ASX, AIM and Media Release
15 October 2020

Quarterly Activities Report – September 2020

Key points

- Kwale Operations has maintained operational consistency throughout the quarter with health and safety protocols in place to minimise the risk of COVID-19 to personnel and surrounding communities.
- Ongoing demand from customers in the quarter supported a steady price environment for all products.
- Additional prospecting licence applications lodged in the Kuranze region of Kwale county.
- Discussions with the Government of Madagascar on fiscal terms progressed, including submission of the formal application for LGIM certification (the large-scale mining fiscal and legal stability regime).
- Lender technical due diligence for the Toliara Project largely complete.
- Activities to support vulnerable local communities affected by COVID-19 in Kenya and Madagascar continued.
- Maiden dividend of AUD 3.5 cents per share determined, unfranked, following a strong financial performance in FY20.
- With greater clarity on the risks and impacts of the COVID-19 pandemic, US$50.0 million was repaid from the US$75.0 million revolving credit facility drawn earlier in 2020.

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 other stakeholders. Kwale Operations continues to operate under a suite of 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. The Company is also assisting governments and communities in both Kenya and Madagascar with several initiatives, primarily involving the construction of hygiene facilities, distribution of food and provision of medical supplies and equipment.

KWALE OPERATIONS

Production & Sales	Sept 2019 Quarter	Dec 2019 Quarter	Mar 2020 Quarter	June 2020 Quarter	**Sept 2020 Quarter**
Production (tonnes)					
Ilmenite	73,808	91,406	105,035	84,843	**65,863**
Rutile	16,390	19,812	23,683	19,035	**15,513**
Zircon	6,980	7,923	9,163	7,590	**6,000**
Zircon low grade	466	546	780	578	**426**
Sales (tonnes)					
Ilmenite	60,109	106,544	87,819	102,364	**75,502**
Rutile	14,018	13,078	25,280	27,268	**11,651**
Zircon	6,713	7,090	7,377	9,086	**7,336**
Zircon low grade[1]	839	616	-	1,516	**505**

[1] Reported as tonnes of zircon concentrate, it typically realises between 30% to 50% of the value of the equivalent volume of standard grade zircon, due to rutile credits.

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Mining operations continued according to plan on the South Dune orebody with mined tonnage of 3.9Mt at a grade of 3.16% heavy mineral (**HM**). Mined tonnage was lower than previous quarters due to a planned eight-day stoppage in July to move the mining collection hopper further south, which also required the installation of a third slurry booster pump. As outlined in our 2021 financial year (**FY21**) production guidance (refer below), ore grade is forecast to be lower during FY21, averaging 3.24% HM (FY20: 3.63%) with the first half of FY21 expected to see the lowest grades before improving in the second half.

Mining & WCP Performance	Sept 2019 Quarter	Dec 2019 Quarter	Mar 2020 Quarter	June 2020 Quarter	**Sept 2020 Quarter**
Ore mined (tonnes)	4,909,999	4,579,386	4,295,645	4,271,811	**3,938,494**
HM %	2.66	4.22	3.86	3.87	**3.16**
HMC produced (tonnes)	114,149	189,952	153,754	148,699	**103,730**

Wet concentrator plant (**WCP**) production of heavy mineral concentrate (**HMC**) was lower at 104kt (last quarter: 149kt) due to a combination of lower mined tonnes and HM grades. HMC stocks were reduced to 5kt at quarter end (last quarter: 16kt). Sand tails continued to be deposited into the mined-out Central Dune area and significant progress was made with rehabilitation work on mined-out areas of the South Dune, with 50 hectares shaped and revegetated during the quarter.

MSP Performance	Sept 2019 Quarter	Dec 2019 Quarter	Mar 2020 Quarter	June 2020 Quarter	**Sept 2020 Quarter**
MSP Feed (tonnes of HMC)	121,600	155,217	186,197	145,550	**114,873**
MSP feed rate (tph)	67	86	90	78	**61**
MSP recovery %					
Ilmenite	103	100	99	99	**100**
Rutile	103	102	99	100	**102**
Zircon	86	88	87	85	**86**

Total mineral separation plant (**MSP**) feed tonnage was lower than the prior quarter, constrained by available HMC, while recoveries were slightly higher. Consequently, production of all final products decreased compared to the prior quarter.

Bulk loading operations at the Company's Likoni Port facility continued to run smoothly, dispatching more than 85kt of bulk ilmenite and rutile during the quarter (last quarter: 125kt). Containerised shipments of rutile and zircon through the Mombasa Port proceeded according to plan.

