

Quarterly Activities Report – June 2021

Key points

- FY21 production guidance achieved.
- Ongoing strong demand for all products supported further price increases in the quarter.
- In pursuit of mine life extension, Kwale North Dune pre-feasibility completed and Bumamani pre-feasibility study on a higher-grade subset initiated and due for completion in the September quarter.
- Tanzanian prospecting licences conditionally granted, adjacent to the Kuranze prospecting licence applications in Kenya.
- Discussions with the Government of Madagascar on Toliara Project fiscal terms continued to progress.
- Production guidance (tonnes) released for FY22:
 - Rutile – 73,000 to 83,000
 - Ilmenite – 310,000 to 340,000
 - Zircon – 24,000 to 28,000

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 wider stakeholders. The Company's **Kwale Operations** in Kenya operates under a suite of controls and 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. On site rapid antigen COVID-19 testing is also utilised and employees have been encouraged to access the Government of Kenya vaccination program. The Company continues to assist governments and communities with community focused initiatives involving the construction of hygiene facilities, and the donation and distribution of food and medical supplies and equipment.

KWALE OPERATIONS

Production & Sales	June 2020 Quarter	Sept 2020 Quarter	Dec 2020 Quarter	Mar 2021 Quarter	June 2021 Quarter
Production (tonnes)					
Ilmenite	84,843	65,863	78,500	84,178	88,735
Rutile	19,035	15,513	18,171	19,448	20,116
Zircon	7,590	6,000	6,677	7,388	7,057
Zircon low grade ¹	578	426	516	482	454
Sales (tonnes)					
Ilmenite	102,364	75,502	53,798	97,179	93,959
Rutile	27,268	11,651	12,017	26,074	24,597
Zircon	9,086	7,336	6,399	6,612	7,690
Zircon low grade ¹	1,516	505	-	502	698

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.

Mining operations continued according to plan on the South Dune orebody with mined tonnage increasing slightly. The heavy mineral (HM) grade of ore mined was also higher at 3.65% (last quarter: 3.58%), driven by the mine path accessing higher grade areas in the centre of the dune.

Mining & WCP Performance	June 2020 Quarter	Sept 2020 Quarter	Dec 2020 Quarter	Mar 2021 Quarter	June 2021 Quarter
Ore mined (tonnes)	4,271,811	3,938,494	4,600,172	4,695,052	4,748,860
HM %	3.87	3.12	3.43	3.58	3.65
VHM %	2.95	2.36	2.62	2.80	2.78
HMC produced (tonnes)	148,699	103,730	142,309	149,618	162,428

Wet concentrator plant (WCP) production of heavy mineral concentrate (HMC) was higher as a consequence of a planned reduction in HMC quality from 82% HM to 80% HM, which resulted in improved valuable heavy mineral (VHM) recoveries in the WCP, coupled with higher mined tonnage and grade. HMC stocks at quarter end were steady at 20kt (last quarter: 18kt). Sand tails continued to be deposited into the mined-out Central Dune area and a rehabilitation mixing plant (combining a portion of slimes with sand to create a water retention layer on the deposited sand tails) was successfully commissioned to support soil preparation on the Central Dune prior to topsoiling and re-vegetation. Rehabilitation of the South Dune proceeded according to plan.

MSP Performance	June 2020 Quarter	Sept 2020 Quarter	Dec 2020 Quarter	Mar 2021 Quarter	June 2021 Quarter
MSP Feed (tonnes of HMC)	145,550	114,873	134,019	145,110	160,691
MSP feed rate (tph)	78	61	64	69	76
MSP recovery %					
Ilmenite	99	100	102	102	101
Rutile	100	102	102	100	100
Zircon	85	86	87	85	86

The greater HMC availability facilitated higher mineral separation plant (MSP) feed tonnage than the prior quarter, while recoveries were steady. Consequently, production of final products increased compared to the prior quarter with the exception of zircon which was slightly lower due to lower contained zircon in the feed.

Bulk loading operations at the Company's Likoni export facility continued to run smoothly, dispatching a combined 104kt of bulk ilmenite and rutile during the quarter (last quarter: 117kt). Containerised shipments of rutile and zircon through the Mombasa Port proceeded according to plan.

Summary of unit costs & Revenue per tonne (US\$)	June 2020 Quarter	Sept 2020 Quarter	Dec 2020 Quarter	Mar 2021 Quarter*	June 2021 Quarter
Unit operating costs per tonne produced	\$153	\$189	\$161	\$142	\$148
Unit cost of goods sold per tonne sold	\$189	\$192	\$207	\$169	\$202
Unit revenue per tonne of product sold	\$479	\$413	\$464	\$478	\$497
Revenue: Cost of goods sold ratio	2.5	2.1	2.2	2.8	2.5

* March quarter operating costs have been adjusted to remove the impact of non-cash adjustments to rehabilitation costs.

