

Quarterly Activities Report – December 2023

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 31 December 2023.

KEY POINTS

Kwale Operations

- Prices for all products softened due to ongoing economic uncertainties and sluggish demand across key markets.
- As announced in October, on completion of evaluation of the two remaining near mine prospective areas, being the Kwale North Dune Mineral Resource not currently in the mine plan and Kwale East exploration area, it has been concluded that both lack sufficient grade or scale to support an extension of mining operations beyond December 2024 when the current mine plan is expected to end.

Toliara Project

- Madagascar's presidential elections in November saw Andry Rajoelina re-elected for a second term, with the incumbent Minister of Mines and Strategic Resources being re-appointed by President Rajoelina.
- Engagement with the Government on Toliara Project fiscal terms and lifting of the project's on-ground suspension has been reinitiated, with the Government indicating that finalising terms and launching the project is a priority.
- Toliara Project Monazite PFS completed, significantly enhancing the overall forecast financial returns from the Toliara Project. For modest additional estimated capital expenditure of US\$71 million, the Monazite PFS outcomes include an incremental post-tax/pre-debt (real) NPV₁₀ of US\$1.0 billion and IRR of 79%.

KWALE OPERATIONS

Operational performance

The Kwale South and North Dunes continued to be mined concurrently during the quarter, with two hydraulic mining units operating in each area. Mined tonnage of 3.9 million tonnes (**Mt**) was slightly lower (last quarter: 4.1Mt) due to mining of the remnant parts of the South Dune ore reserves and stoppages caused by heavy rains, with 340mm of rain received over four days in early November. The South Dune ore reserves were fully depleted subsequent to quarter end (in mid-January 2024), with mining operations currently being relocated to the Bumamani deposit over a planned three-week period.

Consistent with mine plan, the heavy mineral (**HM**) grade of ore mined in the quarter was lower than last quarter at 2.2% (last quarter: 2.5% HM). The grade and volume of ore mined in the quarter, together with a slight drop in concentrator recoveries, resulted in reduced heavy mineral concentrate (**HMC**) production of 67.5kt (last quarter: 84.8kt). At these lower ore grades and HMC production rates, the mineral separation plant (**MSP**) continued to be operated on a campaign basis to ensure optimum product recoveries were maintained, with extended shuts between campaigns to allow HMC stocks to rebuild. HMC fed to the MSP in the quarter was 71.4kt (last quarter: 71.6kt) as HMC stocks were drawn down.

Deposition of sand tails into the mined-out North Dune pit P199 continued, with sand tails also continuing to be deposited on the mined-out Central Dune area. To aid water retention and subsequent rehabilitation, the sand tails are capped with a 4m to 6m co-disposed slimes/sand layer. Rehabilitation activities on the Central Dune, South Dune and North Dune proceeded to plan with the rehabilitation activities for the entire South Dune mining area expected to be largely complete by June 2024.

SUMMARY BY QUARTER	FY23			FY24	
	DEC	MAR	JUN	SEP	DEC
Mining (million tonnes)					
Ore mined	4.5	3.3	4.1	4.1	3.9
HM %	4.0	3.9	3.0	2.5	2.2
VHM %	3.1	3.1	2.3	1.9	1.7
Production (thousand tonnes)					
Ilmenite	84.5	71.6	55.5	38.8	38.9
Rutile	19.5	16.6	13.8	9.6	9.3
Zircon	7.4	6.4	5.5	3.8	3.8
Low grade products ¹	5.2	4.1	3.4	2.0	2.2

	FY23			FY24	
	DEC	MAR	JUN	SEP	DEC
US\$ per tonne					
Sales revenue	\$651	\$637	\$695	\$1,029	\$589
Operating costs	\$165	\$190	\$240	\$343	\$304
Cost of goods sold	\$191	\$195	\$263	\$442	\$306
Revenue: Cost ratio	3.4	3.3	2.6	2.3	1.9
Sales (thousand tonnes)					
Ilmenite	74.1	86.2	74.6	11.1	63.7
Rutile	14.7	15.2	19.6	5.5	15.0
Zircon	5.0	7.4	6.6	3.9	3.3
Low grade products ¹	4.7	5.3	3.2	2.0	2.6

Bulk shipping operations at the Company's Likoni export facility continued to run smoothly with a combined 73.6kt of bulk ilmenite and rutile dispatched (last quarter: 11.0kt). Containerised shipments of rutile and zircon were exported through the Mombasa Port. Despite lower production levels for the remainder of Kwale Operations' mine life, the Company plans to continue bulk shipments of ilmenite (up to 54kt lots) and rutile (between 5-10kt lots), which will result in greater volatility in quarterly sales volumes, as illustrated by the sales volumes over recent quarters.

