

Quarterly Activities Report – March 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 March 2023.

KEY POINTS

- Contracted sale prices were steady for rutile and ilmenite, while zircon prices fell slightly. Renewed optimism in China and resilience in Europe are supporting a positive price outlook for coming quarters.
- Bumamani Project implementation completed and mining commenced on the North Dune, extending the mine life of Kwale Operations.
- Exploration drilling continued in Kwale East, with 677 holes for a total of 7,445m drilled at quarter end and priority areas identified for targeted drilling during the coming quarter.
- Samples from Phase 1 of exploration drilling in northern Tanzania have been assayed, with results expected to be released shortly and mineralogical analysis underway. The Phase 2 infill drill program has also completed, with assaying to commence shortly.
- Discussions with the Government of Madagascar on Toliara Project fiscal terms continued to progress positively.
- Toliara Project Rare Earths Concept Study completed, confirming the economic potential of the monazite contained in the Ranobe Mineral Resources estimate and advancing to a pre-feasibility study.

KWALE OPERATIONS

Operational performance

Mining operations successfully commenced on the North Dune in February, as part of implementation of the Bumamani Project to extend Kwale Operations mine life to late 2024. The North Dune is being mined concurrently with the South Dune, with mining operations split between the two deposits.

SUMMARY BY QUARTER	FY22			FY23	
	MAR	JUN	SEP	DEC	MAR
Mining (million tonnes)					
Ore mined	3.9	3.9	4.4	4.5	3.3
HM %	3.8	4.1	3.8	4.0	3.9
VHM %	2.9	3.1	2.9	3.1	3.1
Production (thousand tonnes)					
Ilmenite	84.5	83.8	86.0	84.5	71.6
Rutile	18.9	19.2	18.9	19.5	16.6
Zircon	6.3	6.8	6.6	7.4	6.4
Low grade products ¹	4.4	4.9	5.7	5.2	4.1

	FY22			FY23	
	MAR	JUN	SEP	DEC	MAR
US\$ per tonne					
Sales revenue	\$740	\$691	\$714	\$651	\$637
Operating costs	\$149	\$152	\$154	\$165	\$190
Cost of goods sold	\$227	\$196	\$200	\$191	\$195
Revenue: Cost ratio	3.3	3.5	3.6	3.4	3.3
Sales (thousand tonnes)					
Ilmenite	75.5	95.7	62.6	74.1	86.2
Rutile	25.3	24.7	14.2	14.7	15.2
Zircon	6.9	7.1	6.2	5.0	7.4
Low grade products ¹	4.8	4.7	4.5	4.7	5.3

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.

Mined tonnage was lower at 3.3 million tonnes (**Mt**) (last quarter: 4.5Mt) due to stoppages associated with the move to the North Dune and associated commissioning activities, as well as slower than expected mining rates in the lower ore zones of the North Dune. These ore zones have elevated oversize and slimes and have proven more challenging to mine at the planned rates than anticipated. Options for improving mining rates in these ore zones are being investigated, with the Company optimistic that mining rates will improve in the coming quarter. Production guidance for the 2023 financial year (**FY23**) is not impacted by the slower than anticipated mining rate.

The heavy mineral (**HM**) grade of ore mined in the quarter was lower at 3.9% (last quarter: 4.0%) due to lower grades associated with the North Dune. As a result of the lower tonnage and ore grade mined and limited heavy mineral concentrate stockpiles, production of finished products was approximately 15% lower than the prior quarter.

Bulk shipping operations at the Company's Likoni export facility continued to run smoothly, with a combined 96kt of bulk ilmenite and rutile dispatched (last quarter: 84kt). Containerised shipments of rutile and zircon through the Mombasa Port also proceeded to plan.

Sand tails continued to be deposited into the mined-out Central Dune area and capped with a 6m co-disposed slimes/sand layer to aid water retention and subsequent rehabilitation. Rehabilitation activities on the Central Dune and the South Dune proceeded to plan.

Total cash operating costs of US\$18.8 million were lower compared to the prior quarter (last quarter: US\$19.3 million), primarily due to reduced power consumption from the lower volumes mined and produced. Despite the lower overall cost, the drop in production resulted in the unit operating costs increasing to US\$190 per tonne produced (rutile, ilmenite, zircon and low-grade products) (last quarter: US\$165 per tonne).