Total cash operating costs of US\$17.2 million were higher this quarter (last quarter at US\$15.9 million) due to higher power and fuel unit costs, which led to higher unit operating costs of US\$148 per tonne produced (rutile, ilmenite, zircon and low-grade zircon) (last quarter: US\$142 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 rutile, is sold in bulk, with typical shipment sizes of 50kt for ilmenite and 10kt for rutile, which means any given quarter will usually contain either one or two bulk ilmenite and rutile 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\$202 per tonne sold (operating costs, adjusted for stockpile movements, and royalties) increased due to the sales mix and stockpile movements in the quarter (last quarter: US\$169 per tonne). Average unit revenue increased to US\$497 per tonne (prior quarter: US\$478 per tonne) due to increased prices for ilmenite and zircon. From the combination of these factors, the revenue to cost of goods sold ratio for the quarter decreased to 2.5 (last quarter: 2.8).

Production Guidance (tonnes)	FY21 Updated Guidance Range	FY21 Actual	FY22 Guidance Range
Rutile	70,000 to 80,000	73,248	73,000 to 83,000
Ilmenite	300,000 to 320,000	317,276	310,000 to 340,000
Zircon	26,000 to 28,000	27,122	24,000 to 28,000

Total Kwale Operations production for the 2021 financial year (**FY21**) was within Company's previously disclosed updated guidance range.

The Company also provides the above production guidance for FY22. This guidance is based on the following assumptions:

- Finalisation of mining tenure and access arrangements during H1FY22 in respect of the additional South Dune Mineral Resources currently outside Kwale Special Mining Lease 23.
- Mining of 17.4Mt at an average HM grade of 3.53%.
- Average MSP feed rate of 68tph.
- Average MSP product recoveries of 101% for rutile, 101.5% for ilmenite and 84.5% for zircon.

The possibility of a halt to, or curtailment of, operations at some point in the future remains if a severe COVID-19 outbreak occurs on site or if government health directives change.

MARKETING

Global pigment demand continued to strengthen through the quarter although some Chinese pigment producers indicated demand for sulphate pigment stabilised through the month of June. Chinese pigment producers continued to operate at near capacity output levels throughout the quarter while western pigment producers have now returned to full production following a gradual ramp up since the COVID-19 related production cuts in late 2020. As a result, global pigment prices maintained upward momentum with prices for some smaller Chinese pigment producers stabilising in June.

Demand for ilmenite as a feedstock for Chinese pigment production remained very strong in the quarter resulting in further price gains. Increasing ilmenite volumes from some African sources, illegal Vietnamese exports and Chinese domestic production is starting to close this supply gap, however, price gains are expected to continue in the short term until the market is in balance.

Demand for high grade feedstocks (which includes rutile) has increased significantly through the quarter as western pigment production returned to maximum capacity and welding consumable and titanium metal production picked up strongly. The tightening market for high grade feedstocks is being exacerbated by supply constraints at major high grade feedstock producers and rutile prices continued to increase through the quarter and are expected to continue an upward trend through the coming quarters.

Zircon demand is very strong due to healthy recoveries in all end use sectors and regions, which, when combined with limited supply and minimal inventories being held across most sectors, has resulted in a rapidly tightening zircon market and upward price pressure. Zircon prices for the Company's June quarter contracts increased by over US\$70/t from the March quarter and prices agreed for the Company's September quarter contracts have increased by an additional US\$150/t.

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 Company of zero. Compared to the Western Australian All Mines 2019/2020 LTIFR of 2.1, this is an exceptional performance reflective of the ongoing focus and importance placed on safety by management. Base Resources group employees and contractors have now worked 24.9 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 no medical treatment injury recorded in the last 12 months, the Base Resources group's total recordable injury frequency rate (**TRIFR**) is zero per million hours worked, with 4.4 million hours worked without a medical treatment injury.

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 provide public education through community health workers. In addition, 2,000 school desks were donated to schools across Kwale County and Likoni to assist with social distancing.

Agricultural livelihood programs in Kwale continued through the PAVI farmer's cooperative, although the late arrival of seasonal rains has impacted the planting phase, with some farmers experiencing low germination due to dry conditions. Poultry and beekeeping continue to provide farmers and community groups with substantial incomes.