Summary of unit costs & Revenue per tonne (US$)	Sept 2019 Quarter	Dec 2019 Quarter	Mar 2020 Quarter	**June 2020 Quarter**	**Sept 2020 Quarter**
Unit operating costs per tonne produced	$173	$140	$128	**$153**	**$189**
Unit cost of goods sold per tonne sold	$213	$141	$175	**$189**	**$192**
Unit revenue per tonne of product sold	$469	$355	$476	**$479**	**$413**
Revenue: Cost of goods sold ratio	2.2	2.5	2.7	**2.5**	**2.1**

Total operating costs of US$16.6 million were marginally lower (last quarter: US$17.2 million) due to lower processing, port and rehabilitation provision charges. Despite the lower total operating costs, the reduced production levels resulted in higher unit operating costs of US$189 per tonne produced (rutile, ilmenite, zircon, and low-grade zircon) (last quarter: US$153 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 of the rutile, is sold in bulk, with typical shipment sizes of 50-54kt for ilmenite and 10-12kt for rutile, which means

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any given quarter will usually contain either one or two bulk rutile and ilmenite 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$192 per tonne sold (operating costs, adjusted for stockpile movements, and royalties) increased marginally due to higher unit operating costs, offset in part by the higher proportion of ilmenite in the sales mix compared to rutile in the quarter (last quarter: US$189 per tonne). For the same reason average unit revenue decreased to US$413 per tonne (prior quarter: US$479 per tonne). From the combination of these factors, the revenue to cost of goods sold ratio for the quarter decreased to 2.1 (last quarter: 2.5).

FY21 PRODUCTION GUIDANCE

Base Resources' prevailing production guidance for FY21 remains unchanged. However, due to the ongoing inherent uncertainties associated with the COVID-19 pandemic, a halt to, or curtailment of, operations at some point in the future remains possible. In such an event, the Company may update or withdraw its FY21 production guidance, as appropriate in the circumstances.

Kwale Operations FY21 production guidance remains at:

- Rutile - 70,000 to 80,000 tonnes.
- Ilmenite - 270,000 to 300,000 tonnes.
- Zircon - 23,000 to 27,000 tonnes.

The above FY21 production guidance is based on the following assumptions:

- Mining of 17.2Mt at an average HM grade of 3.24%, with all FY21 volume coming from Ore Reserves[2].
- Average MSP feed rate of 66tph.
- Average MSP product recoveries of 100.5% for rutile, 100% for ilmenite and 84% for zircon.

MARKETING

Global pigment producers have indicated that pigment demand improved progressively throughout the quarter. Overall, the COVID-19 related decline in global pigment demand appears to have been softer than previously anticipated – likely due to some pigment sectors (e.g. plastics, DIY paint and other coatings) performing better than expected. Recent commentary from a major global paint producer indicates that the recovery in paint demand through the second half of 2020 could more than offset the decline in demand seen in the first half of the year. This is a positive indicator for a potential recovery in pigment production and feedstock demand over the coming months.

The significant drop in pigment demand experienced by western pigment producers through the June quarter led to a number of these producers reducing their production rates from June onwards. However, large Chinese pigment producers have maintained production at high levels as their pigment exports were sustained and domestic pigment demand recovered from the middle of the June quarter. As a result, Chinese pigment production between January and August 2020 was approximately 8% higher than the same period in 2019.

Chinese pigment producers (the Company's main ilmenite customers) again confirmed their demand for ilmenite and their intention to proceed with planned shipments over the remainder of calendar year 2020. Recovery of ilmenite production in China and India, following COVID-19 related shutdowns through the March and June quarters, is being offset by lower production of ilmenite from other major sources. This is resulting in an ongoing tight ilmenite market, providing good support for ilmenite prices.

While contractual positions underpinned rutile sales and prices in the quarter, the decrease in demand for rutile from western pigment producers due to lower operating rates, and erosion of demand from the other minor end use sectors, is placing downward pressure on rutile prices into the December quarter.

[2] The Ore Reserves estimate underpinning the above production guidance was prepared by Competent Persons in accordance with the JORC Code (2012 edition). For further information regarding the Ore Reserves estimate refer to Base Resources' announcement on 27 July 2020 "Updated Kwale South Dune Mineral Resources and Ore Reserves estimate" available at https://baseresources.com.au/investors/announcements/. The above production guidance is the result of detailed studies based on the actual performance of the Kwale mine and processing plant. These studies include the assessment of mining, metallurgical, ore processing, environmental and economic factors.

