# ANNUAL REPORT 2021

BASE RESOURCES

# CONTENTS



**Forward Looking Statements**

Certain statements made in or in connection with this Annual Report contain or comprise forward-looking statements, including but not limited to statements regarding capital cost, capacity, future production and grades, sales projections and financial performance, estimated mineral resources and ore reserves, trends in commodity prices and currency exchange rates, demand for commodities (in particular mineral sands), plans, strategies and objectives of management, operating costs, anticipated production life of Kwale Operations, provisions and contingent liabilities and tax and regulatory developments. Such statements may be (but are not necessarily) identified by the use of phrases such as "will", "expect", "anticipate", "believe" and "envisage".

Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that are beyond Base Resources' control.

No representation, warranty, assurance or guarantee can be given that such forward-looking statements will in fact be achieved or prove to be correct. Results or outcomes could differ materially from those expressed or implied by the forward-looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives and strategies, changes in the regulatory environment and other government actions, fluctuations in product prices and exchange rates and business and operational risk management. To the maximum extent permitted by law, Base Resources and its related bodies corporate and affiliates, and their respective directors, officers, employees, agents and advisers, disclaim any liability (including, without limitation, any liability arising from fault, negligence or negligent misstatement) for any direct or indirect loss or damage arising from any use or reliance on this Annual Report or its contents, including any error or omission from, or otherwise in connection with it.

Subject to any continuing obligations under applicable law or relevant stock exchange listing rules, Base Resources does not undertake to publicly update, review or release any revisions to these forward-looking statements to reflect new information or future events or circumstances.

# INTRODUCING BASE RESOURCES

Base Resources (ASX and AIM: BSE) is an Australian based, African focused mineral sands producer and developer with a demonstrated track record of project delivery and operational performance.

The Company's Kwale Operations in Kenya is a consistent and efficient high margin operation. With mine life extension and wider Kenyan exploration options being pursued, there is opportunity for further value creation.

The Toliara Project in Madagascar is considered as one of the best undeveloped mineral sands opportunities in the world. Although currently delayed while fiscal terms are settled with Government, project funding and delivery preparations are well advanced, ensuring rapid resumption once agreement is reached and on-the-ground activities resume.

Benefiting from consistent Kwale Operations production and an ongoing strong price environment, the Company continues to deliver strong financial results, enabling Base Resources to build a robust financial platform from which to grow the business and deliver returns to shareholders through both long-term share price appreciation and appropriate cash distributions.

# OUR APPROACH

## Base Resources exists to enrich our people, our communities in which we operate and our shareholders through the creative development of mineral resources.

Our approach and business practices are founded on a set of core principles that together form the "Base Way" which permeates every aspect of our business.

The Base Way is based on our belief in:

→ The potential of our people

→ The power of the team

→ The value of resources

→ Absolute integrity

From project development through to operating mines, we have adopted world-class, inclusive business practices that seek to minimise any negative impacts and maximise positive outcomes of our operations.

This includes a commitment to safety and operational performance, the recruitment and training of local people, a preference to work with local suppliers, extensive and effective community programs and a commitment to operating in a sustainable and environmentally responsible manner.

With this approach, Base Resources is recognised as a leader in the African resources industry with an enviable track record of excellence in safety, community engagement and environmental stewardship.

Building on this, our audacious goal is to be the pre-eminent African-focused mining company with a portfolio of exceptional operations and opportunities, fully valued by our stakeholders, by 2031.

→ We will be the first thought of company when considering truly successful resource development in Africa.

→ We will be leveraging the expertise developed and honed in Africa and successfully applying it elsewhere.

→ Our opportunities will emerge from clever exploration, acquisition and collaboration. They will represent an optioned pathway to sustained performance.

→ Governments and communities will invite us in and employees will seek us out.

→ Shareholders will fully value our sustained, predictable and growing earnings.

# FY21 HIGHLIGHTS & ACHIEVEMENTS

TOTAL FY21 DIVIDENDS

**7.0** CENTS PER SHARE (AUD)

REVENUE

**US$198.2M**

EBITDA

**US$94.6M**

INVESTED IN COMMUNITY & ENVIRONMENT PROGRAMS

**US$3.7M**

ADDITIONAL INVESTMENT TO SUPPORT OUR COMMUNITIES TO NAVIGATE THE IMPACT OF COVID-19

**US$1.4M**

Dear Shareholders

## In another operationally and financially successful year, Base Resources has continued to deliver robust results at our Kwale Operations in Kenya while working to progress development of the world class Toliara Project in Madagascar. With this high-quality asset portfolio and a track record of excellence in safety, operations, project development, community engagement and environmental stewardship, we continue to build a truly unique and resilient mineral sands company.

Base Resources continued to closely manage the risks associated with the COVID-19 pandemic, employing a suite of controls and mitigations to maintain a safe environment for our people and the communities in which we operate. Despite these challenges, Kwale Operations maintained full production, achieved guidance and met shipping schedules throughout the reporting period, a testament to the flexibility and focus of the whole Base Resources team. A small number of personnel across the Group contracted COVID-19 during the period but were supported to isolate and fully recover. Tragically though, one of our Malagasy employees succumbed to the disease.

After some early volatility, markets for mineral sands products were remarkably resilient and finished the year very tight, with customer demand exceeding the Company's ability to supply. This has supported a buoyant price environment with solid price gains across the product suite. The longer-term forecast remains constrained with structural supply shortfalls which will require new projects to be developed in the coming years. Both short and long-term markets present attractive strategic opportunities for Base Resources as an established and experienced mineral sands producer.

Our strong operational performance, combined with the robust pricing environment, allowed the Company to record revenue of US$198.2 million. This result, along with a continued focus on efficiency, drove EBITDA of US$94.6 million and a net profit after tax of US$11.0 million. Strong underlying cashflow enabled the Company to end the year with US$64.9 million net cash, after paying out an aggregate of US$56.4 million in dividends over the course of the year.

Following another year of strong cash generation, the Board was pleased to determine a full-year dividend of AUD 4.0 cents per share, unfranked, which will be payable on 29 September 2021. Together with the AUD 3.0 cents paid in March, this brings the total distributions to shareholders determined in respect of the reporting period to AUD 7.0 cents per share, unfranked.

On site, the Company maintained its uncompromising focus on safety, health and wellbeing with no lost time or medical treatment injuries during the period, resulting in frequency rates for both metrics of zero. Base Resources' employees and contractors have now worked 24.9 million hours lost time injury free, with the last and only lost time injury recorded in early 2014.

As the COVID-19 pandemic progressed, we have continued to play an important role with focused programs to support the vulnerable in our host Kenyan and Malagasy communities. This has included the distribution of food, construction of hygiene facilities and donation of medical supplies and equipment.

Kwale Operations also continued to set a benchmark for sustainability in mining project implementation and operation with a wide range of activities focused on our people, community and environment.

Highlights from these activities include 42% of the Kwale South Dune now being planted following mining activity, over 133,000 hours of training being delivered to employees and contractors in the year, US$53.4 million of Kwale Operations goods and services being acquired from Kenyan businesses and commencement of our Kwale post mining land use project. Kwale Operations also reached a milestone with 99% of the workforce now being Kenyan nationals, with 71% drawn from the local Kwale County - an outcome of our ongoing internal training, apprenticeships and graduate programs.

To build on the Company's long history of sustainable operational practice, an Environmental, Social and Ethics (ESE) committee of the Board was established in the reporting period. The Committee oversees the development of the Company's ESE strategy and reporting mechanisms, with the objective of enhancing and cementing the Company's reputation for excellence in the full lifecycle of mining.

The Company remains intensely focused on extending Kwale mine life to maximise the value created by the Kwale development for shareholders, employees, the community and the nation of Kenya. With increased certainty as to the timing for the extension of SML 23, the Kwale South Dune

Ore Reserves estimate was updated to incorporate existing estimated Mineral Resources located within the proposed expanded mining lease, extending mine life to December 2023 following such extension.

A number of other mine life extension and near mine exploration options are also being progressed. During the year, a pre-feasibility study was completed that, while unfortunately establishing that the full North Dune is not currently viable as a development, identified a higher-grade subset that is now progressing as the soon-to-be completed Bumumani pre-feasibility study. We are also further expanding our exploration tenure in the Kuranze region of Kenya with a number of prospecting licence applications moving through the regulatory approval process. Applications for adjacent prospecting licences in Tanzania have also been granted, meaning that an exploration program in this prospective region will be able to commence in the very near future.

The Toliara Project in Madagascar continues to represent a significant and attractive growth opportunity for the Company with the 2019 definitive feasibility study reinforcing our view that the Toliara Project is one of the best undeveloped mineral sands assets in the world. We have made progress in our discussions with the Government of Madagascar in relation to the fiscal terms applicable to the project and the lifting of the on-the-ground suspension. We remain confident that acceptable terms should be able to be secured and, on this basis, the Company remains committed to development of the Toliara Project. Reflecting this commitment, valuable work has been undertaken to progress a number of design and contracting packages, advance funding options, define an expanded resource and seek to update, refine and enhance the definitive feasibility study, originally published in December 2019, with these last two bodies of work expected to be finalised in the coming months.

We enter the 2022 financial year with a high degree of optimism for the future of our company and the value we can create for all stakeholders. Kwale Operations is a high quality, efficient operation for which we are working hard to secure a longer life and extend our stay in Kenya. The Toliara Project is an exceptional development opportunity. This is against a backdrop of strong commodity markets with fundamentals that are calling forward new supply.

Finally, as an experienced and well-established producer and developer, the Company is ideally positioned to leverage opportunities in the evolving mineral sands sector. While we are completely cognisant of the challenges before us, we are confident we have the team, approach, reputation and support to successfully navigate them.

Thank you to you, our shareholders, for your ongoing belief in the Company. We appreciate your support as we continue to build a truly unique mineral sands company.

**Keith Spence**
Chair

# YEAR AT A GLANCE


## Production

**317,276**
TONNES OF ILMENITE PRODUCED

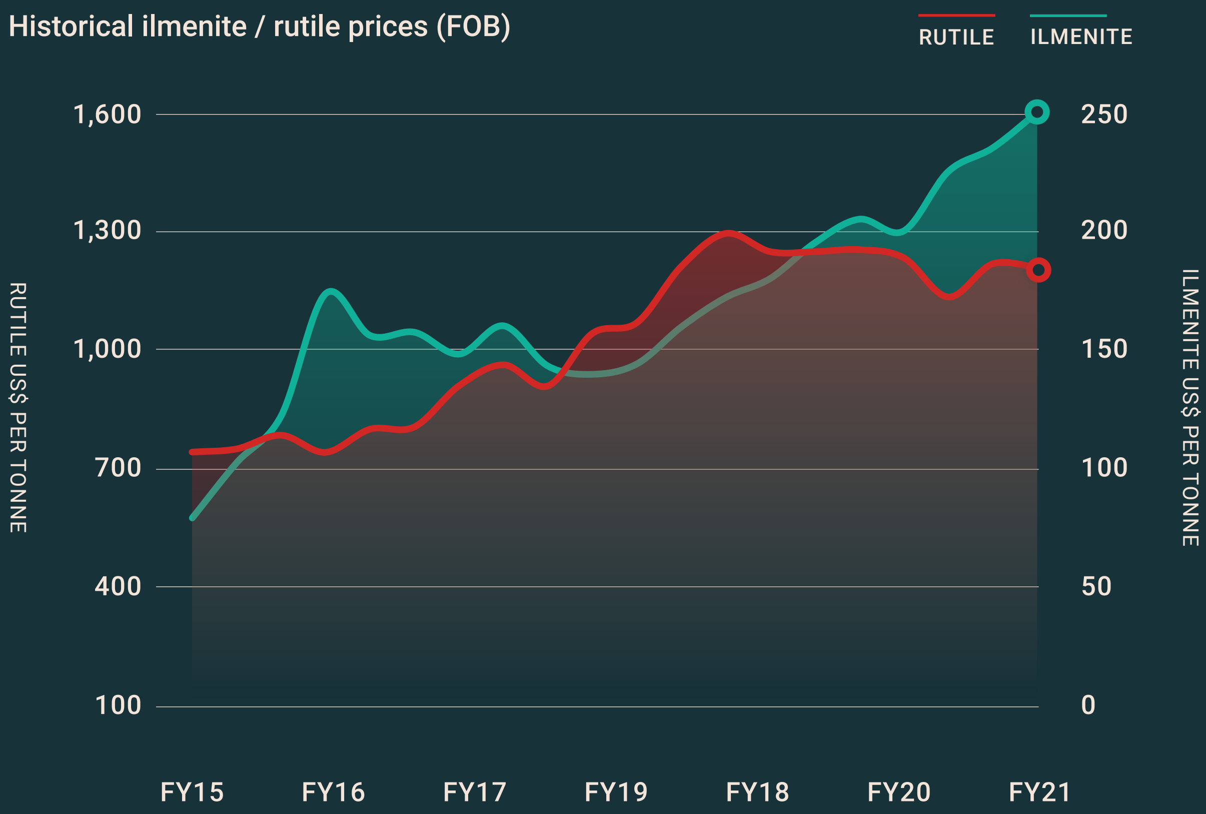
**73,248**
TONNES OF RUTILE PRODUCED

**27,123**
TONNES OF ZIRCON PRODUCED

## Full year results financial summary

| US$M | FY21 | FY20 |
|---|---|---|
| REVENUE | 198.2 | 208.0 |
| EBITDA | 94.6 | 108.7 |
| NET DEPRECIATION | (59.4) | (57.2) |
| EBIT | 35.2 | 51.5 |
| NET FINANCE EXPENSE | (5.9) | (5.9) |
| INCOME TAX EXPENSE | (9.3) | (6.0) |
| KENYAN DIVIDEND WITHHOLDING TAX | (9.0) | - |
| NPAT | 11.0 | 39.6 |
| EARNINGS PER SHARE (US CENTS) | 0.93 | 3.38 |
| REVENUE/COST OF SALES | 2.5 | 2.5 |
| DIVIDEND DETERMINED – CENTS PER SHARE (AUD) | 4.0 | 3.5 |

## Historical ilmenite / rutile prices (FOB)




## Historical zircon prices (FOB)


FIXED PLANT MAINTENANCE
MAIN WORKSHOP
BASE
TITANIUM

# OPERATING & FINANCIAL REVIEW

ANNUAL REPORT 2021

BASE RESOURCES

# Base Resources operates the 100% owned Kwale Operations in Kenya, which commenced production in late 2013. Kwale Operations is located 50 kilometres south of Mombasa, the principal port facility for East Africa.

Kwale Operations is designed to process ore to recover three main products: rutile, ilmenite and zircon. Base Resources employs a hydraulic mining method which has proven cost effective and well suited to the Kwale deposit and involves blasting the mining face directly with high pressure jets of water to create an ore slurry. The ore slurry is then pumped to the wet concentrator plant (WCP) where slimes are removed before a number of gravity separation steps reject most of the non-valuable, lighter gangue minerals to produce a heavy mineral concentrate (HMC). The heavy mineral concentrate is then processed in the mineral separation plant (MSP) which cleans and separates the rutile, ilmenite and zircon minerals into finished products for sale.