During the quarter, in accordance with new regulations under the Mining Act 2016, the Company's Kenyan operating subsidiary, Base Titanium, entered into three Community Development Agreements (CDAs) with the Msambweni, Lunga Lunga and Likoni communities following extensive community consultation. In broad terms, each CDA provides for the delivery of specified development projects for the benefit of the relevant community and has a dedicated committee which will oversee the implementation of these projects. Further training and capacity building is being undertaken to ensure outcomes meet community expectations.

Rehabilitation activities on the mined-out areas of the South Dune continued in the quarter with community groups supplying indigenous legumes, grass seed and manure.



Image: Various stages of land rehabilitation on the Kwale Operations South Dune (foreground) following mining (background).

A community demonstration plot has also been established on a mined-out section of the South Dune to show local farmers and stakeholders that crops and trees can be successfully grown in rehabilitated mine soils. Harvested crops from this plot such as maize, sorghum, kale, beans and cow peas are amongst some of the produce that has been donated to local schools and children's homes.

Toliara Project

All community training programs and social infrastructure construction remained on hold with the Government of Madagascar's suspension of the Toliara Project's on-the-ground activities. The 24 Malagasy apprentices training in Kenya at Kwale Operations have been certified through the Kenyan training authority and have now completed their programs. They will undertake further work experience at Kwale Operations pending the lifting of Madagascar's COVID-19 related travel restrictions.

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. Activity remains suspended as 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 the lifting of the on-the-ground suspension.

As previously disclosed, 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. Once fiscal terms are agreed and the suspension is lifted, there will be approximately 11 months' work to complete prior to FID. This work includes finalising financing, completing the land acquisition process and concluding major construction contracts. The resumption of international travel will also be required to complete a significant portion of this work.

Key activities during the quarter included:

- Engagement with the Government, focused on agreeing fiscal terms and resumption of on-the-ground activities.
- Progression of power purchase agreement negotiations with the preferred contractor.
- Systems development in readiness for the implementation phase.
- Discussions with prospective lenders and joint venture partners.
- Conclusion of ground water modelling works to allow drilling and borehole testing to commence shortly after lifting of the suspension.

Total expenditure on the Toliara Project for the quarter was US\$3.1 million (last quarter: US\$3.3 million).

Kwale mine life extension

Mining tenure arrangements to extend the Kwale Special Mining Lease (**SML 23**), to incorporate the additional Kwale South Dune Mineral Resources that currently fall outside the footprint of SML 23, continued to progress with the Kenyan Ministry of Petroleum and Mining. As previously disclosed, in mid-July, Kenyan media reported statements made by the Cabinet Secretary for the Ministry of Petroleum and Mining at a Kenyan Chamber of Mines conference that the proposed SML 23 extension had been approved and that the licence would be issued soon. Base Resources is working with the Ministry of Petroleum and Mining and looks forward to shortly finalising the form of Deed of Variation that will give effect to the proposed extension.

After a pre-feasibility study found that mining the entire North Dune Mineral Resources was not presently viable, the Company commenced a pre-feasibility study focused on mining a higher-grade sub-set of the North Dune and Bumamani deposits, with the results expected in the September quarter.

Extensional exploration – Kenya

Drilling of the southern section of the Vanga Prospecting License (PL/2015/0042) was completed with no significant mineralisation found. 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.

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 progress 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 moratorium on the issuance of

prospecting licenses in November 2019 has affected the progress of all licence applications. The Company continues to work with other mining sector stakeholders, and the Government, to see the moratorium lifted and recommencement of the issuance of mineral rights.

During the quarter, the Company lodged four prospecting licence applications in Tanzania for areas adjacent to the Kuranze region in Kenya. Subsequent to the quarter end, three of the four Tanzanian prospecting licences were granted subject to the Company's formal acceptance and payment of processing fees and annual rent.