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Demand for zircon remained subdued through the quarter, however, the Company was fully sold on zircon production in the quarter. A reduction in supply from some major zircon producers to meet market conditions, maintained a relatively balanced market and zircon prices were stable through the quarter. Sales contracts are in place for all zircon production in the December quarter, but the subdued demand and seasonal factors, combined with cautious buying behaviour, have resulted in zircon prices moving marginally lower.

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 group of zero. Compared to the Western Australian All Mines 2018/2019 LTIFR of 2.2, this is an exceptional performance reflective of the ongoing focus and importance placed on safety by management. Base Resources' employees and contractors have now worked 21.9 million hours lost time injury (**LTI**) free, with the last LTI recorded in early 2014. No medical treatment injuries were recorded during the quarter. With one medical treatment injury recorded in the last 12 months, Base Resources' total recordable injury frequency rate (**TRIFR**) is 0.24 per million hours worked.

As reported in the Company's December 2019 quarterly[3], in January 2020, an incident with Kwale Operations haulage contractor tragically resulted in a fatal injury to another road user on a public road. The safety of Base Resources' activities for its people and the communities in which it operates is a fundamental commitment for the Company and the incident was addressed at the highest level. Consistent with the findings of the internal investigation into this incident, a number of changes have been implemented to further improve oversight of maintenance and safety practices across all contractors.

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 train community health workers on COVID-19 awareness programs and providing additional community-based handwashing equipment to help improve sanitation. Food support programs were extended to cater for the economic impact on tourism and unemployment in the Kwale region. The Company was recognised in the quarter by the Kwale County Governor for the efforts made in addressing food security in the County in response to challenges brought about by COVID-19.

Agricultural livelihood programs at Kwale continued to progress following seasonal rains with good harvests for maize, sorghum and green grams, while other crops such as cotton will mature later in the year. The farmers' cooperative, PAVI, received direct support from the national government towards completion of the Business Park development with an agreement to assist in establishment of a nearby ginnery for processing cotton lint.

With the relaxation of some of Kenya's COVID-19 restrictions, construction of social infrastructure resumed with commencement of the Mwalewa Girls Secondary School in Lunga Lunga and completion of the Mathare water supply scheme providing clean water to several villages just north of the mine site.

Rehabilitation activities on the mined-out areas of the South Dune increased significantly in the quarter with community groups supplying indigenous legumes, grass seed and manure, and youth groups from local villages employed to assist with slope stabilisation and planting.

Toliara Project

All community training programs and social infrastructure construction remained on hold with the Government's suspension of on-the-ground activities on the Toliara Project. The 24 Malagasy apprentices training in Kenya at Kwale Operations have remained on site and continue to progress through their two-year apprenticeship programs.

Base Resources continues to work with local authorities to assist in the response to the pandemic in the Toliara region by providing support for food distribution through the regional government's COVID-19 response committee. The Company's face mask production project continued, in conjunction with a leading local women's group, with over 48,000 masks now produced and donated to the community.

[3] Refer to Base Resources' market announcement "Quarterly Activities Report – December 2019" released on 23 January 2020, which is available at https://baseresources.com.au/investors/announcements/.

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BUSINESS DEVELOPMENT

Toliara Project development - Madagascar

In November 2019, the Government of Madagascar required the Company to temporarily suspend on-the-ground activity on the Toliara Project while discussions on fiscal terms applying to the project were progressed[4]. Activity remains suspended as Base Resources continues to engage 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 with encouraging progress made, including the lodgement of the formal application for LGIM certification (the large scale mining fiscal and legal stability regime).

As noted in the Company's FY20 Full Year Results announcement[5], with the suspension of activity, international travel restrictions and broader COVID-19 measures and impacts both in Madagascar and globally, the final investment decision (**FID**) to proceed with development of the Toliara Project has been delayed with FID now unlikely to occur before September 2021. Further guidance on a revised FID date will be provided when the suspension of activity has been lifted and there is greater clarity on the trajectory of global economic activity, the resumption of international travel and financial market conditions.

Key activities progressed during the quarter included:

- Lender's technical due diligence which is now largely complete, with community and environmental due diligence continuing.
- Wrapping up processing plant FEED activities so that detailed design can commence six months prior to FID.
- Awarding the design contract for the Company's dedicated haul road bridge over the Fiherenana River to allow construction to commence soon after FID to maintain the implementation schedule.
- Development of the Environmental and Social Management System.
- Development of the implementation readiness systems.