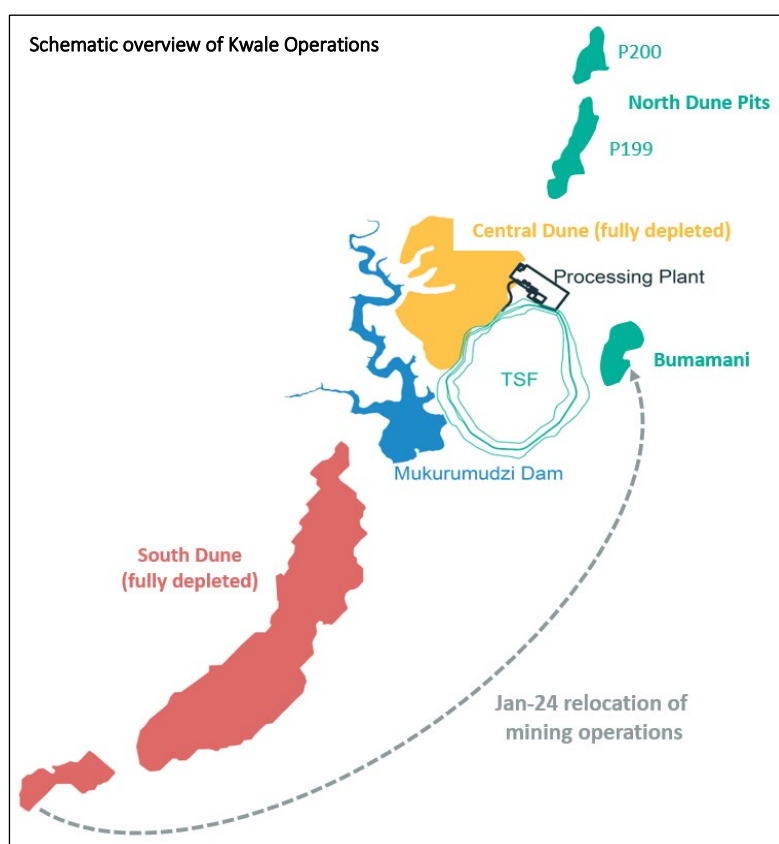
Total cash operating costs of US\$16.5 million were lower compared to the prior quarter (last quarter: US\$18.6 million) primarily due to lower unit power costs, lower unit flocculant costs and lower maintenance costs. With the lower operating costs and consistent combined production volume, unit operating costs for the quarter decreased to US\$304 per tonne produced (rutile, ilmenite, zircon and low-grade products) (last quarter: US\$343 per tonne).

Cost of goods sold also decreased to US\$306 per tonne sold (operating costs, adjusted for stockpile movements, and royalties) due to the reduced unit operating costs and product sales mix (last quarter: US\$442 per tonne).

Average unit revenue was also lower at US\$589 per tonne (prior quarter: US\$1,029 per tonne) due to the increased proportion of ilmenite in the sales mix, resulting in a decrease in the revenue to cost of goods sold ratio for the quarter to 1.9 (last quarter: 2.3).

Mining operations to finish at end of 2024

In October 2023, the Company announced that, following an exhaustive exploration and evaluation process seeking to further extend the life of Kwale Operations, mining is expected to end in December 2024 as per the current mine plan. Processing activities will conclude shortly thereafter, with Kwale Operations transitioning to post-mining².



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.

² For further information, refer to Base Resources' announcement on 30 October 2023, "Kwale Operations to complete mining at end of 2024", available at <https://baseresources.com.au/investors/announcements/>.

The announcement followed completion of the previously announced evaluations of the extension potential of the two remaining near mine prospective areas, being the Kwale North Dune Mineral Resource that is not currently in the mine plan and the Kwale East exploration area, with it concluded that both lack sufficient grade or scale to support the capital investment required to extend or establish new mining operations.

MARKETING

Market conditions remained challenging through the quarter due to the ongoing economic uncertainty and sluggish property sectors across key markets. Sales volumes were in line with plan for the quarter but, as expected, there was modest price erosion across all products.

Ilmenite demand in China remained firm through the quarter as major Chinese pigment plants continued to operate at high levels of production, driven by ongoing strong pigment exports. Despite a short improvement in demand through the seasonally strong month of October, the domestic pigment market in China was mostly subdued through the quarter.

Ilmenite supply in China, mostly from domestic mines and imported ilmenite concentrates, increased at a faster rate than demand through calendar year 2023 which has moved the market into a slight over-supply and put pressure on ilmenite prices in recent months. However, chloride pigment producers in China remain reliant on good quality imported ilmenite and are expected to continue increasing output over time – providing strong ongoing market support for Base Resources' ilmenite.