## Mining

Mining volume was steady at approximately 18.0 million tonnes in the reporting period compared to the prior period. The average heavy mineral grade of ore mined was 3.46%, lower than the prior period (3.63%).

| Mining and Wet Concentrator Plant | FY21 | FY20 |
|---|---|---|
| Ore mined (tonnes) | 17,982,578 | 18,056,841 |
| Heavy mineral (HM) % | 3.46 | 3.63 |
| WCP heavy mineral concentrate production (tonnes) | 558,084 | 606,553 |

558,084 tonnes of HMC was produced in the reporting period, lower than the prior period (606,553 tonnes) due to the lower grade of ore mined and marginally lower HM recoveries. With HMC now the primary constraint on production, all HMC produced was fed to the MSP and HMC stocks closed the year at 19,841 tonnes (prior period: 16,450 tonnes).

## Processing

| Mineral Separation Plant | FY21 | FY20 |
|---|---|---|
| MSP feed (tonnes of heavy mineral concentrate) | 554,693 | 608,563 |
| MSP feed rate (tph) | 68 | 81 |
| MSP recovery % | | |
| Ilmenite | 101 | 100 |
| Rutile | 101 | 100 |
| Zircon | 85 | 85 |
| Production (tonnes) | | |
| Ilmenite | 317,276 | 355,093 |
| Rutile | 73,248 | 78,920 |
| Zircon | 27,123 | 31,657 |
| Zircon low grade | 1,878 | 2,370 |

As a consequence of MSP operations being constrained by available HMC, plant utilisation and feed rates were lower in the reporting period. As a result, production of all products was lower than the prior period:

- Ilmenite production was 317,276 tonnes in the reporting period (prior period: 355,093 tonnes) with lower contained ilmenite in the MSP feed also impacting production.
- Rutile production was 73,248 tonnes in the reporting period (prior period: 78,920 tonnes).
- Zircon production was 27,123 tonnes for the reporting period (prior period: 31,657 tonnes) with lower contained zircon in the MSP feed also impacting production.
- Production of a low-grade zircon product continued with a contained 1,878 tonnes produced during the year (prior period: 2,370 tonnes).

## Operational COVID-19 response

As the COVID-19 pandemic persisted, the Company continued to closely monitor and respond to its impacts on our business, people and stakeholders. Activities at Kwale Operations have continued to be maintained, balancing the considerations of employee and community health, operational safety, community benefits, government regulation, customer demand and financial prudence.

A suite of controls and mitigations aimed at protecting the health and safety of employees and neighbouring communities, including modified workplace practices and a focus on hygiene and social distancing were implemented and have proved effective, with only a small number of cases being detected in the workforce.

## Sales

The Company maintains a balance of multi-year and quarterly offtake agreements with long term customers as well as a small proportion of ongoing spot sales. These agreements, in place with some of the world's largest consumers of titanium dioxide feedstocks and zircon products, provide certainty for Kwale Operations by securing minimum offtake quantities. Sales prices in these agreements are typically either negotiated on a shipment-by-shipment basis or set for periods of up to six months and are derived from prevailing market prices.

The strength of the mineral sands market in the reporting period for all products ensured that sales continued to closely match production, with minimal inventories being maintained.

| Product Sales | FY21 | FY20 |
|---|---|---|
| Sales (tonnes) | | |
| Ilmenite | 320,438 | 356,836 |
| Rutile | 74,339 | 79,644 |
| Zircon | 28,037 | 30,267 |
| Zircon low grade | 1,705 | 2,971 |

# Business development remained a core focus with the Toliara Project and opportunities to extend Kwale Operations' mine life progressed.

## Toliara Project

The Toliara Project is founded on the Ranobe deposit, located approximately 45 kilometres north of the regional town of Toliara in southwest Madagascar. The Company acquired the Toliara Project in 2018 and is currently progressing it towards development. A definitive feasibility study (DFS) completed in 2019 confirmed the Company's view that the Toliara Project is a world class mineral sands development opportunity, with estimated average annual production of 780 thousand tonnes (kt) of ilmenite, 53kt of zircon and 7kt of rutile over a 33-year mine life based on the current Ore Reserves.[1]

In November 2019, the Government of Madagascar required the Company to 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 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. Other Toliara Project workstreams were progressed in the reporting period including front-end engineering design, selection of preferred tenderers for key construction packages and prospective lenders due diligence.

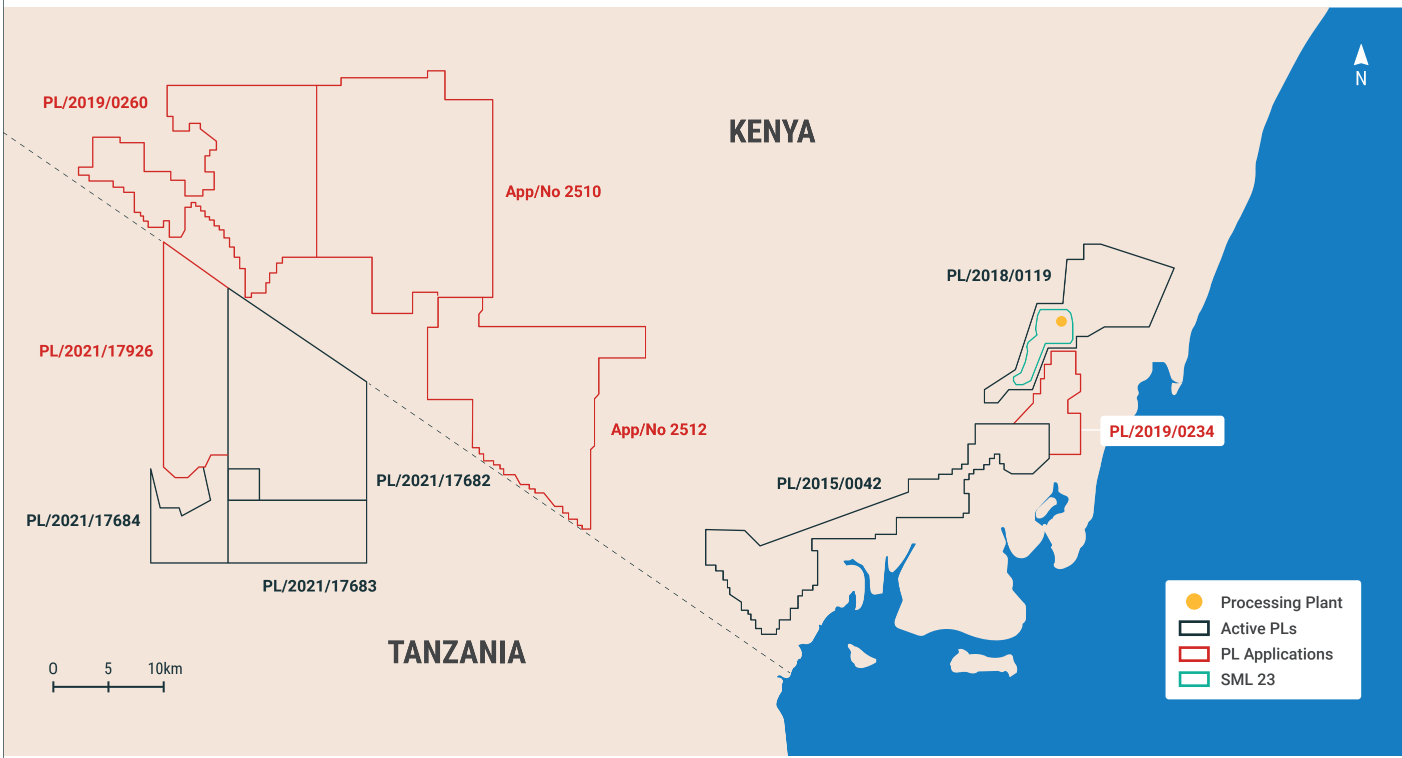
Once fiscal terms are agreed and the suspension is lifted, there will be approximately 11 months' work to complete prior to making a final investment decision. This work includes finalising funding, completing the land access processes and concluding major construction contracts. The resumption of international travel will also be required to complete a significant portion of this work.

## Kwale Operations extensional initiatives

With increased certainty as to the timing for the extension of SML 23, the Kwale South Dune Ore Reserves estimate was updated to incorporate existing estimated Mineral Resources located within the proposed expanded mining lease, extending mine life to December 2023 following such extension.

Drilling in the northern sections of the Vanga prospecting licence, south of Kwale Operations, was completed with no significant mineralisation found. The drilling program in the Kwale North-East Sector remained on hold pending community access being secured.

Additional prospecting licences applied for in the Kuranze region of Kwale county, about 70 km west of Kwale Operations, as well as over an area south of Lamu, continued through the granting process. Prospecting licence applications in Tanzania, adjacent to the Kuranze region in Kenya, were applied for, and granted subsequent to the reporting period.




1. Excludes first and last partial operating years. For further information about the DFS, refer to Base Resources' announcement on 12 December 2019 "DFS reinforces Toliara Project's status as a world class mineral sands development" (DFS Announcement) available at https://baseresources.com.au/investors/announcements. Base Resources confirms that all material assumptions underpinning the production information disclosed in the DFS Announcement continue to apply and have not materially changed.

# SUSTAINABILITY

From project development through to operating mines, Base Resources has adopted world-class, inclusive business practices seeking to minimise any negative impacts and maximise positive outcomes of its operations for its employees, its host communities and, more broadly, its host nations.

These practices are based on the understanding that achieving our long-term goals is reliant on building beneficial relationships with the communities in which we operate and establishing a balanced flow of mutual benefit.

Through these mutual benefits we aim to maximise the positive outcomes of our operations for all our stakeholders. Many of our programs seek to extend these positive outcomes past the life of the mine, creating permanent positive change for our communities.

Base Resources focuses its sustainability activities in the following three interrelated areas:

- Our people
- Community
- Environment

The programs and initiatives within these areas are developed taking into consideration international best practice and feedback from stakeholders, including our communities and host governments. Base Resources complies with national legislation and international best practice, specifically the International Finance Corporation's Performance Standards, the Equator Principles, the World Bank Group's Environmental, Health and Safety Guidelines, the International Labour Organisation's core labour standards, the Extractive Industries Transparency Initiative and the United Nations Voluntary Principles on Security and Human Rights.

With the objective of further enhancing and cementing a reputation for excellence in the full lifecycle of mining, an Environmental, Social and Ethics (ESE) committee of the Board was established during the year. The Committee is responsible for overseeing the development, and evolution, of the Company's ESE strategy, performance and reporting mechanisms.

ESE matters are specifically embedded in role descriptions throughout the organisation ensuring both the requisite focus and effective integration into out "business as usual" practices. For the 2021 financial year, 24% of the Individual Component of the Short Term Incentive Plan remuneration at risk rested on effective management of these ESE matters.

## Supporting local businesses

In order to maximise positive outcomes of our operations for local communities, the Company has established diverse and extensive relationships with local and national Kenyan suppliers. This has included a partnership with Invest in Africa to advertise the Company's requests for quotations and to provide training to suppliers on how to write and submit tenders.

Covering a broad spectrum from haulage to the supply of indigenous seeds, Base Resources worked with over 390 Kenyan suppliers in the reporting period, placing over 13,000 orders - totalling 77% of total operating expenditure, or US$53.4 million.

## Our People

### Health and Safety

Base Resources is committed to safety and has established a best-practice safety culture across all of its operations. There were no workplace lost time injuries during the reporting period. As such the lost time injury frequency rate remains at zero. Base Resources employees and contractors have now worked more than 24.9 million man-hours LTI free, with the last lost time injury recorded in February 2014. In addition, no medical treatment injuries occurred in the reporting period and as such the total recordable injury frequency rate at the end of the reporting period was zero per 1 million hours.

### Local employment and workforce development

Base Resources prioritises the recruitment of local people via a system that is specifically designed to maximise employment opportunities and project benefits for local communities.

Through a 'fencing system', established in consultation with governments and local communities, Base Resources gives preference to those residing in the immediate environs of a mine with progressively lower priority given to those living further away.

Base Resources' employee fencing system has proved highly effective at Kwale Operations and, of the 1,248 employees and contractors, 99% are now Kenyan with 71% drawn from Kwale County. The same approach is being developed in Madagascar for the Toliara Project.

Base Resources has structured training and skills transfer programs covering on-the-job training for permanent employees, as well as tailored programs for graduates, interns, apprentices and high school students. Implemented in both Kenya and Madagascar, the programs focus not only on employees, but also on building skills capacity in the broader community.

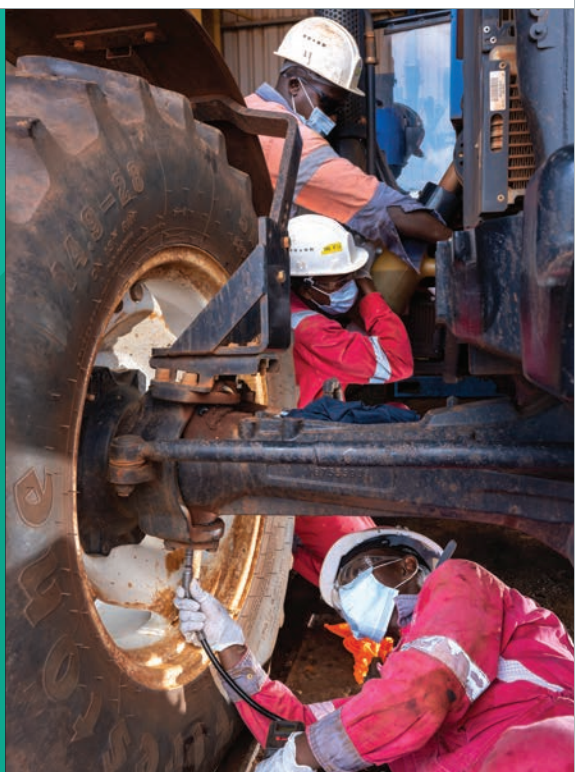
Reflecting the Company's continued commitment to skills transfer, Base Resources invested US$800,000 in training and development across its operations during the reporting period, resulting in delivery of over 133,725 hours of training to employees and members of the community.

## Developing the Malagasy workforce – the Toliara Project apprentice program

In 2019, following an extended period of aptitude assessments and English language training, 24 young Malagasy men and women were selected for the inaugural Toliara Project apprentice program, based at our Kwale Operation in Kenya.This two-year apprenticeship program saw the apprentices gain skills in the areas of electrical, automotive and industrial mechanics.

Applying learnings from similar previous programs at Kwale Operations the program was designed around a practical on-site component at our producing mineral sands operation and a theoretical component delivered by the Kenyan National Industrial Training Authority (NITA).

All apprentices have now completed their programs, gaining internationally recognised Certificate III qualifications, and are pursuing further work experience at our Kwale Operations until travel restrictions are lifted.



### Employee engagement

Base Resources places significant emphasis on establishing and developing a highly engaged, motivated and satisfied workforce, with the sustained operational performance achieved, across production, safety and cost management, reflective of the Company's success in developing human capital.

Additional key indicators of employee satisfaction and motivation, as well as sources of competitive cost advantage, are staff turnover and industrial action. The Group voluntary staff turnover rate for the reporting period was 0.5%, a decrease from the prior period's 1.8%. Base Resources has not recorded any industrial action since being founded.

### Diversity

Base Resources values and encourages a diverse workforce and provides a work environment in which everyone is treated fairly, and with respect and can realise their full potential. Previously set objectives for achieving gender diversity were retained for the reporting period and a further two objectives were added. The objectives included an increase in the overall percentage of women employed by the Group, maintaining female representation in the intakes for graduate and apprentice programs at or above one third, increasing the number of women in management roles (Manager level and above) and senior management roles (General Manager level and above) and, excluding short term employees, maintaining female turnover that is less than Group turnover.[2]

Base Resources achieved its objective to increase the overall percentage of women in the workforce, to maintain female representation in the intake for graduate and apprentice programs at or above one third in the reporting period and to achieve greater diversity on the Board. The number of women in management roles in absolute terms again remained stable, voluntary female turnover was also materially the same as the prior period and no appointment opportunities were available during the reporting period at senior management level. Further details about the Company's diversity objectives are set out on page 65.