Cost of goods sold increased to US\$195 per tonne sold (operating costs, adjusted for stockpile movements, and royalties) due to sales volume and mix (last quarter: US\$191 per tonne), average unit revenue decreased to US\$637 per tonne (prior quarter: US\$651 per tonne). Consequently, the revenue to cost of goods sold ratio for the quarter was 3.3 (last quarter: 3.4).

FY23 production guidance

Kwale Operations production guidance for FY23 remains at:

- Rutile – 62,000 to 73,000 tonnes.
- Ilmenite – 260,000 to 310,000 tonnes.
- Zircon – 22,000 to 27,000 tonnes².

MARKETING

The March quarter saw another period of firm demand for Base Resources' products. Average prices were steady for rutile and ilmenite while economic uncertainty in some markets in late 2022 resulted in a moderate decline in contracted zircon prices for the quarter. Overall, market conditions held up better than expected through the quarter as optimism for 2023 grew in China after Chinese New Year and Europe showed signs of resilience.

Renewed optimism in the Chinese domestic market, following the Chinese holiday period, led to Chinese TiO₂ pigment producers ramping up production rates and increasing their demand for ilmenite feedstock. Improving domestic pigment demand, combined with ongoing strong Chinese pigment exports, is likely to fuel demand for ilmenite through the coming quarters. New TiO₂ pigment production capacity continues to come online in China and is expected to generate further demand for feedstock. After moderate price declines late in the December quarter and early in the March quarter, ilmenite prices resumed an upward trend in recent weeks generating positive momentum for the June quarter.

Major western pigment producers continue to ramp up production with an expectation that the pigment market will return to normal levels by mid-2023. Recent reports indicate that pigment and paint demand has improved through the quarter, either in line with, or exceeding, expectations. This in turn is expected to drive ongoing support for rutile demand and prices.

Rutile demand from the smaller welding and titanium metal sectors remained firm and the slight excess of feedstock inventory from late 2022 is reducing. Rutile sales prices to these sectors declined slightly in the quarter but continued to maintain significant price

² Refer to Base Resources' announcement on 25 October 2022 "Quarterly Activities Report – September 2022" for the assumptions upon which the FY23 production guidance is based.

premiums over bulk rutile for the TiO₂ pigment sector and are expected to remain stable through the June quarter. Base Resources continues to seek to increase its proportion of rutile sales to the welding sector.

Zircon sale contracts are agreed quarterly in advance and subdued markets across Europe and China in late 2022 resulted in a modest decline in the price of zircon in the quarter. However, better than expected conditions in Europe through the quarter, combined with an optimistic outlook in China and constrained supply, has resulted in a more favourable outlook for zircon in coming quarters and zircon prices have increased moderately for June quarter contracts.

SUSTAINABILITY

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 by management. With one medical treatment injury recorded in the last 12 months, Base Resources' total recordable injury frequency rate is 0.21 per million hours worked.

Community and environment – Kwale Operations

Farmers participating in the Company's agricultural livelihood programs in Kwale County, implemented through the PAVI farmers' cooperative, harvested 74 tonnes of produce by the end of the season. This included record cotton production as well as soybean, sunflower, pearl millet, groundnuts and sorghum. The cotton was delivered to a local ginnery, continuing the program's contribution to the Kenyan Government's commitment to revive the country's cotton industry. A total of 25 tonnes of poultry feed was also produced by farmers during the quarter, which is a newly established income stream for the PAVI farmers' cooperative.

All routine environmental monitoring for regulatory compliance and social purposes was completed as scheduled in the quarter. No instances of non-compliance, major environmental incidents or environment-related community complaints were identified or recorded. With the onset of the long rains, environment-related activities will include a focus on planting more trees in the rehabilitated areas and controlling stormwater to prevent erosion within Kwale Operations and its surrounds.

Community and environment – Toliara Project

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

BUSINESS DEVELOPMENT

Toliara Project development – Madagascar

Discussions with the Government of Madagascar on fiscal terms, and lifting of its on-ground suspension, continue to progress positively.