Major western pigment producers are maintaining production rates well below capacity to avoid a build-up of inventory. This has continued to put pressure on the demand and pricing for high-grade titanium dioxide feedstocks (which includes rutile). Subdued conditions for western pigment are expected to continue into the March quarter but may see improvement in the seasonally strong June quarter. Pricing for bulk rutile and other high grade titanium dioxide feedstocks during the coming quarters will be subject to the extent of the seasonal demand improvement and the supply-side response to the market conditions.

Rutile demand from the smaller welding and titanium metal sectors remains firm. However, these sectors are relatively small and the surplus of supply from the pigment sector is placing pressure on the price premiums that have been achieved in these markets. Base Resources will continue to benefit from having a premium grade rutile product that is suitable for niche high-end welding applications but the pressure on overall market prices is expected to result in further price erosion for the Company's rutile.

The weakening conditions in the Chinese and European zircon markets through the September quarter led to further reduction in contracted zircon prices for the December quarter. On the back of cautious buying behaviour, inventory levels among many Chinese zircon users approached low levels by the middle of the December quarter which resulted in some re-stocking ahead of Chinese New Year. As a result, zircon demand has been solid and prices are expected to be flat to slightly down in March quarter contracts. Zircon demand and prices beyond the March quarter will mostly depend upon the economic developments in the major markets of Europe and China.

SUSTAINABILITY

Sustainability reporting

The Company released its 2023 Sustainability Report and Sustainability Databook and 2023 Modern Slavery Statement in the quarter with these documents available on Base Resources' website.

Health and safety

There were no lost time injuries during the quarter and, with no lost time injuries in the past 12 months, Base Resources has a lost time injury frequency rate (LTIFR) of 0.0 per million hours worked. Compared to the Western Australian All Mines 2020/2021 LTIFR of 2.0, this is an exceptional performance and reflects the ongoing focus and importance placed on safety. With no medical treatment injuries recorded in the last 12 months, Base Resources' total recordable injury frequency rate is 0.0 per million hours worked.

Community and environment – Kwale Operations

Following announcement of the planned cessation of mining operations in December 2024, community engagement has been heavily focused on providing information in relation to the planned closure and the impact on the Company's community investment and support programs.

Farmers participating in the Company's agricultural livelihood programs in Kwale County, implemented through the PAVI farmers' cooperative, completed harvesting of cotton and maize crops during the quarter. Further value addition options are being explored by PAVI, including with the Government of Kenya on the construction of a cotton ginnery.

Support for women's and other community groups on business, entrepreneurship and leadership continued with three new groups added to the program, taking the total number of groups supported to 31. Monitoring of income generating activities by the groups indicates that the support provided is having positive results and new revenue streams are being established.

Infrastructure programs continue to be implemented by the three Community Development Agreement Committees established for the communities affected by Kwale Operations, with the programs focusing on improving infrastructure in local schools and access to clean water.

With above average rainfall for the quarter, the second half of the 2023 calendar year has been a period of heavy rainfall. This has allowed tree planting as part of the Company's rehabilitation efforts to be extended, with a further 25,000 trees planted during the quarter, bringing the total for the 2023 calendar year to 110,000.

Community and environment – Toliara Project

All community training programs and social infrastructure projects remain on hold while the Toliara Project's on-ground activities are suspended.

BUSINESS DEVELOPMENT

Toliara Project development – Madagascar

Presidential elections in Madagascar proceeded peacefully in November, resulting in Andry Rajoelina being re-elected for a second term. Subsequent to quarter end, President Rajoelina formed his new government and appointed his cabinet, with the incumbent Minister of Mines and Strategic Resources being re-appointed. Re-engagement with the Minister of Mines and Strategic Resources is already underway. With the Minister indicating that concluding negotiations on Toliara Project fiscal terms and lifting of the project's on-ground suspension is a priority for the Government, the Company anticipates that the coming quarter will see significant engagement.

In December, the Company released the outcomes of its pre-feasibility study on exploitation of the contained monazite at its Toliara Project through concentration of the existing waste stream from the project's mineral sands processing facilities to produce a valuable monazite product (**Monazite PFS**). Monazite is a rich source of rare earth elements critical to the world's green energy transition and represents 2.0% of the heavy mineral in the Toliara Project's Mineral Resources estimate.

On an incremental basis, the Monazite PFS delivered exceptional outcomes and has resulted in a significant enhancement of the Toliara Project as outlined in the enhanced definitive feasibility study on the project's mineral sands (**Mineral Sands DFS2**). For modest additional estimated capital expenditure of US\$71 million, the Monazite PFS outcomes include an incremental post-tax/pre-debt (real) NPV₁₀ of US\$1.0 billion, IRR of 79% and an average revenue to cost of sales ratio of 7.9. When combined with the Mineral Sands DFS2, the Toliara Project has an overall post-tax/pre-debt (real) NPV₁₀ of US\$2.0 billion over its initial 38-year mine life.