The Company's diversity performance for the reporting period and prior period is outlined below:

| Objective | FY21 | FY20 | Change (%) |
|---|---|---|---|
| Overall percentage of women | 18.4% | 17.7% | 0.7% |
| Female representation in graduate and apprentice programs at or above one third | 33.3% | 33.3% | No change |
| Women in management roles (Manager and above) | 15.8% | 16.7% | (0.9)% |
| Women in senior management (General Manager and above) | 0.0% | 0.0% | No change |
| Board gender diversity | 28.6% | 14.3% | 14.3% |
| Maintain female turnover that is equal to or less than Group turnover | Female - 12.0%<br>Group - 8.6%<br>Difference - 3.4% | Female - 0.9%<br>Group - 1.2%<br>Difference - (0.3%) | 3.7% |

## Preparing for life after mining – post mining land use study

Although Base Resources is pursuing all opportunities to extend mine life at Kwale Operations, the Company began a post mining land use (PMLU) project in the reporting period with the intention of creating opportunities to encourage the development of sustainable post-closure options that use the mined land, and tenured area, in a way that meets our vision for mining in Africa.

This vision includes post mining land use that is economically sustainable, can maintain or increase local employment, has a demonstrated ability to return mined land to biodiversity, optimises the use of existing infrastructure and is welcomed by the community.

The PMLU will be progressed with key stakeholder involvement to explore three core land use themes being conservation, training and agribusiness.

2. Turnover covers all scenarios which may result in an employment relationship ending, with the exception of termination for cause.

## Community

Base Resources engages with its local communities in a structured and inclusive manner. Across its operations, the Company has established various committees to act as an interface between the Company, local communities and governments. This is an important tool for managing expectations and addressing grievances or concerns, and establishes a mechanism for achieving more participatory and inclusive outcomes.

Through close collaboration with committees and communities across Kenya and Madagascar, programs have been developed based around four key pillars:

- Livelihood Improvement
- Community Health
- Education
- Community Infrastructure

During the reporting period, in accordance with new regulations under the Kenyan Mining Act 2016, the Company entered into Community Development Agreements (CDAs) with three communities affected by Kwale Operations. In broad terms, each CDA provides for the delivery of specified development projects for the benefit of the relevant community and establishes a dedicated committee to oversee the implementation of these projects. The process involved extensive community consultation on CDA regulations, the formalisation of CDA committees, training of the committees in their role and further community engagement on development preferences and priorities included in the agreements.

More Information on Base Resources' community programs is available at baseresources.com.au.

## Environment

The Company is committed to undertaking its activities in a way that prevents, mitigates or offsets any detrimental impacts on the environment. The Company's Environmental Policy drives the Company's commitment to minimising pollution and overall impacts, contributing to protecting and conserving biodiversity and driving environmentally responsible behaviour.

The Company operates a comprehensive environmental management system that was effective in ensuring no significant environmental incidents during the reporting period.

Rehabilitation of the Kwale Operations tailings storage facility external walls continued throughout the reporting period with approximately 54 hectares (85%) classified as rehabilitated, subject to an audit by the National Environment Management Authority. As mining operations advanced through the South Dune, the mined-out area is being progressively rehabilitated with 104 hectares undergoing planting in the reporting period, taking the total South Dune area that has either been planted or provisionally rehabilitated to 159 hectares (64% of the disturbed area) by the end of the year. Seeds and topsoil erosion control materials for this rehabilitation work are sourced from local women's groups, thereby providing additional incomes for villages surrounding the mine site.

Across the Company's operations, work continued on several programs to improve local biodiversity, and promote conservation and sustainability including the rare and endangered flora propagation research program. Under this program, Base Resources focuses on species of conservation significance, particularly local and threatened indigenous plant species, for propagation in its nurseries.

The Kwale Operations nursery has 289 indigenous species represented, and over 138,000 plants have been grown to date, of which 103,800 have been planted. The nursery represents one of the largest of its kind in Africa, with 90 of the species represented appearing in the IUCN Red List of Threatened Species, as either critically endangered, endangered or vulnerable. The nursery, together with the arboretum established alongside it, function as a training and educational facility for local community projects, schools and other visitors.

For more information on other environmental programs such as biodiversity corridors, wetland restoration and recycling programs visit baseresources.com.au.

## COVID-19 and our communities

As the COVID-19 pandemic evolved over the past year, Base Resources continued to play an important role in its host communities, working with NGOs and national and local governments, in both Kenya and Madagascar to identify areas of need and provide support to vulnerable communities affected by both health and economic related impacts of the pandemic. Building on initial programs implemented at the outset of the pandemic last year, the Company invested US$1.4 million to help combat COVID-19 in Kenya and Madagascar in the reporting period, including:

- Partnering with local organisations to support Toliara women to produce 81,000 washable facemasks that were subsequently donated to the community.
- Distributing over 117,000 reusable face masks in Kenya to schools and other institutions.
- Providing 17,533 food packages to households in Kenya and donating over 140 tonnes of rice, vegetables and other staples in Madagascar.
- Building and maintaining 319 handwashing stations, set up in high community foot-traffic areas across both countries.
- Producing training and communication materials to raise awareness of COVID-19.
- Donating 4,900 desks to Kenyan schools to support social distancing.
- Donating 549 thermometer guns.

Base Resources was recognised by the Australia Africa Minerals and Energy Group with an award for best innovation in Corporate Social Development for its COVID-19 community programs.

# MARKETS

With a strong rebound of the Chinese pigment sector from early in the reporting period, Base Resources secured steady price gains for ilmenite. Sluggish demand due to COVID-19 lockdowns in many regions resulted in zircon and rutile experienced a subdued first half. However, a sharp rebound in downstream demand through the second half of the reporting period resulted in the price of rutile and zircon strengthening.

Mineral sands end products are widely used in everyday life and historical demand has been tightly tied to growth in global GDP.

## Ilmenite and rutile

Ilmenite and rutile are different grades of titanium dioxide ($TiO_2$) minerals and are used predominantly to produce pigments for paint, paper, plastics, textiles and inks. $TiO_2$ pigment is prized for its opacity, brightness and whiteness and its ability to absorb and reflect ultraviolet radiation. It is also non-toxic and inert to most chemical reagents.

High grade $TiO_2$ minerals (which include rutile) can also be used to produce titanium metal, which is corrosion resistant and has the highest strength to weight ratio of any metal. Titanium metal is used across aerospace and defence industries as well as in medical devices, sporting equipment and jewellery. High grade $TiO_2$ minerals are also used in the flux in welding consumables such as welding rods and flux-cored wire which is extensively used in ship building.

The Chinese pigment industry, the biggest consumer of sulphate ilmenite, had fully recovered from COVID-19 restrictions by the start of the reporting period with strong sales growth in both the export and Chinese domestic markets. Demand for Chinese pigment held up throughout the period with all major pigment plants maintaining near-capacity production levels. This fuelled ongoing strong demand and solid price gains for ilmenite.

Supply constraints on ilmenite persisted through the first half of the reporting period, contributing to higher prices. Increasing ilmenite volumes from some African sources, domestic Chinese production and increased export activity from Vietnam started to close the supply gap, and may slow pricing momentum in the coming financial year.

The average price for Base Resources' ilmenite in the reporting period was 21% higher than the prior period.

The pigment industry outside of China, which is more dependent on high grade $TiO_2$ feedstock (including rutile) and dominated by western producers, experienced a subdued start to the reporting period as COVID-19-related lockdowns impacted operations and pigment demand. Major pigment producers reduced their production rates through much of the first half of the reporting period which resulted in a sharp reduction in demand for rutile.

A very strong recovery in pigment demand occurred as major consuming regions emerged from lockdowns in late 2020 and pigment plants quickly began ramping up to near-capacity levels. Coupled with a resurgence in the welding industry and parts of the titanium metal industry, surplus rutile in the supply chain was absorbed by early 2021 and, with persistent production issues at several major producers constraining supply, rutile prices began an upward trend.

The average price for Base Resources' rutile in the reporting period was 4% lower than the prior period.

Demand for ilmenite and rutile from Base Resources' existing customer base continues to exceed production capacity. Expectations of ongoing strength in all end use sectors is likely to see continued support for strong prices for rutile and ilmenite through the start of the 2022 financial year.


## Zircon

Zircon has a range of end-uses, including in the production of ceramic tiles, which accounts for more than 50% of global zircon consumption. Milled zircon enables ceramic tile manufacturers to achieve brilliant opacity, whiteness and brightness in their products. Zircon's unique properties include heat and wear resistance, stability, opacity, hardness and strength, making it sought after for other applications such as refractories, foundries and specialty chemicals.

Demand for zircon is closely linked to growth in global construction and increasing urbanisation in the developing world. Under normal conditions there is a close link between zircon demand growth and global GDP growth.

The overall zircon market was relatively subdued through the first half of the reporting period. Weak demand in China, resulting from sluggish activity in most consuming sectors, caused inventory in the supply chain to build up to higher than normal levels in the first half of the reporting period. Demand in other markets, particularly Europe, was impacted by COVID-19 lockdowns through mid-2020 but began to recover strongly in late 2020, causing zircon prices to stabilise as major producers managed their supply into the market.

As Chinese demand also began to recover in early 2021, zircon inventory in the supply chain was rapidly absorbed, moving the market into a deficit. Zircon prices picked up sharply towards the end of the reporting period and the strong upward momentum in prices has continued into the start of the 2022 financial year.

The average price for Base Resources' zircon in the reporting period was 4% lower than the prior period.

Demand for zircon from Base Resources' existing customer base continues to exceed production capacity.

# Base Resources achieved revenue of US$198.2 million and EBITDA of US$94.6 million for the reporting period.

| | 2021 | | | | 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | Kwale Operations US$000s | Toliara Project US$000s | Other US$000s | Total US$000s | Kwale Operations US$000s | Toliara Project US$000s | Other US$000s | Total US$000s |
| **Sales revenue** | **198,235** | **-** | **-** | **198,235** | **208,016** | **-** | **-** | **208,016** |
| **Cost of goods sold excluding depreciation & amortisation:** | | | | | | | | |
| Operating costs | (64,963) | - | - | (64,963) | (68,553) | - | - | (68,553) |
| Inventory movement | (1,576) | - | - | (1,576) | 502 | - | - | 502 |
| Royalties expense | (13,823) | - | - | (13,823) | (14,557) | - | - | (14,557) |
| **Total cost of goods sold** (i) | **(80,362)** | | | **(80,362)** | **(82,608)** | **-** | **-** | **(82,608)** |
| Corporate & external affairs | (3,759) | (69) | (7,683) | (11,512) | (3,340) | (85) | (6,581) | (10,006) |
| Community development | (4,618) | - | - | (4,618) | (3,559) | - | - | (3,559) |
| Selling & distribution costs | (3,706) | - | - | (3,706) | (2,388) | - | - | (2,388) |
| COVID-19 response costs | (1,200) | - | - | (1,200) | (1,082) | - | - | (1,082) |
| Other income (expense) | (1,727) | - | (537) | (2,264) | 641 | - | (327) | 314 |
| **EBITDA** (i) | **102,863** | **(69)** | **(8,220)** | **94,574** | **115,680** | **(85)** | **(6,908)** | **108,687** |
| Depreciation & amortisation | (58,948) | (203) | (287) | (59,438) | (56,725) | (186) | (273) | (57,184) |
| **EBIT** (i) | **43,915** | **(272)** | **(8,507)** | **35,136** | **58,955** | **(271)** | **(7,181)** | **51,503** |
| Net financing expenses | (5,800) | - | (78) | (5,878) | (5,524) | - | (349) | (5,873) |
| Income tax expense: | | | | | | | | |
| Corporate income tax | (9,277) | - | - | (9,277) | (6,042) | - | - | (6,042) |
| Dividend withholding tax | - | - | (9,000) | (9,000) | - | - | - | - |
| **NPAT** | **28,838** | **(272)** | **(17,585)** | **10,981** | **47,389** | **(271)** | **(7,530)** | **39,588** |

*(i) Base Resources' financial results are reported under International Financial Reporting Standards (IFRS). These Financial Statements include certain non-IFRS measures including EBITDA and EBIT. These measures are presented to enable understanding of the underlying performance of the Group and have not been audited.*

Sales revenue decreased 5% to US$198.2 million for the reporting period (prior period: US$208.0 million), with lower sales volumes partially offset by the average realised sales price increasing to US$467 per tonne (prior period: US$445 per tonne), primarily driven by strengthening ilmenite prices.

Total operating costs of US$65.0 million were 5% lower than the prior period (US$68.6 million), but due to a 10% reduction in production volume, the operating costs per tonne produced was 8% higher at US$158 per tonne (prior period: US$146 per tonne).

Cost of goods sold (operating costs, adjusted for stockpile movements and royalties), was US$191 per tonne of product sold, 8% higher than the prior period (US$177 per tonne) due to higher unit operating costs and draw down of stockpiles.

With a margin of US$276 per tonne sold for the reporting period (prior period: US$268 per tonne) and an achieved revenue to cost of sales ratio of 2.5 (prior period: 2.5), Base Resources remains well positioned amongst mineral sands producers.

As a result of the reduced sales revenue, Kwale Operations EBITDA was lower in the reporting period at US$102.9 million (prior period: US$115.7 million) and Group EBITDA was also lower at US$94.6 million (prior period: US$108.7 million).

The majority of Kwale Operations assets are depreciated on a straight-line basis over the remaining mine life. Depreciation and amortisation increased 4% in the reporting period to US$59.4 million (prior period: US$57.2 million) due to capital expenditure incurred at Kwale Operations in the reporting period being depreciated over the short remaining life of existing Ore Reserves.

With increased certainty as to the timing for the extension of SML 23, the Kwale South Dune Ore Reserves estimate was updated following the reporting period to incorporate existing estimated Mineral Resources located within the proposed expanded mining lease. This will extend Kwale mine life to December 2023 following such expansion. The incorporation of further Mineral Resources will allow future depreciation and amortisation charges to be spread over a longer period.

From 1 January 2021, the Kenyan corporate tax rate increased from 25% to 30%, as economic stimulus measures implemented in response to COVID-19 were wound back. When coupled with the 50% reduction in corporate tax rate applicable for the first 10 years of Kwale Operations mine life, this resulted in an average Kenyan effective tax rate of 13.75% for the reporting period compared with 12.5% in the prior period. Further, the change in Kenyan tax rates resulted in a US$4.5 million increase in deferred tax movements recognised in the reporting period. As a result, the Kwale Operations income tax expense was higher in the reporting period at US$9.3 million (prior period: US$6.0 million). A net profit after tax of US$28.8 million was recorded by Kwale Operations in the reporting period (prior period: US$47.4 million).

During the reporting period, the Group's Kenyan subsidiary, Base Titanium, distributed US$60.0 million of surplus cash, via dividend, to the Group's ultimate parent entity, Base Resources Limited. The dividend distribution by Base Titanium incurred 15% Kenyan dividend withholding tax of US$9.0 million, which has been recorded as an income tax expense, thus contributing to a profit after tax of US$11.0 million for the Group (prior period: US$39.6 million). Previously, surplus cash distributions from Base Titanium occurred by way of redemption of preference shares, however these were fully redeemed during the reporting period. Basic earnings per share for the Group was US$0.93 cents per share (prior period: US3.38 cents per share).