Key activities planned for the coming quarter include:

- Further engagement with the Government, focused on agreeing fiscal terms and the resumption of on-the-ground activity.
- Negotiations with preferred tenderers for the marine, piling and power contract packages.
- Ongoing engagement with prospective lenders and joint venture partners.
- Continued development of the Environmental and Social Management System and implementation readiness systems.

Total expenditure on the Toliara Project for the quarter was US$3.5 million (last quarter: US$4.9 million).

Extensional exploration – Kenya

Mining tenure arrangements continued to progress with the Kenyan Ministry of Petroleum and Mining as a precursor to an anticipated updated Ore Reserves estimate to incorporate additional Mineral Resources defined within the Kwale Prospecting Licence (**PL 2018/0119**) but outside the current mining lease SML23. However, progress remains slow as the Government focuses on combating the COVID-19 pandemic.

The pre-feasibility study for mining the North Dune Mineral Resource continues on schedule for completion in early 2021.

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. Further drilling of the northern sections of the Vanga Prospecting License (PL/2015/0042) remains on hold pending resolution of community access issues. A north eastern extension of the Vanga Prospecting Licence is under application (App No/1753) to cover further prospective ground which has since become available.

Prospecting licence applications lodged for an area south of Lamu (PL/2019 0263, 0265, 0266), together with an area in the Kuranze region of Kwale county about 70 km west of Kwale Operations (PLA/2019/0260) remain in progress through the granting process. Two additional license applications (Apps No/2510 and 2512), also in the Kuranze area, were lodged during the quarter. A Government

[4] Refer to Base Resources' market announcement "Toliara Project – Government of Madagascar statement" released on 7 November 2019, which is available at https://baseresources.com.au/investors/announcements/.
[5] Refer to Base Resources' market announcement "Base delivers strong financial results and maiden dividend" released on 24 August 2020, which is available at https://baseresources.com.au/investors/announcements/.

moratorium placed on the issuance of Prospecting Licenses in November 2019 has affected the progress of all licence applications, albeit assessment of applications has recently recommenced which is seen as a precursor to the lifting of the moratorium.

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

CORPORATE

Maiden dividend

Following the Company's strong FY20 financial performance and position, and reflecting our determination to deliver concrete returns to shareholders, the Board determined a maiden dividend of AUD 3.5 cent per share, unfranked, in the quarter. With a record date of 21 September 2020, the maiden dividend was paid to shareholders on 7 October 2020.

Consistent with Base Resources' growth strategy, the Company seeks to provide returns to shareholders through both long-term growth in the Company's share price and appropriate cash distributions. Cash not required to meet the Company's near-term growth and development requirements, or to maintain requisite balance sheet strength in light of prevailing circumstances, could be expected to be returned to shareholders.

Kenyan VAT receivable

As previously announced, Base Resources has refund claims for VAT paid in Kenya, relating to both construction of the Kwale Project and the period since operations commenced, which totalled approximately US$17.2 million at 30 September 2020. These claims are proceeding through the Kenya Revenue Authority process with refunds totalling US$1.8 million received during the quarter (last quarter: US$2.6 million). Base Resources is continuing to engage with the Kenyan Treasury and the Kenya Revenue Authority, seeking to expedite the refund claims.

With greater clarity on the risks and impacts of the COVID-19 pandemic, the Company repaid US$50.0 million of the US$75.0 million revolving credit facility (**RCF**) drawn down earlier in 2020 to enhance liquidity and provide flexibility at the start of the pandemic.

The Company's net cash position remained steady during the quarter due to lower product sales, timing of sales receipts, capital expenditure at Kwale (US$2.7 million) and for progression of the Toliara Project and debt service costs.

In summary, as at 30 September 2020:

- Net cash of US$87.8 million, consisting of:
  - Cash and cash equivalents of US$112.8 million.
  - Revolving Credit Facility debt of US$25.0 million.
- 1,178,011,850 fully paid ordinary shares on issue.
- 54,122,220 performance rights issued pursuant to the terms of the Base Resources Long Term Incentive Plan, comprising:
  - 6,498,832 vested performance rights, which remain subject to exercise[6].
  - 47,623,388 unvested performance rights subject to performance testing in accordance with their terms of issue.

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[6] 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 capital cost, capacity, future production and grades, 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.

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