A Final Investment Decision (FID) to proceed with construction of the Toliara Project remains subject to lifting of the suspension and fiscal terms being agreed 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 access arrangements, conclusion of major construction contracts and entry of offtake agreements with customers. Contact with major EPCM consultants, construction contractors and equipment suppliers continues to be maintained in readiness to accelerate progress once the suspension is lifted. Assessment of potential funding options for the Toliara Project also progressed during the quarter.

The Toliara Rare Earths Concept Study was completed in the quarter, confirming the significant economic potential of the monazite contained in the Toliara Project's Ranobe Mineral Resources estimate. A pre-feasibility study is now underway and planned for completion in the March quarter of 2024.

Total expenditure on the Toliara Project for the quarter decreased to US\$1.7 million (last quarter: US\$2.6 million), due to completion of the Toliara Rare Earths Concept study in the period.

Kwale mine life extension

Mining of the Bumamani Project, which extends Kwale Operations mine life to late 2024, commenced on the North Dune in February. The subsets of the North Dune forming part of the Bumamani Project will be mined concurrently with the South Dune to maximise mining rates and better manage tailings. Expenditure on the Bumamani Project during the quarter was US\$4.9 million (last quarter: US\$9.9 million) with construction, earthworks and final land access activities completed on the P199 block of the North Dune. Further construction and earthworks, as well as limited land access activities, will be required in preparation for mining of the P200 block of the North Dune and the Bumamani deposit.

Extensional exploration – Kenya

Further landowner consent for exploration access in the Kwale East area (within Prospecting Licence 2018/0119) was secured during the quarter, with 677 holes for a total of 7,445m having been drilled by the end of the quarter. Several prospects have been identified for targeted drilling. It is expected that these will be completed in the June quarter as further land access is secured. Additional drilling rigs have been secured in order to accelerate the program over the June quarter.



Figure: Auger drill rig in Kwale East.

Prospecting licence applications lodged for an area totalling 722 km² in the Kuranze region of Kwale County, about 70 km west of Kwale Operations, together with applications for an area south of Lamu, totalling 888 km², remain on hold pending lifting of a Government of Kenya moratorium on issuance of new mineral rights, in place since November 2019. The Company is working with the Government, and other mining sector stakeholders, to see the moratorium lifted.

Expenditure on exploration activities during the quarter in Kenya was US\$312k (last quarter: US\$158k).

Extensional exploration – Tanzania

Assay results for Phase 1 of the exploration drill program at Umba South were received during the quarter, including graphite analysis on a batch of selected samples. The results of this program are expected to be released shortly. Mineralogical analysis is also underway.

A second infill phase of 200m x 200m spaced reverse circulation drilling was completed during the quarter, resulting in a further 91 holes for a total of 2,264m being drilled. The drill samples are in the process of being exported to Kenya for analysis at the Kwale Operations laboratory, however assay priority is currently being given to Kwale East samples and therefore results are not expected until the September quarter.

Expenditure on exploration activities during the quarter in Tanzania was US\$431k (last quarter: US\$232k).

CORPORATE

Following release of the Company's FY23 half-year financial results, the disciplined application of the Company's capital management policy resulted in an interim dividend of AUD 2.0 cents per share (unfranked) being paid to shareholders on 30 March 2023, representing a cash payment of US\$15.6 million in aggregate. This takes total dividends distributed to shareholders since October 2020 to US\$155.6 million, representing AUD 18.5 cents per share (unfranked).

In summary, as at 31 March 2023, the Company had cash of US\$77.2 million and no debt.

The Company has the following securities on issue:

- 1,178,011,850 fully paid ordinary shares.
- 53,598,359 performance rights issued pursuant to the terms of the Base Resources Long Term Incentive Plan, comprising:
 - 1,872,852 vested performance rights, which remain subject to exercise³; and
 - 51,725,507 unvested performance rights subject to performance testing in accordance with their terms of issue.

----- ENDS -----

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.

³ 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, is developing the Toliara Project in Madagascar and is conducting exploration in Tanzania. Base Resources is an ASX and AIM listed company. Further details about Base Resources are available at www.baseresources.com.au.

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