Cash flow from operations was US$64.5 million for the reporting period (prior period: US$105.5 million), lower than Group EBITDA due to the payment of US$19.1 million in corporate income tax and dividend withholding tax to the Kenya Revenue Authority during the reporting period. Operating cashflows were used to fund capital expenditure at Kwale Operations, Toliara Project progression, as well as debt reduction and servicing.

Total capital expenditure for the Group was US$24.5 million in the reporting period (prior period: US$33.6 million), comprised of US$11.5 million at Kwale Operations (prior period: US$10.6 million), primarily for a co-disposal mixing plant for enhanced land rehabilitation, and US$12.0 million for the progression of the Toliara Project (prior period: US$22.8 million).

## Net cash

The previously outstanding balance of the Revolving Credit Facility (RCF) of US$75.0 million was repaid in full during the reporting period. With growing confidence in the trajectory of the mineral sands market and greater clarity on the risks and impacts of the COVID-19 pandemic, the Company retired the RCF in March 2021, nine months ahead of its final maturity. The Company is now debt-free and, with cash reserves of US$64.9 million (prior period: net cash of US$87.6 million), is in a robust financial position.

## Capital management

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.

Applying this approach, the Board determined a full-year dividend of AUD 4.0 cents per share, unfranked, with a record date of 13 September 2021 and payment date of 29 September 2021. This follows the AUD 3.0 cent per share, unfranked half-year dividend paid to shareholders in March 2021, and brings total dividends in respect of the reporting period to AUD 7.0 cents per share, unfranked.

The 2021 Mineral Resources and Ore Reserves estimates for Base Resources are summarised in the table below, together with the 2020 Mineral Resources and Ore Reserves estimates for comparison.

| | 2021 as at 30 June 2021 | | | | | | | | | 2020 as at 30 June 2020 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Material | HM | HM | SL | OS | HM Assemblage | | | | Material | HM | HM | SL | OS | HM Assemblage | | | |
| | | | | | | ILM | RUT | LEUC | ZIR | | | | | | ILM | RUT | LEUC | ZIR |
| | (Mt) | (Mt) | (%) | (%) | (%) | (%) | (%) | (%) | (%) | (Mt) | (Mt) | (%) | (%) | (%) | (%) | (%) | (%) | (%) |
| Mineral Resources (Measured + Indicated + Inferred, inclusive of Ore Reserves) | | | | | | | | | | | | | | | | | | |
| Kwale# | 254 | 4.7 | 1.9 | 34 | 1.9 | 50 | 13 | - | 5.7 | 246 | 4.9 | 2.0 | 34 | 2 | 51 | 13 | - | 5 |
| Ranobe | 1,293 | 66 | 5.1 | 6 | 0 | 72 | 2* | - | 6 | 1,293 | 66 | 5.1 | 6 | 0 | 72 | 2* | - | 6 |
| Ore Reserves (Proved + Probable) | | | | | | | | | | | | | | | | | | |
| Kwale South | 40 | 1.3 | 3.3 | 24 | 2.1 | 58 | 14 | - | 5.7 | 40 | 1.4 | 3.4 | 26 | 1.7 | 57 | 13 | - | 6 |
| Ranobe | 586 | 38 | 6.5 | 3.9 | 0.1 | 74 | 1.1 | 0.9^ | 5.9 | 586 | 38 | 6.5 | 3.9 | 0.1 | 74 | 1.1 | 0.9^ | 5.9 |

*Table subject to rounding differences*
** Rutile reported is rutile + leucoxene mineral species.*
*^ Recovered leucoxene will be split between rutile and chloride ilmenite products depending on product specification requirements.*
*# Kwale incorporates the Kwale South Dune, Kwale North Dune and Bumamani deposits.*

Mineral Resources and Ore Reserves estimates in this statement are reported in accordance with the JORC Code. For further information about the estimates in this statement, including information that is material to understanding the estimates in relation to the applicable criteria in Table 1 of the JORC Code, refer to the following announcements[3]:

| Deposit | | Announcement Title | Estimate date | Release date |
|---|---|---|---|---|
| Kwale South Dune | Mineral Resources & Ore Reserves | Updated Kwale South Dune Mineral Resources and Ore Reserves estimates | 30 June 2021 | 20 August 2021 |
| Kwale North Dune and Bumamani | Mineral Resources | Updated Kwale North Dune and maiden Bumamani Mineral Resources estimates | 19 February 2021 | 19 February 2021 |
| Ranobe (Toliara) | Ore Reserves | Maiden Ranobe Ore Reserves Estimate | 27 November 2019 | 6 December 2019 |
| Ranobe (Toliara) | Mineral Resources | Updated Ranobe Deposit Mineral Resources (corrected) | 23 January 2019 | 23 January 2019 |
| 2020 Comparatives | Mineral Resources & Ore Reserves | 2020 Mineral Resources and Ore Reserves Statement | 30 June 2020 | 13 August 2020 |

## Kwale Deposits

The Company's 100% owned Kwale Mineral Sands Operations in Kenya is located approximately 50 kilometres south of Mombasa and 10 kilometres inland from the Kenyan coast. The Company's wholly owned subsidiary, Base Titanium, holds Prospecting Licence 2018/0119 (PL119) which hosts the Kwale South Dune, North Dune and Bumamani deposits. A portion of the Kwale South Dune deposit resides within Base Titanium's Special Mining Lease 23 with the remainder sitting within PL119 but outside SML 23. The Company is in the process of completing the necessary steps to effect the expansion of SML 23 to cover the estimated Kwale South Dune Mineral Resources that are presently outside that mining tenure, but within PL119.

A pre-feasibility study is also currently underway to assess the potential to mine higher grade sub-sets of the North Dune deposit and the Bumamani deposit.

3. ASX announcements are available at https://baseresources.com.au/investors/announcements/.

## Mineral Resources

The 2021 Kwale Mineral Resources, as at 30 June 2021, are estimated to be 254 million tonnes at an average heavy mineral grade of 1.9% for 4.7Mt of contained HM, at a 1% HM cut-off grade.

*2021 Kwale Mineral Resources estimate compared with the 2020 estimate at a 1% HM cut-off grade.*

| | 2021 as at 30 June 2021 | | | | | | | | 2020 as at 30 June 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Category | Material | HM | HM | SL | OS | HM Assemblage | | | Material | HM | HM | SL | OS | HM Assemblage | | |
| | | | | | | ILM | RUT | ZIR | | | | | | ILM | RUT | ZIR |
| | (Mt) | (Mt) | (%) | (%) | (%) | (%) | (%) | (%) | (Mt) | (Mt) | (%) | (%) | (%) | (%) | (%) | (%) |
| Kwale South Dune Mineral Resources (Inclusive of Ore Reserves) | | | | | | | | | | | | | | | | |
| Measured | 38 | 1.2 | 3.3 | 24 | 1.0 | 59 | 14 | 5.6 | 55 | 1.8 | 3.2 | 24 | 1 | 58 | 14 | 6 |
| Indicated | 16 | 0.5 | 3.0 | 25 | 5.9 | 54 | 13 | 5.7 | 20 | 0.6 | 2.9 | 26 | 7 | 52 | 12 | 6 |
| **Total** | **54** | **1.7** | **3.2** | **24** | **2.4** | **57** | **14** | **5.6** | **76** | **2.3** | **3.1** | **25** | **3** | **57** | **13** | **6** |
| Kwale North Dune Mineral Resources | | | | | | | | | | | | | | | | |
| Measured | 119 | 1.8 | 1.5 | 37 | 1 | 42 | 13 | 6 | - | - | - | - | - | - | - | - |
| Indicated | 73 | 1.0 | 1.4 | 37 | 2 | 50 | 14 | 6 | 136 | 2.1 | 1.5 | 38 | 2 | 45 | 12 | 5 |
| Inferred | 2 | 0.0 | 1.2 | 37 | 3 | 50 | 15 | 7 | 34 | 0.5 | 1.4 | 36 | 3 | 46 | 13 | 6 |
| **Total** | **194** | **2.9** | **1.5** | **37** | **2** | **45** | **13** | **6** | **171** | **2.6** | **1.5** | **38** | **2** | **45** | **12** | **5** |
| Bumamani Mineral Resources | | | | | | | | | | | | | | | | |
| Measured | 3.0 | 0.066 | 2.2 | 19 | 2.2 | 48 | 15 | 7.5 | N/A | | | | | | | |
| Indicated | 2.6 | 0.045 | 1.7 | 23 | 5.2 | 47 | 16 | 7.7 | | | | | | | | |
| Inferred | 0.3 | 0.004 | 1.4 | 27 | 6.1 | 41 | 14 | 7.8 | | | | | | | | |
| **Total** | **5.9** | **0.115** | **1.9** | **21** | **3.8** | **47** | **15** | **7.6** | | | | | | | | |
| Total Kwale Mineral Resources (Inclusive of Ore Reserves) | | | | | | | | | | | | | | | | |
| Measured | 160 | 3.1 | 2.0 | 33 | 1.3 | 49 | 13 | 5.6 | 55 | 1.8 | 3.2 | 24 | 1 | 58 | 14 | 6 |
| Indicated | 91 | 1.6 | 1.7 | 34 | 2.8 | 51 | 13 | 6.0 | 157 | 2.7 | 1.7 | 37 | 2 | 47 | 12 | 5 |
| Inferred | 3 | 0.0 | 1.2 | 36 | 3.3 | 48 | 15 | 6.7 | 34 | 0.5 | 1.4 | 36 | 3 | 46 | 13 | 6 |
| **Total** | **254** | **4.7** | **1.9** | **34** | **1.9** | **50** | **13** | **5.7** | **246** | **4.9** | **2.0** | **34** | **2** | **51** | **13** | **5** |

*Table subject to rounding differences.*

The 2021 Kwale Mineral Resources estimate represents an increase of approximately 3% in material tonnes but a decrease of 4% in contained HM tonnes when compared with the 2020 Kwale Mineral Resources estimate. This is due to an increase in the Kwale North Dune Mineral Resources estimate and the addition of the maiden Bumamani Mineral Resources estimate, offset by Kwale South Dune mining depletion.

The Kwale South Dune Mineral Resources are estimated to be 54Mt at an average HM grade of 3.2% for 1.7Mt of contained HM as at 30 June 2021, a decrease of 22Mt containing 0.7Mt of HM due to mining depletion, inclusive of sterilisation of sub-economic low-grade material, when compared with the 2020 Kwale South Dune Mineral Resources estimate.

The 2021 Kwale North Dune Mineral Resources estimate was updated on 19 February 2021 and are estimated to be 194Mt at an average HM grade of 1.5% for 2.9Mt of contained HM, at a 1% HM cut-off grade, an increase in material tonnage of 13% and contained HM of 12%, when compared to the 2020 Kwale North Dune Mineral Resources estimate.

The maiden 2021 Bumamani Mineral Resources estimate was released on 19 February 2021 and is estimated to be 5.9Mt at an average HM grade of 1.9% for 0.115Mt of contained HM, at a 1% HM cut-off grade.

### Ore Reserves

Contained within the Kwale South Dune Mineral Resources are the Kwale South Dune Ore Reserves, estimated as at 30 June 2021 to be 40Mt at an average HM grade of 3.3% for 1.3Mt of contained HM.

*2021 Kwale South Dune Ore Reserves estimate compared with the 2020 estimate.*

| | 2021 as at 30 June 2021 | | | | | | | | 2020 as at 30 June 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Category | Material | HM | HM | SL | OS | HM Assemblage | | | Material | HM | HM | SL | OS | HM Assemblage | | |
| | | | | | | ILM | RUT | ZIR | | | | | | ILM | RUT | ZIR |
| | (Mt) | (Mt) | (%) | (%) | (%) | (%) | (%) | (%) | (Mt) | (Mt) | (%) | (%) | (%) | (%) | (%) | (%) |
| Kwale South Dune Ore Reserves | | | | | | | | | | | | | | | | |
| Proved | 30 | 1.0 | 3.4 | 24 | 0.9 | 59 | 14 | 5.6 | 35 | 1.2 | 3.5 | 26 | 0.8 | 58 | 14 | 6 |
| Probable | 11 | 0.4 | 3.3 | 24 | 5.5 | 56 | 13 | 5.7 | 5 | 0.2 | 2.9 | 27 | 7 | 51 | 12 | 5 |
| **Total** | **40** | **1.3** | **3.3** | **24** | **2.1** | **58** | **14** | **5.7** | **40** | **1.4** | **3.4** | **26** | **1.7** | **57** | **13** | **6** |

*Table subject to rounding differences.*

While ore tonnage did not change, the 2021 Kwale South Dune Ore Reserves estimate represents an overall decrease of 2% in contained HM tonnes from the previously reported 2020 Kwale South Dune Ore Reserves estimate due to:

- depletion due to mining of 19Mt of ore and 0.7Mt of contained HM, inclusive of unmined material caused by an elevated basement floor in some areas compared to that predicted in the underlying model; and
- an additional 19Mt of ore and 0.6Mt of contained HM being included as a result of incorporation of additional Kwale South Dune Mineral Resources located within the proposed expanded SML 23.

The additional Kwale South Mineral Resources were incorporated given the Company's greater certainty that, in the near term, mining tenure arrangements with the Kenyan Ministry of Petroleum and Mining for the proposed extended SML23 will be finalised, and the necessary environmental licencing (an EIA Licence) will be issued.

No Ore Reserves estimate has been completed for the Kwale North Dune and Bumamani deposits.

## Ranobe Deposit

The Company's 100% owned Toliara Project is based on the Ranobe deposit, located approximately 45 kilometres north of the town of Toliara and 15km inland from the coast in south west Madagascar. The Ranobe deposit sits within *Permis d'Exploitation 37242*, which is a mining lease under Malagasy law. The Company is currently progressing the project towards development.

### Mineral Resources

The 2021 Ranobe Mineral Resources are estimated to be 1,293Mt at an average HM grade of 5.1% for 66Mt of contained HM, based on a 1.5% HM cut-off grade. The Ranobe Mineral Resources at 30 June 2021 are unchanged from the 2020 estimate.

*2021 Ranobe Mineral Resources estimate, compared with the 2020 estimate, at a 1.5% HM cut-off grade.*

| | 2021 as at 30 June 2021 | | | | | | | | 2020 as at 30 June 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Category | Material | HM | HM | SL | OS | HM Assemblage | | | Material | HM | HM | SL | OS | HM Assemblage | | |
| | | | | | | ILM | RUT* | ZIR | | | | | | ILM | RUT* | ZIR |
| | (Mt) | (Mt) | (%) | (%) | (%) | (%) | (%) | (%) | (Mt) | (Mt) | (%) | (%) | (%) | (%) | (%) | (%) |
| Ranobe Mineral Resources (Inclusive of Ore Reserves) | | | | | | | | | | | | | | | | |
| Measured | 419 | 28 | 6.6 | 4 | 0 | 75 | 2 | 6 | 419 | 28 | 6.6 | 4 | 0 | 75 | 2 | 6 |
| Indicated | 375 | 18 | 4.9 | 8 | 1 | 72 | 2 | 6 | 375 | 18 | 4.9 | 8 | 1 | 72 | 2 | 6 |
| Inferred | 499 | 20 | 3.9 | 7 | 1 | 70 | 2 | 5 | 499 | 20 | 3.9 | 7 | 1 | 70 | 2 | 5 |
| **Total** | **1,293** | **66** | **5.1** | **6** | **0** | **72** | **2** | **6** | **1,293** | **66** | **5.1** | **6** | **0** | **72** | **2** | **6** |

*Table subject to rounding differences. Mineral Resources are inclusive of Ranobe Ore Reserves.*
**Rutile reported in the table is rutile + leucoxene mineral species.*

### Ore Reserves

Contained within the Ranobe Mineral Resources are the Ranobe Ore Reserves, estimated as at 30 June 2021 to be 586Mt at an average HM grade of 6.5% for 38Mt of contained HM. The Ranobe Ore Reserves estimate as at 30 June 2021 are unchanged from the 2020 estimate.

