile) increased further with all rutile end-user sectors continuing to seek more supply than is available as they aim to maximise output. Western pigment producers remain short on feedstock and are unable to meet customer demand. Similarly, titanium metal sponge producers outside of Russia are struggling to keep up with the strong demand from

the aerospace industry as orders for new aircraft increase and supply sanctions on Russia remove a major source of titanium metal supply from the market. Flux-cored wire welding consumable producers are being challenged by strong demand growth from ship-building activity. Supply of high-grade feedstock remains constrained with no new major sources of supply likely to impact the market in the short term. Rutile prices increased again through the quarter with further price gains likely in the September quarter.

Zircon prices increased significantly during the quarter on the back of strong demand across all end-use sectors and regions. While zircon demand continues to outpace supply in Europe, the Chinese market has become more uncertain on the back of a slowing ceramics sector. The Company's average zircon prices, which remain at the top end of the market range, are likely to ease slightly in the September quarter in response to market concerns from Chinese customers.

SUSTAINABILITY

Health and safety

There were no lost time injuries during the quarter resulting in a lost time injury frequency rate (**LTIFR**) for Base Resources of 0.24 per million hours worked. Compared to the Western Australian All Mines 2020/2021 LTIFR of 2.0, this remains an exceptional performance and reflects the ongoing focus and importance placed on safety by management. With three medical treatment injuries recorded in the last 12 months, Base Resources' total recordable injury frequency rate is 0.97 per million hours worked.

At the end of the quarter, 100% of Kwale Operations employees had received one dose of COVID-19 vaccine, with 89% double vaccinated.

Community and environment – Kwale Operations

With the emergence of a new wave of COVID-19 infections in Kenya, the Company further collaborated with county and national health authorities to encourage the community uptake of vaccines.

Agricultural livelihood programs in Kwale continued through the PAVI farmers' cooperative with planting of cotton, soybean, sunflower, pearl millet, groundnuts and sorghum. Poultry and beekeeping programs also remained popular with farmers and community groups. Disbursement of funds for secondary school scholarships was completed during the quarter with 320 new beneficiaries selected.

Implementation of identified projects by the Msambweni, Lunga Lunga and Likoni Community Development Agreement Committees (**CDACs**) continued with considerable progress made on several infrastructure projects. As the CDACs have now been in place for over a year, a review of their respective activities commenced, the outcomes of which will guide enhancements in future implementation

Community groups continued to source and supply indigenous legumes, grass seed and manure for rehabilitation activities on the mined-out sections of the South Dune and the Central Dune. Propagation of indigenous trees in the Kwale Operations nursery to use in rehabilitation areas is ongoing, with a total of 41,000 trees planted during FY22.

Community and environment – Toliara Project

All community training programs and social infrastructure projects remain on hold following the Government of Madagascar's suspension of the Company's on-ground activities.

BUSINESS DEVELOPMENT

Toliara Project development – Madagascar

Toliara Project on-ground activities 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.² 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) NPV₁₀ of

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

US\$1.0 billion and an average revenue to cost of sales ratio of 3.5, over an initial 38-year mine life³. 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 entry of offtake agreements with customers. The Company maintains readiness to accelerate progress when conditions support.

Assessment of potential funding options for the Toliara Project also progressed during the quarter.