Following its passing into law late last year, the Government is in the process of preparing the Implementing Decree for the new Mining Code, with a draft expected to be available for industry consultation in the near term. As previously disclosed, while key financial elements of the new Mining Code appear to not be materially different from those assumed for the Mineral Sands DFS2, the application of these elements and other key provisions lack sufficient detail to fully assess their potential impact on the Toliara Project. The Implementing Decree (and any further supporting regulations, orders and decrees) once finalised will provide greater clarity on the new Mining Code and its application to the Toliara Project.

The Company remains committed to progressing the world class Toliara Project to a final investment decision once fiscal terms are secured and the on-ground suspension is lifted.

Total expenditure on the Toliara Project and the Monazite PFS for the quarter was US\$2.3 million (last quarter: US\$2.4 million).

Extensional exploration – Kenya

Exploration activities at Kwale East have been discontinued following an evaluation of the likely mineralisation for the three targets in this area using the results from the drill programs and applying optimistic assumptions on the continuity of mineralisation in the Magaoni and Zigira target areas that were not able to be drilled. Even on these optimistic assumptions, the evaluation concluded that there would not be sufficient volume or heavy mineral grade to support an economically viable mining development.³

During the quarter, Kenya’s Department of Mining announced the partial lifting of the moratorium on issuance of mining rights for all construction and industrial minerals, including heavy mineral sands. Base Resources continues to engage with the Department of Mining with a view to progressing its eight prospecting licence applications in the Kwale, Kuranze and Lamu regions, most of which were lodged prior to the decision to implement the moratorium in 2019.

Expenditure on exploration activities during the quarter in Kenya was US\$430k (last quarter: US\$303k).

Extensional exploration – Tanzania

The Umba South Project in northern Tanzania is located approximately 75km west-south-west of the Company’s Kwale Operations in Kenya. Exploration at Umba South was designed to test the southern extremity of prominent north-south trending gneiss ridges that extend about 35km north to the Kuranze region of Kenya which are considered potentially prospective for rutile.

Assaying of drill samples from a second phase infill program to assess the continuity of rutile mineralisation in the saprolite layer was completed in the quarter. Following assessment of the results from this program and the first phase reconnaissance program, it has been decided to discontinue exploration at the Umba South Project. As stated previously, the results from these programs will assist in planning future exploration activity in the Kuranze region of Kenya once tenure is granted.

Expenditure on exploration activities during the quarter in Tanzania was US\$81k (last quarter: US\$32k).

CORPORATE

The Company plans to release its FY24 half-year consolidated financial statements on 26 February 2024. The timing for release will be confirmed, and investor webcast details will be disclosed, closer to the targeted release date.

As at 31 December 2023, the Company had cash of US\$78.9 million and no debt.

The Company currently has the following securities on issue:

- 1,178,011,850 fully paid ordinary shares.
- 72,473,738 performance rights issued pursuant to the terms of the Base Resources Long Term Incentive Plan, comprising:
 - 8,727,959 vested performance rights, which remain subject to exercise⁴; and
 - 63,745,779 unvested performance rights subject to performance testing in accordance with their terms of issue.

³ For further information, refer to Base Resources’ announcement on 30 October 2023 “Kwale East - Exploration update” available at <https://baseresources.com.au/investors/announcements/>.

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

IMPORTANT NOTICES

Toliara Project – Mineral Resources and Forecast Financial Information

For further information on Ranobe deposit Mineral Resources estimate, 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 included in the 27 September announcement and all material assumptions and technical parameters underpinning the estimates in the 27 September announcement continue to apply and have not materially changed.

This announcement discloses forecast financial outcomes from the Monazite PFS on a standalone basis and aggregated basis with the forecast financial outcomes from the Mineral Sands DFS2. Base Resources' announcement on 14 December 2023, titled "Additional critical mineral stream doubles Toliara's NPV" (the **Monazite PFS Announcement**), discloses the material assumptions and underlying methodologies adopted for deriving the forecast financial outcomes from the Monazite PFS. It also discloses key risks in respect of the Monazite Project and the Toliara Project as a whole. Base Resources confirms that all the material assumptions underpinning the production information and forecast financial information in the Monazite PFS Announcement continue to apply and have not materially changed.

Base Resources' announcement on 27 September 2021, titled "DFS2 enhances scale and economics of the Toliara Project" (the **Mineral Sands DFS2 Announcement**), discloses the material assumptions and underlying methodologies adopted for deriving the forecast financial outcomes from Mineral Sands DFS2. Base Resources confirms that all the material assumptions underpinning the production information and forecast financial information in the Mineral Sands DFS2 Announcement continue to apply and have not materially changed.

Base Resources' announcements are available at <https://baseresources.com.au/investors/announcements/>.

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.