*2021 Ranobe Ore Reserves estimate.*

| | 2021 as at 30 June 2021 | | | | | | | | | 2020 as at 30 June 2020 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Category | Material | HM | HM | SL | OS | HM Assemblage | | | | Material | HM | HM | SL | OS | HM Assemblage | | | |
| | | | | | | ILM | RUT | LEUC | ZIR | | | | | | ILM | RUT | LEUC | ZIR |
| | (Mt) | (Mt) | (%) | (%) | (%) | (%) | (%) | (%) | (%) | (Mt) | (Mt) | (%) | (%) | (%) | (%) | (%) | (%) | (%) |
| Ranobe Ore Reserves | | | | | | | | | | | | | | | | | | |
| Proved | 347 | 24 | 7.0 | 3.8 | 0.1 | 75 | 1.0 | 1.0 | 5.9 | 347 | 24 | 7.0 | 3.8 | 0.1 | 75 | 1.0 | 1.0 | 5.9 |
| Probable | 239 | 14 | 5.8 | 4.2 | 0.2 | 73 | 1.3 | 0.8 | 5.7 | 239 | 14 | 5.8 | 4.2 | 0.2 | 73 | 1.3 | 0.8 | 5.7 |
| **Total** | **586** | **38** | **6.5** | **3.9** | **0.1** | **74** | **1.1** | **0.9^** | **5.9** | **586** | **38** | **6.5** | **3.9** | **0.1** | **74** | **1.1** | **0.9^** | **5.9** |

*Table subject to rounding differences*
*^ Recovered Leucoxene will be split between Rutile and Chloride Ilmenite products depending on product specification requirements.*

## Mineral Resources and Ore Reserves Governance

A summary of the governance, internal controls and estimation process applicable to Base Resources' Mineral Resources and Ore Reserves estimates is as follows:

### Mineral Resources

- Review and validation of drilling and sampling methodology and data spacing, geological logging, data collection and storage, sampling and analytical quality control.
- Geological interpretation – review of known and interpreted structure, lithology and weathering controls.
- Estimation methodology – relevant to mineralisation style and proposed mining methodology.
- Comparison of estimation results with previous mineral resources models, and with results using alternate modelling methodologies.
- Visual validation of block model against raw composite data.
- Use of external competent persons to assist in preparation of Mineral Resources estimate updates.

### Ore Reserves

- Review of potential mining methodology to suit deposit and mineralisation characteristics.
- Review of potential Modifying Factors, including cost assumptions and commodity prices to be utilised in mining evaluation.
- Ore Reserves estimate updates initiated with material changes in the above assumptions.
- Optimisation using appropriate software packages for open pit evaluation.
- Design based on optimisation results.
- Use of external competent persons to assist in preparation of Ore Reserves estimates.

## Competent Persons' Statements

The information in this statement that relates to Mineral Resources and Ore Reserves is based on, and fairly represents, information and supporting documentation prepared by the Competent Persons named in the table below. Each Competent Person:

- is a Member or Fellow of The Australasian Institute of Mining and Metallurgy;
- has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code and as a qualified person for the purposes of the AIM Rules for Companies; and
- consents to the inclusion in this statement of matters based on their information in the form and context in which the relevant information appears.

As a whole, this statement has been approved by Mr. Scott Carruthers, a Competent Person as defined in the JORC Code and a qualified person for the purposes of the AIM Rules for Companies. Mr. Scott Carruthers consents to the inclusion of this statement in the Annual Report in the form and context in which it appears.

Mr. Scott Carruthers is employed by Base Resources, holds equity securities in Base Resources, and is entitled to participate in Base Resources' long-term incentive plan and receive equity securities under that plan. Details about that plan are included in this Annual Report.

| Name | Estimate(s) | Employer |
|---|---|---|
| Scott Carruthers | Kwale Mineral Resources (overall), Kwale South Dune Mineral Resources, Bumamani Mineral Resources, Kwale South Dune Ore Reserves and Ranobe Ore Reserves | Base Resources, full-time employee |
| Greg Jones | Kwale North Dune Mineral Resources, Ranobe Mineral Resources | IHC Robbins, consultant geologist to Base Resources |
| Per Scrimshaw | Kwale South Dune Ore Reserves | Entech, a mining consultancy engaged by Base Resources |
| Chris Sykes | Ranobe Ore Reserves | IHC Robbins, consultant mining engineer to Base Resources |

## Defined terms

Capitalised terms that are not defined in the Glossary have the meaning given in Base Resources' market announcement dated 20 August 2021 "2021 Mineral Resources and Ore Reserves Statement" available at https://baseresources.com.au/investors/announcements/.

# DIRECTORS' REPORT

# Directors' Report

Your directors present their report, together with the financial statements of the Group, being the Company, Base Resources Limited, and its controlled entities, for the financial year ended 30 June 2021 compared with the financial year ended 30 June 2020.

## Directors

The names of the directors in office at any time during or since the end of the year are:

| | |
|---|---|
| *Mr Keith Spence* | *Mr Malcolm Macpherson* |
| *Mr Tim Carstens* | *Mr Mike Stirzaker* |
| *Mr Colin Bwye* | *Ms Diane Radley* |
| *Mr Samuel Willis (retired 20 November 2020)* | *Ms Janine Herzig (appointed 12 October 2020)* |

Other than as noted above, all Directors have been in office since the start of the financial year to the date of this report.

## Company Secretary

Mr Chadwick Poletti held the position of company secretary during the financial year.

## Principal activities and significant changes in nature of activities

The principal activity of the Group is the operation of the Kwale Mineral Sands Operation in Kenya and development of the Toliara Project in Madagascar which is being progressed toward development.

## Operating results

The Group recorded a profit after tax of US$10,981,000 for the reporting period (2020: US$39,588,000).

## Dividends paid or recommended

During the reporting period, Base Resources paid a maiden dividend of AUD 3.5 cents per share, unfranked, in October 2020, and paid a half-year dividend of AUD 3.0 cents per share, unfranked, in March 2021. The financial impact of dividends paid during the reporting period totalled US$56.4m.

Since the end of the reporting period the Board determined a full-year dividend of AUD 4.0 cents per share, unfranked, with a record date of 13 September 2021 and payment date of 29 September 2021. The financial impact of the dividend amounting to an estimated US$34.2 million has not been recognised in the Consolidated Financial Statements for the year-ended 30 June 2021.

## Significant changes in state of affairs

There were no other significant changes in the state of affairs of the Group during the reporting period.

## After balance date events

There have been no other significant events since the reporting date.

## Future developments, prospects and business strategies

Base Resources' strategy is to continue to pursue mine life extension at Kwale Operations through the assessment and development of existing near mine deposits and exploration, and progress the Toliara Project towards development.

# Director biographies

| | |
|---|---|
| **Mr Keith Spence** | Non-Executive Chair |
| **Qualifications:** | BSc (Geophysics) (Hons), FAIM |
| **Appointed:** | 20 February 2015 (Appointed as Non-Executive Chair on 19 May 2015) |
| **Experience:** | Mr Spence has over 40 years' experience in managing and governing oil and gas operations in Australia, Papua New Guinea, the Netherlands and Africa.<br><br>A geologist and geophysicist by training, Mr Spence commenced his career as an exploration geologist with Woodside in 1977. He subsequently joined Shell (Development) Australia, where he worked for 18 years. In 1994 he was seconded to Woodside to lead the North West Shelf Exploration team. In 1998, he left Shell to join Woodside. He retired from Woodside in 2008 after a 14-year tenure in top executive positions in the company including Chief Operating Officer and Acting Chief Executive Officer.<br><br>Upon his retirement Mr Spence took up several board positions, including at Clough Limited, where he served as Chair from 2010 to 2013, Geodynamics Limited where he served as a non-executive Director from 2008 to 2016 (including as Chair from 2010 to 2016) and Oil Search Limited, where he served as a non-executive Director from 2012 to 2017. |
| **Special responsibilities:** | Chair of the Board; Chair of the Remuneration & Nomination Committee; Chair of the Environmental, Social & Ethics Committee; member of the Risk Committee; member of the Audit Committee |
| **Other current listed company directorships:** | IGO Limited (since 2014); Santos Limited (Chair, since 2018) |
| **Past listed company directorships held over the last three years:** | Murray and Roberts Holdings Ltd (resigned March 2020) |

| | |
|---|---|
| **Mr Tim Carstens** | Managing Director |
| **Qualifications:** | BCom |
| **Appointed:** | 5 May 2008 |
| **Experience:** | Mr Carstens is an experienced mining executive, with a career spanning more than 20 years in senior resources-sector roles, both in Australia and overseas, with Perilya Limited, North Limited, Robe River Iron Associates, Iron Ore Company of Canada and St Barbara Mines Limited. A chartered accountant by profession, he has strong experience in all aspects of business strategy development and implementation, acquisitions and divestments, debt and equity financing, organisational development and operational performance. He has been Managing Director of Base Resources since the Company's inception in May 2008.<br><br>Mr Carstens is a Non-Executive Director of the Australia-Africa Minerals and Energy Group (AAMEG), the peak body representing Australian companies engaged in the development of Africa's resource industry. He was Chair of AAMEG from 2016 to 2021. |
| **Special responsibilities:** | Managing Director; member of the Risk Committee; member of the Environmental, Social & Ethics Committee |
| **Other current listed company directorships:** | Nil |
| **Past listed company directorships held over the last three years:** | Nil |

| | |
|---|---|
| **Mr Colin Bwye** | Executive Director – Operations & Development |
| **Qualifications:** | BEng (Hons) |
| **Appointed:** | 12 July 2010 |
| **Experience:** | Mr Bwye has over 30 years’ experience in the mineral sands sector, having commenced his professional career with RGC Mineral Sands (since consolidated into Iluka Resources) as a plant metallurgist in 1988. He undertook a number of technical, production and mining roles within RGC and then, after a period of time consulting to the industry, joined Doral Mineral Industries, a subsidiary of Iwatani Corporation of Japan. Here he was a leader in the development and operation of the Dardanup mineral sands mine in Western Australia before taking on the role of managing director and becoming accountable for the fused materials (zirconia and alumina) processing facilities as well as the mineral sands operation. In 2010 Mr Bwye joined Base Resources as Executive Director – Operations & Development. Mr Bwye has an extensive knowledge of all aspects of the mineral sands industry, including downstream processing and marketing of mineral sands products. |
| **Special responsibilities:** | Executive Director; member of the Risk Committee; member of the Environmental, Social & Ethics Committee |
| **Other current listed company directorships:** | Nil |
| **Past listed company directorships held over the last three years:** | Nil |

| | |
|---|---|
| **Mr Michael Stirzaker** | Non-Executive Director |
| **Qualifications:** | BCom, CA |
| **Appointed:** | 19 November 2014 (previously acting as an alternate since November 2011) |
| **Experience:** | Mr Stirzaker has over 30 years’ commercial experience, mainly in mining finance and mining investment. He began his career in Sydney as a Chartered Accountant with KPMG, before moving into investment banking with the HSBC Group and then Kleinwort Benson Limited in London. From 1993 to 2007 he was part of the natural resource advisory and investment firm, RFC Group Limited, where he became Joint Managing Director. He has also been a shareholder and Director of Tennant Metals Pty. Limited, a privately owned physical metal trader and investor, and was the Finance Director of Finders Resources Limited, an ASX listed company producing copper in Indonesia. From 2010 until 2019, Mr Stirzaker was a partner with private equity mining fund manager, Pacific Road Capital Management. The Pacific Road Resources Fund II is a major shareholder of Base Resources, with Mr Stirzaker appointed as its nominee on the Base Resources Board. |
| **Special responsibilities:** | Member of the Remuneration & Nomination Committee; member of the Environmental, Social & Ethics Committee |
| **Other current listed company directorships:** | Prodigy Gold NL (since 2018); Akora Resources Limited (Chair, since 2020) |
| **Past listed company directorships held over the last three years:** | Nil |

| | |
|---|---|
| **Mr Malcolm Macpherson** | Non-Executive Director |
| **Qualifications:** | BSc, FAusIMM, FTSE |
| **Appointed:** | 25 July 2013 |
| **Experience:** | Mr Macpherson is an accomplished business leader, with decades of experience in the global mining industry at executive management and board level. Mr Macpherson spent 25 years from 1974 at Iluka Resources, the world's largest mineral sands company, rising from mine manager to Managing Director and Chief Executive Officer. He has previously held the position of Chair with Azumah Resources Limited and Western Power Corporation and been a director of Portman Mining Limited and Minara Resources Limited. Mr Macpherson has also been the Senior Vice President of the Minerals Council of Australia, President of the Western Australian Chamber of Minerals & Energy, and a member of the Senate at Murdoch University. |
| **Special responsibilities:** | Chair of the Risk Committee; member of the Remuneration & Nomination Committee; member of the Audit Committee; member of the Environmental, Social & Ethics Committee |
| **Other current listed company directorships:** | Nil |
| **Past listed company directorships held over the last three years:** | Nil |

| | |
|---|---|
| **Ms Diane Radley** | Non-Executive Director |
| **Qualifications:** | BComm BCompt (Hons), CA(SA), MBA, AMP (Harvard) |
| **Appointed:** | 1 February 2018 |
| **Experience:** | Ms Radley has over 25 years' experience in senior leadership roles across multiple industries, most recently in financial services and investments. She served as CFO at Allied Electronics Corporation (JSE), Group Finance Director at Old Mutual South Africa, and CEO of Old Mutual Investment Group. Prior to this, she advised on a variety of transactions, listings and due diligences for large corporate acquirers and private equity funds in her role as Partner-in-charge of Transaction Services at PricewaterhouseCoopers in South Africa. |
| **Special responsibilities:** | Chair of the Audit Committee; member of the Risk Committee; member of the Environmental, Social & Ethics Committee |
| **Other current listed company directorships:** | Murray & Roberts Holdings Ltd (since 2017); Transaction Capital Ltd (since 2018), Redefine Properties Ltd (since 2020); Network International Holdings Plc (since 2021). |
| **Past listed company directorships held over the last three years:** | Nil |

| | |
|---|---|
| **Mr Sam Willis** | Non-Executive Director |
| **Qualifications:** | BCom |
| **Appointed:** | 23 May 2007 (retired 20 November 2020) |
| **Experience:** | Mr Willis is an experienced company director in the resources and energy sectors and is currently a director of Checkside (a management consulting firm that specialises in driving high performance for mid-market and emerging companies). Mr Willis provides Base Resources with in excess of 20 years' experience and expertise in capital markets, corporate finance and executive board involvement with emerging small and mid-cap companies. Mr Willis previously held roles as managing director of oil and gas explorer and developer New Standard Energy Limited and as non-executive director of Elixir Petroleum Limited.<br><br>Mr Willis retired as a Non-Executive Director on 20 November 2020, following the Company's 2020 Annual General Meeting. |
| **Special responsibilities:** | Chair of the Audit Committee (until October 2020) and member of the Audit Committee; member of the Remuneration & Nomination Committee; member of the Risk Committee (memberships were, in each case, until 20 November 2020) |
| **Other current listed company directorships:** | Nil |
| **Past listed company directorships held over the last three years:** | Nil |