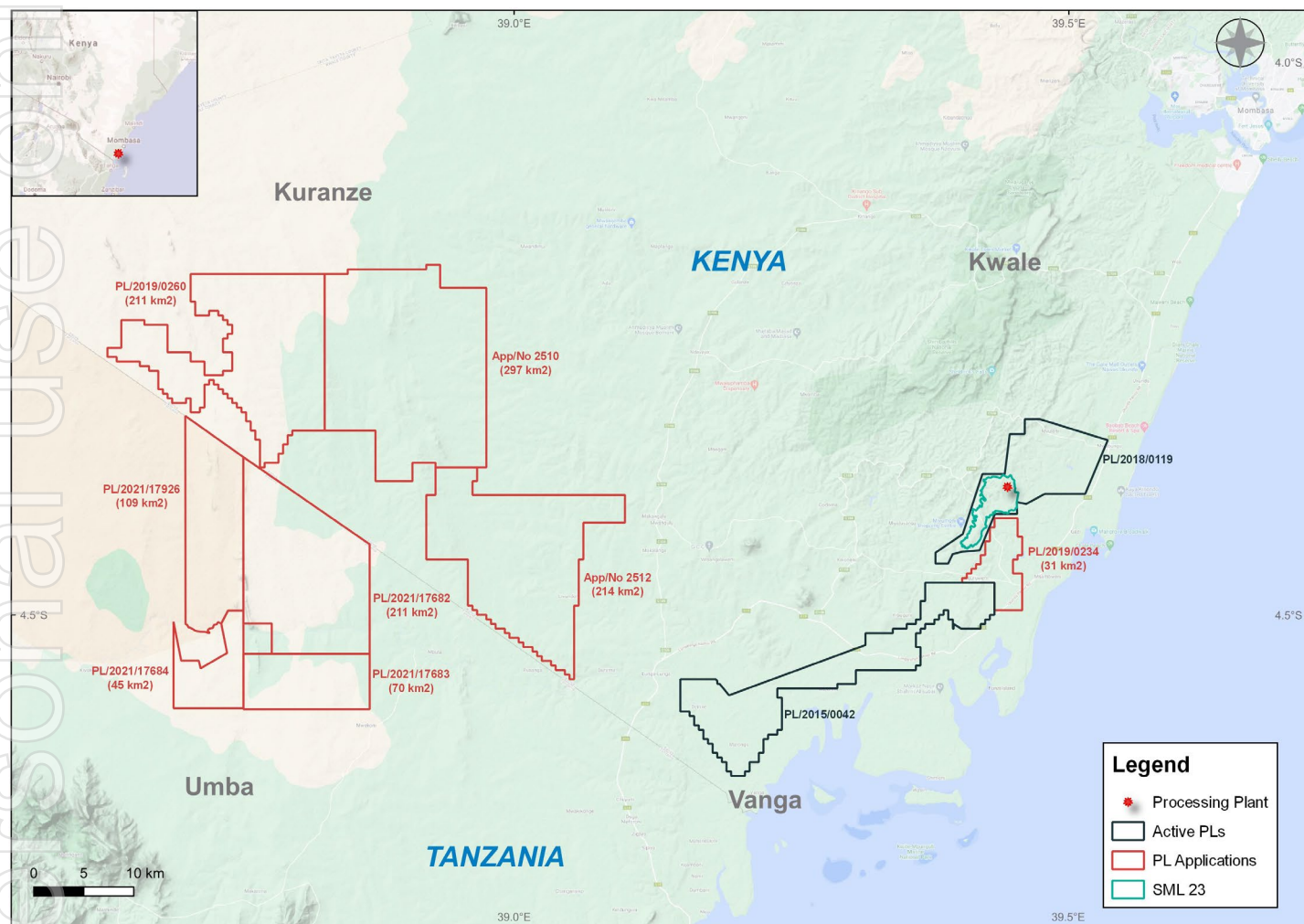


Image: Kenyan and Tanzanian prospecting licence applications.

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

CORPORATE

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\$18.8 million at 30 June 2021. No VAT refunds were received during the quarter (last quarter: US\$1.9 million). Base Resources continues to actively engage with the Kenyan National Treasury and the Kenya Revenue Authority in relation to the outstanding VAT refund claims.

FY21 full year financial results

The Company is targeting release of its FY21 audited consolidated financial statements in the week commencing 30 August 2021. Timing confirmation and shareholder and investor call details will be advised closer to the planned release.

In summary, as at 30 June 2021:

- Despite recording strong sales in the quarter, the Company's net cash position decreased, primarily due the majority of sales occurring late in the quarter, leading to an increase in receivables of US\$28.6 million.
- Net cash of US\$64.9 million consisting of:
 - Cash and cash equivalents of US\$64.9 million.
 - No debt.
- 1,178,011,850 fully paid ordinary shares on issue.
- 71,078,976 performance rights on issue pursuant to the terms of the Base Resources Long Term Incentive Plan, comprising:
 - 266,893 vested performance rights, which remain subject to exercise².
 - 70,812,083 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 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 (8) 9413 7426

Mobile: +61 (0) 488 093 763

Email: 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.

² Vested performance rights have a nil cash exercise price. Unless exercised beforehand, these rights expire five years after vesting.