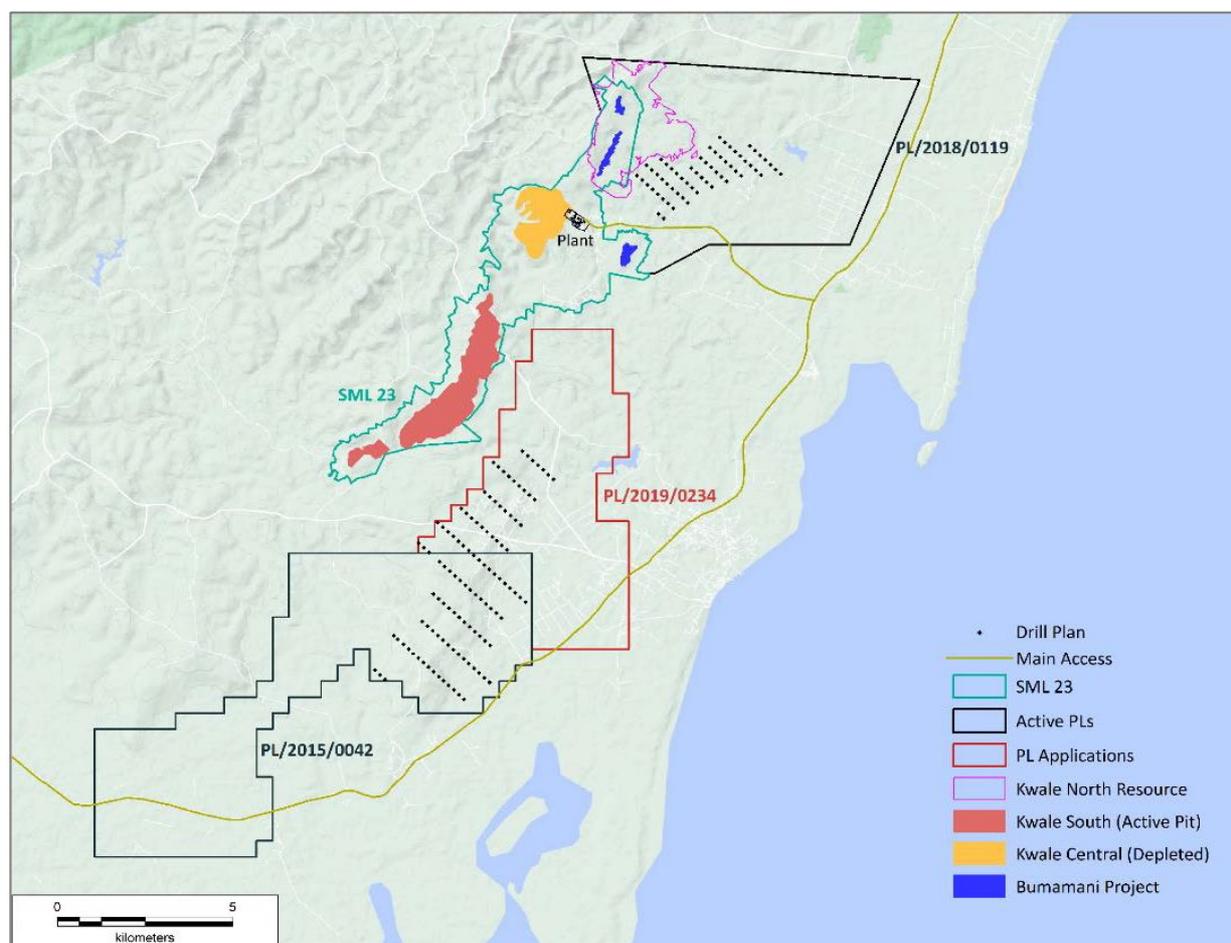
Base Resources' concept study to assess the commercial potential of the monazite identified in the Toliara Project's Ranobe Mineral Resources estimate was also progressed in the quarter with industry specialists engaged to consider options for further processing monazite into value-added rare earth products. The study is scheduled for completion in the December 2022 quarter.

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

Kwale mine life extension

The Company decided to proceed with the Bumamani Project during the quarter, extending Kwale Operations mine life by 13 months to December 2024. The Bumamani Project will be mined concurrently with the Kwale South Dune deposit to maximise mining rates and better manage tailings. Procurement and construction commenced during the quarter with mining on the North Dune scheduled for March 2023.

Figure 1: Kwale Operations layout showing current mining and Bumamani Project deposits with planned exploration drill holes.



³ 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.

Extensional exploration – Kenya and Tanzania

No further work was conducted on the Vanga Prospecting Licence (PL/2015/0042) in the quarter. 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 obtained, with renewed efforts to engage the community to secure access continuing to make encouraging progress.

Prospecting licence applications lodged for an area in the Kuranze region of Kwale county, about 70 km west of Kwale Operations, together with applications for an area south of Lamu, remain pending. A Government of Kenya moratorium on the issuance of prospecting licences, in place since November 2019, has affected the progress of all licence applications. The Company is working 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. Following analysis of samples from the shallow auger drilling, test pits and rock chip sampling, a follow-up 3,000m air-core drilling program is planned to commence during the September quarter. Subject to the successful outcome of this program, a further 10,000m infill drill program is planned.

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

CORPORATE

FY22 full year financial results

The Company is targeting release of its FY22 audited consolidated financial statements in the week commencing 22 August 2022. Timing confirmation and investor webcast details will be advised closer to the planned release.

The Company achieved record sales revenue of US\$91.3 million in the quarter, with US\$51.8 million occurring in June, leading to an increase in receivables of US\$26.2 million over the quarter.

As at 30 June 2022, the Company had net cash of US\$55.4 million consisting of:

- cash and cash equivalents of US\$55.4 million; and
- no debt.

As at 30 June 2022, the Company had the following securities on issue:

- 1,178,011,850 fully paid ordinary shares.
- 62,041,429 performance rights pursuant to the terms of the Base Resources Long Term Incentive Plan, comprising:
 - 949,004 vested performance rights, which remain subject to exercise⁴; and
 - 61,092,425 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 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

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

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