| | |
|---|---|
| **Ms Janine Herzig** | Non-Executive Director |
| **Qualifications:** | BEng (Hons), FAusIMM, CP (Met) |
| **Appointed:** | 12 October 2020 |
| **Experience:** | Ms Herzig has 30 years' experience in the resources sector, encompassing executive management, consulting, technical and production roles, across all commodities including industrial minerals. A metallurgical engineer by training, Ms Herzig spent 10 years with RGC and Iluka Resources in multiple locations, involved in dredging, dry mining operations, wet concentrators, dry mills, synthetic rutile and tailings management. After commissioning a number of projects and brownfields operations, she advanced to Principal Metallurgist for Iluka Resources' greenfields Murray Basin projects.<br><br>Ms Herzig was General Manager of the Minerals and Industrial division at Bureau Veritas from 2005 to 2009, leading the company through a major expansion and M&A phase. She then established a consulting business, undertaking due diligence work, desktop reviews, independent audits and acting as an expert witness in the field of mineral sands processing and tailings management.<br><br>Ms Herzig is a Fellow and Chartered Professional (Metallurgy) of the AusIMM. She has been on the Board of the AusIMM since 2013, serving as President and Chair in 2019 and 2020. She is the Chair of the International Advisory Forum and the Global Action on Tailings, and is also on the Board of the ARC Training Centre for Integrated Orebodies and the Coalition of Energy Efficient Comminution (CEEC International). |
| **Special responsibilities:** | Member of the Remuneration & Nomination Committee; member of the Risk Committee; member of the Environmental, Social & Ethics Committee |
| **Other current listed company directorships:** | Nil |
| **Past listed company directorships held over the last three years:** | Nil |

| | |
|---|---|
| **Mr Chadwick Poletti** | Company Secretary |
| **Qualifications:** | LLB (Hons), BCom |
| **Appointed:** | 19 May 2015 |
| **Experience:** | Mr Poletti is a practising lawyer with over 15 years' experience, principally focused on the resources sector. Mr Poletti has broad experience in advising companies and directors in relation to directors' duties, the Corporations Act, the ASX Listing Rules, the AIM Rules for Companies and corporate governance.<br><br>Prior to joining Base Resources, Mr Poletti was at international law firm, Ashurst, where he specialised in both domestic and cross-border regulated and unregulated mergers and acquisitions, including takeovers and schemes of arrangement, capital raisings and corporate advisory and governance. |

## Meetings of Directors

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director was as shown in the table below:

| | Directors' Meetings | | Audit Committee | | Remuneration & Nomination Committee | | Risk Committee | |
|---|---|---|---|---|---|---|---|---|
| | Meetings held while a director | Meetings attended | Meetings held while a committee member | Meetings attended | Meetings held while a committee member | Meetings attended | Meetings held while a committee member | Meetings attended |
| Keith Spence | 9 | 9 | 3 | 3 | 3 | 3 | 2 | 2 |
| Tim Carstens | 9 | 9 | - | - | - | - | 2 | 2 |
| Colin Bwye | 9 | 9 | - | - | - | - | 2 | 2 |
| Samuel Willis(i) | 5 | 5 | 2 | 2 | 2 | 2 | 1 | 1 |
| Malcolm Macpherson | 9 | 9 | 3 | 3 | 3 | 3 | 2 | 2 |
| Michael Stirzaker | 9 | 9 | - | - | 3 | 3 | - | - |
| Diane Radley | 9 | 9 | 3 | 3 | - | - | 2 | 2 |
| Janine Herzig(ii) | 6 | 6 | - | - | 1 | 1 | 1 | 1 |

*(i) Retired 20 November 2020*
*(ii) Appointed 12 October 2020*

## Indemnifying Officers

During or since the end of the financial year, Base Resources has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums to insure its Directors and officers against certain liabilities incurred while acting in that capacity. The contracts of insurance prohibit disclosure of details of the policies or the premiums paid.

The Company's Constitution provides that, subject to and so far as permitted by applicable law, the Company must indemnify every officer of the Company and its wholly owned subsidiaries against a liability incurred as such an officer to a person (other than the Company or a related body corporate) including a liability incurred as a result of appointment or nomination by the Company or subsidiary as a trustee or as an officer of another corporation, unless the liability arises out of conduct involving a lack of good faith.

Consistent with the rules of the Company's Constitution, the Company has also granted indemnities under the terms of deeds of indemnity with current and former Directors and certain current officers of the Company and its subsidiaries. Each deed provides that the relevant Director or officer is to the maximum extent permitted by law, indemnified out of the property of the Company, against any liability (other than a liability for costs and expenses) the Director or officer incurs to another person (other than the Company or a related body corporate of the Company) as a Director or officer of the Company or a related body corporate, unless the liability arises out of conduct involving a lack of good faith by the Director or officer.

No indemnity has been granted to an auditor of the Group in their capacity as auditors of the Group.

## Shares issued since the end of the financial year

No shares in Base Resources Limited have been issued since year end and no amounts are unpaid on any of the issued shares.

## Proceedings on behalf of Group

No person has applied for leave of a Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

## Non-audit services

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are also satisfied that the services provided and disclosed below did not compromise the external auditor's independence because the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or are payable to the Group external auditors for non-audit services provided during the year ended 30 June 2021:

| | FY21 US$ | FY20 US$ |
|---|---|---|
| *KPMG Australia* | | |
| Routine tax compliance and advisory services for reporting period | - | 15,133 |
| Other services | 8,047 | 7,151 |
| *Overseas KPMG firms* | | |
| Assistance with Kenyan Revenue Authority audits for prior periods for which KPMG was the incumbent tax advisor | 33,898 | 55,384 |
| Kenyan VAT compliance and advisory services | 10,068 | 39,266 |
| Other compliance and advisory services for reporting period | - | 30,243 |

## Auditor's independence declaration

The lead auditor's independence declaration for the year ended 30 June 2021 has been received and can be found on page 68 of the Annual Report.

## Rounding

The Group is of a kind referred to in ASIC Corporations Instrument 2016/191 and, in accordance with that Class Instrument, amounts in the financial report and directors' report have been rounded to the nearest thousand dollars, unless otherwise stated.

# Remuneration Report - audited

This Remuneration Report sets out the remuneration arrangements for Base Resources Limited for year ended 30 June 2021. This Remuneration Report forms part of the Directors' Report and has been audited in accordance with the *Corporations Act 2001*.

## Details of key management personnel

This Remuneration Report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, and comprise the Directors (whether executive or otherwise) of the Company and other executive management, as detailed in the table below. The executive management considered to be KMP are those who are members of the Group's strategic planning team. The Executive Directors (being the Managing Director and the Executive Director - Operations & Development) and other executive management listed in the table below are collectively defined as the Senior Executives for the purposes of this report.

| Name | Position |
|---|---|
| *Senior Executives* | |
| T Carstens | Managing Director |
| C Bwye | Executive Director - Operations & Development |
| K Balloch | Chief Financial Officer |
| A Greyling | General Manager - Project Development |
| S Hay | General Manager - Marketing |
| C Poletti | General Counsel and Company Secretary |
| *Non-Executive Directors* | |
| K Spence | Chair |
| S Willis | Director (Retired 20 November 2020) |
| M Macpherson | Director |
| M Stirzaker | Director |
| D Radley | Director |
| J Herzig | Director (Appointed 12 October 2020) |

## Role of the Remuneration & Nomination Committee

The Remuneration & Nomination Committee is responsible for oversight of the remuneration system and policies. It is also responsible for evaluating the performance of the Executive Directors and monitoring performance of the executive management team. The Board, upon recommendation of the Remuneration & Nomination Committee, determines the remuneration of the Executive Directors. The Remuneration & Nomination Committee reviews and approves the remuneration of the executive management team (other than the Executive Directors).

The objective of the Remuneration & Nomination Committee is to ensure that the Company's remuneration system and policies attract and retain executives and directors who will create sustained value for shareholders.

## Services from remuneration consultants

The Remuneration & Nomination Committee engaged BDO Remuneration and Reward to provide market data relating to the remuneration packages of the Executive Directors to assist the Committee and the Board in assessing the positioning and competitiveness of their current remuneration packages.

For this engagement, BDO were engaged by the Remuneration & Nomination Committee Chair and reported to the Committee and the Board.

Separately, the Managing Director engaged BDO to provide market data relating to the remuneration packages of management (excluding the Executive Directors) to assist the Executive Directors in assessing the positioning and competitiveness of current remuneration packages and in formulating their recommendations to the Committee about this. The market data provided by BDO was also considered by the Committee, together with the recommendations from the Executive Directors, in determining the remuneration packages of the executive management team (excluding the Executive Directors).

The Board is satisfied that the interaction between BDO and the executive management team was minimal, principally involving provision of relevant Group information for consideration by BDO. Further, BDO had processes and procedures in place to minimise potential opportunities for undue influence from the executive management team. The Board is therefore satisfied that the advice received from BDO was free from undue influence from the the executive management team to whom the remuneration information applies.

The information provided by BDO was utilised by the Committee and the Board as inputs into decision making only. The Committee and the Board considered the information, along with other factors, in making their respective ultimate remuneration decisions.

Total fees paid to BDO for services during the year ended 30 June 2021 were A$10,200.

## Remuneration policy

Base Resources is committed to the close alignment of remuneration to shareholder return, particularly that of the Senior Executives. To this end, the Group's remuneration system is designed to attract, motivate and retain people by identifying and rewarding high performers and recognising their contribution to the continued growth and success of the Group.

Key objectives of the Group's remuneration policy are to ensure that remuneration practices:

- Facilitate the achievement of the Group's objectives.
- Provide strong linkage between executive incentive rewards and creation of value for shareholders.
- Are simple to understand and implement, openly communicated and are equitable across the Group.
- Attract, retain and motivate employees of the required capabilities.
- Comply with applicable legal requirements and appropriate standards of governance.

## Key principles of Senior Executive remuneration

Remuneration comprises fixed remuneration, and variable (or at-risk) remuneration, which is determined by individual and Group performance. For Senior Executives, the Group targets total fixed remuneration (TFR) at the 50$^{th}$ market percentile and total remuneration package (TRP), including at-target variable remuneration, at the 75$^{th}$ market percentile. As a consequence, the Group's Senior Executives have a higher proportion of remuneration at-risk than industry averages.

## Questions and answers about Senior Executive remuneration:

### Remuneration mix

What is the balance between fixed and at-risk remuneration?

The mix of fixed and at-risk remuneration varies depending on the organisational level of an executive, and also depends on the performance of the Group and that individual executive. More senior positions have a greater proportion of their remuneration at-risk.

For all executives, it is possible that no at-risk remuneration will be earned and that fixed remuneration will represent 100 per cent of total remuneration.

If target at-risk remuneration is earned, the proportion of total remuneration represented by fixed and at-risk remuneration would be:

- Executive Directors (includes Managing Director): 47% fixed and 53% at-risk.
- Other Senior Executives: 62% fixed and 38% at-risk.

### Fixed remuneration

What is included in fixed remuneration?

TFR includes a base salary, inclusive of superannuation. Allowances and other benefits may be provided and are as agreed, including additional superannuation, provided that no extra cost is incurred by the Group.

When and how is fixed remuneration reviewed?

TFR is reviewed annually. Any adjustments to the TFR for the Executive Directors must be approved by the Board after recommendation by the Remuneration & Nomination Committee. The Executive Directors determine the TFR of other Senior Executives within specified guidelines approved by the Board, subject to final approval by the Remuneration & Nomination Committee. The Group seeks to position TFR at the 50$^{th}$ market percentile of salaries for comparable companies within the mining industry with which the Group competes for talent and equity investment, utilising datasets and specific advice provided by independent remuneration consultants.

## Short Term Incentive Plan (STIP)

### What is the STIP?

The STIP is the cash component of at-risk remuneration, payable based on a mix of Group and individual annual performance criteria.

### Why does the Board consider the STIP is appropriate?

At-risk remuneration strengthens the link between pay and performance. The purpose of the plan is to reward executives for annual performance relative to expectations of their role accountabilities, required behaviours and KPI's as well as delivery of annual business plans and priorities. A reward structure that provides at-risk remuneration is also necessary as part of a competitive remuneration package in the Australian and global marketplace for executives.

### Does the STIP take into account different levels of performance compared to objectives?

The quantum of any STIP award is linked to the extent of achievement.

Required performance levels for each performance criteria are set at three levels being:

- Threshold - a performance level that is below optimal but nevertheless acceptable. It is the minimum for which a small STIP award would be payable. The STIP is designed such that there is an 80% probability the executive will reach or exceed this level of achievement.
- Target - a performance level that represents a challenging but achievable level of performance. The STIP is designed such that there is a 50% to 60% probability the executive will reach or exceed this level of achievement.
- Stretch - a performance level that is clearly at the upper limit of what may be achievable. The STIP is designed such that there is a 10% to 20% probability the executive will reach or exceed this level of achievement.

The probabilities of achievement are set at these levels such that, over time, awards approximately equal to the target level would become payable, assuming performance to role. The achievement of the target level of award would support the 75$^{th}$ market percentile TRP policy objective for executives.

### What are the performance criteria?

Performance criteria are assigned for both individual and Group performance. Performance criteria may change from year to year.

For Executive Directors and other Senior Executives, 50% of the STIP is attached to individual performance criteria and 50% to corporate performance criteria.

Reflecting the importance attached to role clarity within Base Resources, individual performance criteria are drawn directly from the role accountabilities in the executive's role description. Each performance criteria is allocated a weighting that reflects the relative importance of that performance criteria for the year.

Corporate performance criteria are set at the commencement of each financial year and are usually derived from the annual operating plan and may vary from time to time to include other aspects of performance for which there is shared accountability and which the Group wishes to emphasise.

The at-target performance levels for the corporate performance criteria for the 2021 financial year were:

- Achievement of budgeted group EBITDA, assuming fixed AUD:USD exchange rate and the inclusion of only 25% of variances in actual sales prices against budgeted prices, reflecting a limited measure of management control over product pricing outcomes.
- Achievement of a fully funded decision to proceed to construction on the Toliara Project by 31 March 2022, unless extended by the Board in its absolute discretion.
- Successful navigation by the Company through a volatile, uncertain, complex and ambiguous (VUCA) environment brought on by the COVID-19 pandemic.

Where budgeted Group EBITDA is used as the basis for the target corporate performance, the Remuneration & Nomination Committee will set the performance criteria for the year (i.e. the "Threshold", "Target" and "Stretch" performance ranges) on the basis of an assessment of the degree of challenge represented by the particular year's budget. Consequently, these ranges may change from year to year. This approach is designed to ensure the appropriate degree of challenge in both budgets committed to and the Group's EBITDA performance criteria.

### Are there overriding financial performance or other conditions?

For each year, one or more gates may be determined by the Board. A gate may be a minimum level of earnings for the Group or a safety performance threshold that must be achieved for any awards to become payable under the STIP.

Irrespective of whether a gate is achieved, the Board retains absolute discretion to increase or decrease awards. It is intended that the exercise of this discretion is used sparingly to take account of significant events and/or factors that were not anticipated when the year commenced and the performance criteria were set.

The following gates were in place for the 2021 financial year:

- No workplace fatalities.
- No major reputational or environmental events.

### What is the value of the STIP award opportunity?

Executive Directors have a target STIP opportunity of 50% of TFR, with a minimum opportunity (if only threshold level is met) of 20% of TFR and a maximum opportunity (if the stretch targets are achieved) of 80% of TFR.

Other Senior Executives have a target STIP opportunity of 30% of TFR, with a minimum opportunity (if only threshold level is met) of 15% of TFR and a maximum opportunity (if the stretch targets are achieved) of 60% of TFR.

These percentages are set based on external advice to achieve the remuneration policy intent of TRP at the 75th market percentile.

### How is the STIP assessed?

**Individual performance criteria** - are assessed using a performance rating scale. In making the assessment in respect of a particular area of accountability, consideration is given to the extent to which the behaviours and performance indicators identified in the role description have been modelled and observed. This assessment is undertaken by the participant's manager and then signed-off by the manager-once-removed. In the case of the Executive Directors, the assessment is undertaken by the Remuneration & Nomination Committee and approved by the Board. Specific outcomes during the 2021 financial year relevant to STIP awards included:

- A COVID-19 response that has been effective in maintaining the health and safety of employees whilst maintaining operational performance and enhancing the Company's corporate reputation.
- The continued consistent performance of Kwale Operations with actual production achieved at the upper end.
- Tight control of operating costs.
- Maintenance of high safety standards.
- Delivery of a high quality pre-feasibility study on North Dune development viability and subsequent progression of a Bumamani pre-feasibility study on higher grade subsets.
- Progression of the Toliara Project and a renowned apprentice training program.
- Conception and commencement of a robust and innovative post mining land use project for Kwale Operations.
- Successful implementation of Community Development Agreements in accordance with new regulations under the Kenyan Mining Act 2016.
- Progression of negotiations with the Government of Madagascar on fiscal terms applicable to the Toliara Project.

**Corporate performance criteria** – the Board determines the extent to which each corporate performance criteria has been achieved.

## Long Term Incentive Plan (LTIP)

### What is the LTIP?

The LTIP is the equity component of at-risk remuneration and is linked to the Base Resources' Total Shareholder Return (TSR) performance over a 3 year period.

The LTIP aims to reward participants for Base Resources' TSR performance, both relative to its peer group and in absolute terms.

### How often are LTIP awards made?

The LTIP operates on the basis of a series of cycles. Each cycle commences on 1 October and is followed by a 3 year performance period, with a test date on the 3rd anniversary of commencement of the cycle.

### Why does the Board consider a LTIP is appropriate?

The Board believes that a well designed LTIP can:

- Attract executives with the required capability.
- Retain key talent.
- Maintain a stable leadership team.
- Explicitly align and link the interests of the Base Resources leadership team and shareholders.

### What types of equity may be granted under the LTIP?

Performance rights are granted under the LTIP. Performance rights are a right to be allocated one share in Base Resources, subject to satisfying the specified performance criteria (outlined below).

A participant is not entitled to participate in or receive any dividends or other shareholder benefits until the performance right has vested and been exercised and a share has been allocated to the participant.

### What is the value of the LTIP award opportunity?

Executive Directors are awarded performance rights worth 120% of their TFR. Other Senior Executives are awarded performance rights worth 60% of their TFR. The LTIP performance criteria are designed to target 50% vesting of awarded performance rights over time.

These award opportunities and target vesting outcome are set based on external advice to achieve the remuneration policy intent of positioning TRP at the 75th market percentile.

### What are the LTIP performance criteria?

The Group uses two LTIP performance criteria to determine the proportion of performance rights which vest, as follows:

- Half of the performance rights are subject to relative TSR criteria (the relative TSR performance rights).
- Half of the performance rights are subject to absolute TSR criteria (the absolute TSR performance rights).

The Board considers that TSR is an appropriate performance hurdle because it ensures that a proportion of each participant's remuneration is explicitly linked to shareholder value and ensures that participants only receive a benefit where there is a corresponding direct benefit to shareholders. The blend of absolute and relative performance rights is considered to mitigate the weaknesses of each of those measures in isolation.

### Relative TSR performance rights

The proportion of relative TSR performance rights which vest will be determined on the basis of Base Resources' TSR relative to the TSR of the comparator group over the applicable three-year performance period, as set out below:

| Cycle commencing 1 October 2018 | Percentage of relative TSR performance rights that vest | Cycles commencing 1 October 2019 and 2020 | Percentage of relative TSR performance rights that vest |
|---|---|---|---|
| Less than 40th percentile | Nil | Less than 45th percentile | Nil |
| Between 40th and 50th percentile | Pro rata between 25% and 50% | Between 45th percentile to less than 50th percentile | 25% |
| 50th percentile | 50% | 50th percentile | 50% |
| Between 50th and 75th percentile | Pro rata between 50% and 100% | Between 50th and 75th percentile | Pro rata between 50% and 100% |
| 75th percentile and above | 100% | 75th percentile and above | 100% |

Notwithstanding the above, the Board has the absolute discretion to determine that no relative TSR performance rights vest if Base Resources' TSR is negative (despite its relative placing within the TSR comparator group).

LTIP performance criteria are designed to target 50% vesting over time to achieve the Company's policy intent for remuneration market positioning, whilst providing incentive for out performance. A threshold level of TSR performance (40th percentile of the peer group for the cycle commencing 1 October 2018, and 45th percentile for the cycles commencing 1 October 2019 and 2020), being a result that is below target, results in only 25% vesting and therefore represents a 25% loss of this component of at-risk remuneration relative to target positioning, which is considered appropriate in the context of the LTIP as a whole. TSR performance below the threshold level of TSR results in nil vesting and represents a 50% loss of this component of at-risk remuneration.

For the cycle commencing 1 October 2021, it is intended that the performance criteria for relative TSR performance rights will be changed such that there will be nil vesting at a level of TSR performance below the 50th percentile of the peer group, 50% vesting at the 50th percentile of the peer group, 100% vesting at the 75th percentile of the peer group, with straight-line interpolation in between.

### Absolute TSR performance rights

The proportion of absolute TSR performance rights which vest will be determined on the basis of Base Resources' TSR on the following scale:

| Base Resources 3-year TSR | Percentage of absolute TSR performance rights that vest |
|---|---|
| Less than 40.5% | Nil |
| Between 40.5% and 56% | Pro rata between 25% and 50% |
| 56% | 50% |
| Between 56% and 73% | Pro rata between 50% and 100% |
| 73% or greater | 100% |

The number of performance rights granted for the cycle commencing 1 October 2020 was determined by reference to the 20-day volume weighted average price (VWAP) of A$0.2800 per share (A$0.2587 for cycle commencing 1 October 2019 and A$0.2480 for cycle commencing 1 October 2018). To achieve 100% vesting of the absolute performance rights for the cycle commencing 1 October 2020, a 30-day VWAP of A$0.4844 or greater would be required (A$0.4476 for cycle commencing 1 October 2019 and A$0.4290 for cycle commencing 1 October 2018) at the conclusion of the 3-year performance period, adjusted for any dividends paid during the performance period.

### What is the comparator group?

The TSR comparator group is comprised of the 26th to 75th ranked ASX listed resource companies by market capitalisation, at the time of the offer. The comparator group for each of the 2020, 2019 and 2018 performance rights cycles is as specified below:

| Companies | LTIP Cycle Commencing 1 October 2020 | 2019 | 2018 |
|---|---|---|---|
| Adriatic Metals Plc | | ✓ | |
| Aeon Metals Limited | | | ✓ |
| Alacer Group Corp. | | | ✓ |
| Alkane Resources Limited | ✓ | ✓ | |
| Altura Mining Limited | ✓ | ✓ | ✓ |
| American Pacific Borates Limited | ✓ | | |
| Andromeda Metals Limited | ✓ | | |
| Argosy Minerals Limited | | | ✓ |
| Atlas Iron Limited | | | ✓ |
| Atrum Coal Limited | | ✓ | |
| Aurelia Metals Limited | ✓ | ✓ | ✓ |
| Australian Strategic Materials Limited | ✓ | | |
| Auteco Minerals Limited | ✓ | | |
| AVZ Minerals Limited | | | ✓ |
| Bardoc Gold Limited | | ✓ | |
| Bathurst Resources Limited | | ✓ | ✓ |
| BBX Minerals Limited | ✓ | | |
| Bellevue Gold Limited | ✓ | ✓ | |
| Capricorn Metals Limited | ✓ | ✓ | |
| Cardinal Resources Limited | ✓ | ✓ | |
| Catalyst Metals Limited | ✓ | ✓ | |
| Chalice Gold Mines Limited | ✓ | | |
| Champion Iron Limited | | | ✓ |
| CI Resources Limited | | ✓ | |
| Copper Mountain Mining Corporation | | | ✓ |
| Coronado Gold Resources Inc | ✓ | | |
| Dacian Gold Limited | ✓ | ✓ | ✓ |
| Danakali Limited | | | ✓ |
| DGO Gold Limited | ✓ | | |
| Echo Resources Limited. | | ✓ | |
| Emerald Resources NL | ✓ | | |
| Energy Resources of Australia Limited | | | ✓ |
| Finders Resources Limited | | | ✓ |
| Flinders Mines Limited | ✓ | ✓ | ✓ |
| Galaxy Resources Limited | ✓ | ✓ | ✓ |
| Global Geoscience Limited | | | ✓ |
| Gold Road Resources Limited | ✓ | | ✓ |
| Grange Resources Limited | ✓ | ✓ | ✓ |
| Greenland Minerals Limited | ✓ | ✓ | |
| Hastings Technology Metals Limited | | ✓ | |
| Highfield Resources Limited | | | ✓ |
| Image Resources | | ✓ | |
| ioneer Limited | ✓ | ✓ | |
| Jervois Mining Limited | ✓ | ✓ | |
| Jupiter Mines Limited | ✓ | ✓ | ✓ |
| Kangaroo Resources Limited | | | ✓ |
| Kidman Resources Limited | | | ✓ |
| Kingsgate Consolidated Limited | ✓ | | |
| Legend Mining Limited | ✓ | | |
| Liontown Resources Limited | ✓ | ✓ | |
| Lynas Corporation | | | ✓ |
| Magnetic Resources NL | ✓ | | |
| Magnis Energy Technologies Limited | | | ✓ |
| Medusa Mining Limited | | ✓ | |
| Metals X Limited | | ✓ | ✓ |
| Metro Mining Limited | | ✓ | ✓ |
| Millennium Minerals Limited | | | ✓ |
| Mincor Resources NL | ✓ | ✓ | |
| MOD Resources Limited | | ✓ | |
| Mount Gibson Iron Limited | ✓ | ✓ | ✓ |
| Musgrave Minerals Limited | ✓ | | |
| New Century Resources Limited | | ✓ | ✓ |
| Nickel Mines Limited | | | ✓ |
| Northern Minerals Limited | | ✓ | |
| OM Holdings Limited | ✓ | ✓ | |
| Ora Banda Mining Ltd | ✓ | | |
| Orocobre Limited | ✓ | ✓ | ✓ |
| Paladin Energy Limited | | | ✓ |
| Panoramic Resources Limited | ✓ | ✓ | ✓ |
| Pantoro Limited | ✓ | ✓ | |
| Perseus Mining Limited | | ✓ | ✓ |
| Piedmont Lithium LImited | ✓ | | |
| Pilbara Minerals Limited | ✓ | ✓ | |
| Poseidon Nickel Limited | | ✓ | |
| Ramelius Resources Limited | | ✓ | ✓ |
| Rand Mining Limited | | ✓ | |
| Red 5 Limited | ✓ | ✓ | |
| Resolute Mining Limited | ✓ | | ✓ |
| Sandfire Resources NL | ✓ | ✓ | |
| Sheffield Resources Limited | | | ✓ |
| Silver Lake Resources Limited | | ✓ | ✓ |
| Silver Mines Limited | ✓ | | |
| Stanmore Coal Limited | | | ✓ |
| Syrah Resources Limited | | ✓ | ✓ |
| Talga Resources Limited | ✓ | | |
| Tawana Resources NL | | | ✓ |
| Terracom Limited | | | ✓ |
| Terramin Australia Limited | | | ✓ |
| Tietto Minerals Limited | ✓ | | |
| Tribune Resources Limited | ✓ | ✓ | ✓ |
| Tungsten Mining NL | | ✓ | ✓ |
| West African Resources Limited | ✓ | ✓ | ✓ |
| Western Areas Limited | ✓ | ✓ | ✓ |
| Westgold Resources Limited | ✓ | ✓ | ✓ |
| Zimplats Holdings Limited | ✓ | | ✓ |

### Was a grant made in the reporting period?

Performance rights were granted to eligible participants in the LTIP for the cycle commencing 1 October 2020. The number of performance rights granted for each executive was calculated by reference to the VWAP over the twenty trading days up to the start of the cycle, being A$0.2800 per share, and their LTIP award opportunity.

### What happens to performance rights granted under the LTIP when a participant ceases employment?

Where a participant ceases to be employed by a Group member (and is not immediately employed by another Group member) for any reason other than a qualifying reason, all unvested performance rights of that participant are automatically forfeited.

Where a participant ceases to be employed by a Group member because of a qualifying reason, then the Board must determine, in its absolute discretion, the number of unvested performance rights of a participant (if any) that will remain on foot and become capable of vesting in accordance with LTIP rules.

The Board will generally exercise its discretion in the following manner:

- For a participant who ceases to be employed by the Group, a pro rata number of performance rights granted in the cycle beginning on the 1 October immediately prior to the participant ceasing employment will be automatically forfeited.
- All other performance rights will continue to be held by the participant and will be tested for vesting on the test date for the relevant performance right.

Qualifying reasons include but are not limited to death, total and permanent disablement, retirement or redundancy.

### What happens in the event of a change of control?

Subject to the Board determining otherwise, if a change of control event occurs then a test date arises on the date that the change of control event occurs with the Board to test the extent to which the performance criteria have been satisfied:

- on the basis of the offer price of the relevant transaction; and
- in the case of absolute TSR performance rights, by reducing the percentage TSR performance hurdle pro rata by the unexpired portion of the performance period as at the date the change in control event occurs.

### Do shares allocated upon vesting and valid exercise of performance rights dilute existing shareholders' equity?

Shares allocated to the participants in the LTIP upon vesting and valid exercise of performance rights may be satisfied by the Group issuing shares to the LTIP trustee or purchases by the LTIP trustee on market. In the event the Group issues shares to the LTIP trustee to satisfy the vesting and exercise of performance rights then shareholders' pre-existing equity will be diluted.

### Does the Group have a policy in relation to hedging at-risk remuneration?

A participant in the LTIP must not enter into an arrangement if the arrangement would have the effect of limiting the exposure of the participant to risk relating to performance rights that have not vested.

### Did any performance rights vest in the reporting period?

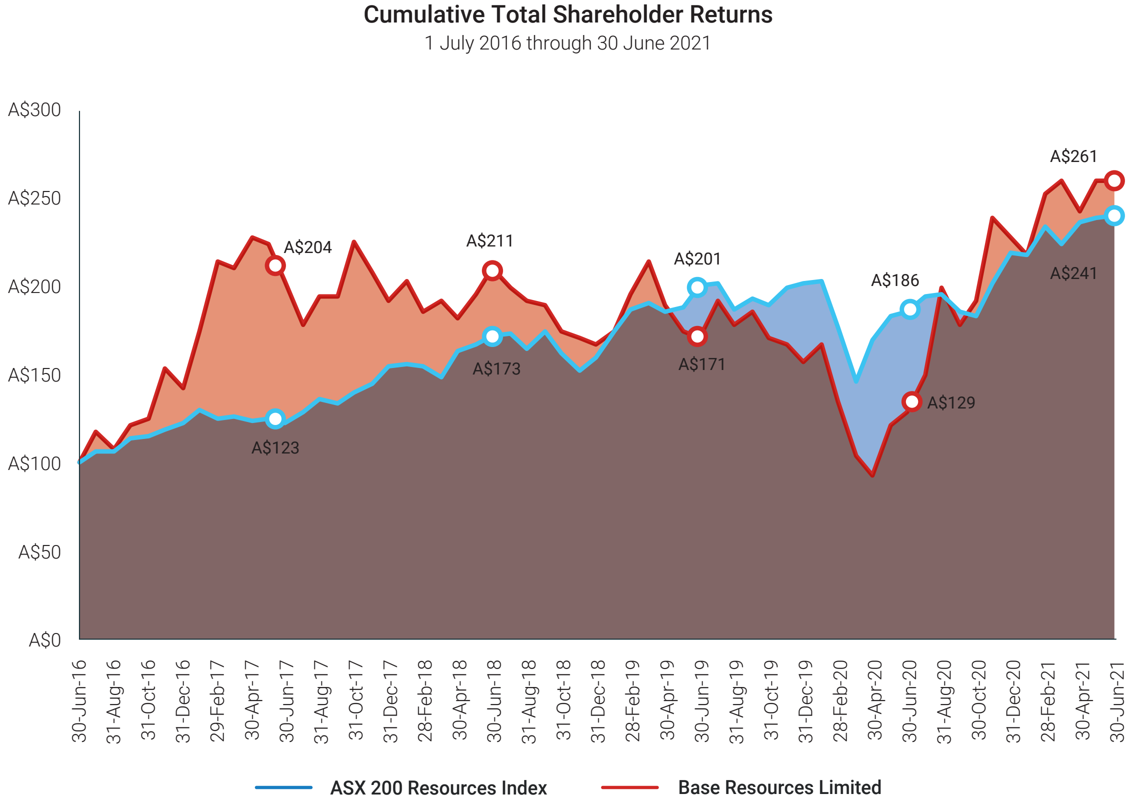
6,373,301 (or 42%) of the 15,016,546 performance rights granted for the cycle commencing 1 October 2017 vested under the LTIP. The 3-year performance period for these rights concluded on 30 September 2020, with the vesting outcomes being as follows:

- **Relative TSR performance rights**
  Base Resources TSR over the performance period placed it in the 67th percentile, resulting in 85% of the relative performance rights vesting.
- **Absolute TSR performance rights**
  Base Resources TSR over the performance period, by reference to a final VWAP of A$0.279 and dividends paid of A$0.035 per share, equated to a TSR of 14%, resulting in none of the absolute performance rights vesting.

Shares allocated to the participants in the LTIP upon the vesting and valid exercise of the above performance rights were satisfied through the allocation of existing shares acquired on-market by the LTIP trustee.

## Group performance and its link to shareholder return

The following graph compares the change in the cumulative TSR of Base Resources' shares during the period 1 July 2016 to 30 June 2021, against the cumulative total return of the ASX 200 Resources Index over the same period. The graph illustrates the cumulative return from Base Resources over the past five years, inclusive of dividends paid, assuming A$100 was invested.



## Executive remuneration outcomes for the reporting period

### Total Fixed Remuneration

The Company seeks to ensure that executive remuneration is market competitive, easy to understand and can be clearly communicated to executives and shareholders. Due to the uncertainty arising from the COVID-19 pandemic, no changes to executives' TFR were made in the reporting period.

### Short Term Incentives (STI)

At the end of the reporting period, a review of the performance of each Senior Executive was undertaken against each of their 2021 individual performance measures as explained above. The reporting period corporate performance was measured against three equally weighted criteria: Group financial performance relative to budget, achievement of the Toliara Project FID by 31 March 2022 (unless extended by the Board in its absolute discretion) and successful navigation of the Company through a VUCA environment. The Group financial performance achieved relative to budget was above stretch performance levels, and incentives are payable in relation to this component commensurate with the performance level achieved. The achievement of the Toliara Project FID will be assessed on the earlier of when it occurs and 31 March 2022. STIP entitlements earned in the reporting period are paid in the 2022 financial year.

The following table outlines the STI that was earned in comparison with the target STI for the 2021 financial year:

| | Target STI | | | | STI Awarded | | | |
|---|---|---|---|---|---|---|---|---|
| | | Corporate performance | | | | Corporate performance | | |
| Name | Individual performance % | Financial performance % | Toliara Project FID % | VUCA performance % | Individual performance % | Financial performance % | Toliara [(i)] Project FID % | VUCA performance % |
| T Carstens | 25 | 8.33 | 8.33 | 8.33 | 25 | 13.33 | Yet to be assessed | 10 |
| C Bwye | 25 | 8.33 | 8.33 | 8.33 | 27 | 13.33 | Yet to be assessed | 10 |
| K Balloch | 15 | 5 | 5 | 5 | 21 | 10 | Yet to be assessed | 6.67 |
| A Greyling | 15 | 5 | 5 | 5 | 26 | 10 | Yet to be assessed | 6.67 |
| S Hay | 15 | 5 | 5 | 5 | 21 | 10 | Yet to be assessed | 6.67 |
| C Poletti | 15 | 5 | 5 | 5 | 24 | 10 | Yet to be assessed | 6.67 |

*(i) 33% of corporate performance relates to achieving the Toliara Project FID, which spans more than one financial year. The extent to which this is achieved can only be assessed on the earlier of FID occurring and the target FID date.*

### LTIP Performance Rights

The LTIP operates on the basis of a series of 3-year performance cycles commencing on 1 October each year. Accordingly, LTIP performance rights issued in the reporting period are subject to a 3-year performance period ending on 30 September 2023. Performance rights issued under the plan in the 2017 financial year, totalling 15,016,546, completed their 3-year performance period on 30 September 2020, with 6,373,301 performance rights vesting.

The table below outlines the vesting outcomes of performance rights for the last three LTIP cycles completed:

| | | | Relative Performance Rights | | Absolute Performance Rights | |
|---|---|---|---|---|---|---|
| Grant date | Testing date | No. performance rights granted | No. vested | % | No. vested | % |
| 1 October 2015 | 30 September 2018 | 45,748,431 | 22,874,215 | 100 | 22,874,216 | 100 |
| 1 October 2016 | 30 September 2019 | 11,514,341 | 5,757,170 | 100 | 5,757,171 | 100 |
| 1 October 2017 | 30 September 2020 | 15,016,546 | 6,373,301 | 85 | - | 0 |

## Take home pay for the reporting period

The remuneration detailed in this table represents the Senior Executives' "take home pay" and is aligned to the current reporting period, and therefore is particularly useful in understanding actual remuneration received during the year. The table excludes adjustments made for accounting purposes and included in Statutory Remuneration (refer to page 46), specifically the probability and value of an employee obtaining long service leave and the fair value of performance rights under three outstanding LTIP cycles expensed during the reporting period. The remuneration packages for all Senior Executives are shown in the following table in their employment currency.

| Senior Executive | Currency | Salary | STIP award (ii) | Superannuation | Vesting of performance rights (iii) | Take home pay (before tax) (i) |
|---|---|---|---|---|---|---|
| **2021** | | | | | | |
| **Executive Directors** | | | | | | |
| T Carstens | AUD | 603,000 | 357,665 | 25,000 | 224,205 | 1,209,870 |
| C Bwye | AUD | 603,000 | 378,860 | 25,000 | 224,205 | 1,231,065 |
| **Other Senior Executive** | | | | | | |
| K Balloch | AUD | 394,210 | 183,219 | 25,000 | 86,995 | 689,424 |
| A Greyling | AUD | 385,000 | 211,236 | 25,000 | 77,084 | 698,320 |
| S Hay | AUD | 415,645 | 197,545 | 25,000 | 91,477 | 729,667 |
| C Poletti | AUD | 360,000 | 188,128 | 25,000 | 71,578 | 644,706 |
| **2020** | | | | | | |
| **Executive Directors** | | | | | | |
| T Carstens | AUD | 603,000 | 229,613 | 25,000 | 445,182 | 1,302,795 |
| C Bwye | AUD | 603,000 | 236,678 | 25,000 | 445,182 | 1,309,860 |
| **Other Senior Executive** | | | | | | |
| K Balloch | AUD | 394,210 | 106,113 | 25,000 | 178,358 | 703,681 |
| A Greyling | AUD | 385,000 | 117,619 | 25,000 | 160,523 | 688,142 |
| S Hay | AUD | 415,645 | 116,496 | 25,000 | 198,742 | 755,883 |
| C Poletti | AUD | 360,000 | 106,116 | 25,000 | 91,727 | 582,843 |

*(i) Base Resources' financial results are reported under International Financial Reporting Standards (IFRS). The above table includes certain non-IFRS measures including vested performance rights and take home pay. These measures are presented to enable understanding of the underlying remuneration of Senior Executive.*

*(ii) Current year STIP awards are accrued in the financial year to which the performance relates.*

*(iii) The value of performance rights vesting on 30 September 2020 has been calculated by reference to the price on the vesting date of A$0.2500. The value of performance rights vesting on 30 September 2019 has been calculated by reference to the price on the vesting date of A$0.2580.*

## Statutory remuneration disclosures for the reporting period

The statutory remuneration disclosures for the year ended 30 June 2021 are detailed below and are prepared in accordance with Australian Accounting Standards, are stated in US dollars and differ from the take home pay summary on page 45. These differences arise due to the accounting treatment of long service leave and share-based payments.

| Senior Executive | Short term employment benefits | | Post-employment benefits | Other long term | Share based payments | Total | Performance related |
|---|---|---|---|---|---|---|---|
| | Salary | STIP award (i) | Superannuation | Long service leave (ii) | Performance Rights (iii) | | |
| **2021** | **US$** | **US$** | **US$** | **US$** | **US$** | **US$** | **%** |
| **Executive Directors** | | | | | | | |
| T Carstens (iv) | 450,923 | 267,462 | 18,695 | 8,261 | 303,571 | 1,048,912 | 54.4 |
| C Bwye (iv) | 450,923 | 283,311 | 18,695 | 181 | 303,571 | 1,056,681 | 55.5 |
| **Other Senior Executive** | | | | | | | |
| K Balloch (iv) | 294,790 | 137,011 | 18,695 | 5,514 | 104,783 | 560,793 | 43.1 |
| A Greyling (iv) | 287,903 | 157,963 | 18,695 | 10,916 | 100,203 | 575,680 | 44.8 |
| S Hay (iv) | 310,819 | 147,724 | 18,695 | 5,796 | 110,145 | 593,179 | 43.5 |
| C Poletti (iv) | 269,208 | 140,682 | 18,695 | 9,458 | 93,358 | 531,401 | 44.0 |
| **Total** | **2,064,566** | **1,134,153** | **112,170** | **40,126** | **1,015,631** | **4,366,666** | |
| **2020** | | | | | | | |
| **Executive Directors** | | | | | | | |
| T Carstens (iv) | 404,673 | 154,093 | 16,778 | 12,540 | 280,944 | 869,028 | 50.1 |
| C Bwye (iv) | 404,673 | 158,834 | 16,778 | 12,519 | 280,944 | 873,748 | 50.3 |
| **Other Senior Executive** | | | | | | | |
| K Balloch (iv) | 264,554 | 71,212 | 16,778 | 5,991 | 102,060 | 460,595 | 37.6 |
| A Greyling (iv) | 258,374 | 78,934 | 16,778 | 5,882 | 94,563 | 454,531 | 38.2 |
| S Hay (iv) | 278,939 | 78,180 | 16,778 | 10,490 | 107,690 | 492,077 | 37.8 |
| C Poletti (iv) | 241,596 | 71,214 | 16,778 | 8,631 | 85,785 | 424,004 | 37.0 |
| **Total** | **1,852,809** | **612,467** | **100,668** | **56,053** | **951,986** | **3,573,983** | |

*(i) Current year STIP awards are accrued in the financial year to which the performance relates.*

*(ii) Long service leave entitlement represents the movement in the provision.*

*(iii) The fair value of performance rights is calculated at the date of grant using a Monte Carlo Simulation model and recognised over the period in which the minimum service conditions are fulfilled (the vesting period). The value disclosed is the portion of the fair value of the performance rights recognised in the reporting period. The amount included as remuneration is not necessarily the benefit (if any) that individual Senior Executive may ultimately receive.*

*(iv) Total remuneration package denominated in Australian dollars (A$) and converted to US dollars (US$) for reporting purposes using the average exchange rate for the 2021 financial year of 0.7478 (2020: 0.6711).*

## Reconciliation of take home pay to statutory remuneration

A reconciliation of the Managing Director's take home pay to statutory remuneration is detailed below as an example:

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Take home pay for the Managing Director (A$) | 1,209,870 | 1,302,795 |
| **Take home pay converted to US$ using average exchange rates** | **904,741** | **874,306** |
| *Treatment of Long Service Leave:* | | |
| Add: Movement in the accounting provision for long service leave entitlements | 8,261 | 12,540 |
| *Treatment of performance rights:* | | |
| Add: accounting fair value (non-cash) of performance rights recognised in the period | 303,571 | 280,944 |
| Less: value of performance rights vested at date of vesting (US$) | (167,661) | (298,762) |
| **Statutory pay for the Managing Director (US$)** | **1,048,912** | **869,028** |

## Non-executive director remuneration

Shareholders approve the maximum aggregate remuneration for non-executive Directors. Fees paid to non-executive Directors are recommended by the Remuneration & Nomination Committee and the Board is responsible for approving any recommendations, if appropriate. As approved at the Annual General Meeting on 28 November 2011, the aggregate limit of fees payable per annum is A$750,000 in total.

The Group's policy is that non-executive Director remuneration is structured to exclude equity-based remuneration and reviewed annually. All Directors have the insurance premiums for their director's and officer's insurance paid for by the Group.

Non-executive Directors receive fixed fee remuneration consisting of a cash fee and statutory superannuation contributions made by the Group and additional fees for committee roles as set out below:

| | 2021<br>A$ | 2020<br>A$ |
|---|---|---|
| **Base fees** | | |
| Chair | 148,500 | 148,500 |
| Other non-executive directors | 82,467 | 82,467 |
| | | |
| **Remuneration & Nomination Committee** | | |
| Chair | - | - |
| Committee member | 5,250 | 5,250 |
| | | |
| **Audit Committee** | | |
| Chair | 14,000 | 14,000 |
| Committee member | 7,000 | 7,000 |
| | | |
| **Risk Committee** | | |
| Chair | 7,900 | 7,900 |
| Committee member | 3,900 | 3,900 |

Non-executive Director remuneration for the year ended 30 June 2021 and prior year remuneration:

| | Base fees US$ | Audit Committee US$ | Remuneration & Nomination Committee US$ | Risk Committee US$ | Total (i) US$ |
|---|---|---|---|---|---|
| **2021** | | | | | |
| K Spence | 111,048 | - | - | - | 111,048 |
| S Willis (ii) | 25,076 | 2,129 | 1,596 | 1,186 | 29,987 |
| M Macpherson | 61,669 | 5,234 | 3,926 | 5,908 | 76,737 |
| M Stirzaker | 61,669 | - | 3,926 | - | 65,595 |
| D Radley | 61,669 | 9,161 | - | 2,916 | 73,746 |
| J Herzig (iii) | 43,755 | - | 2,786 | 2,069 | 48,610 |
| **Total** | **364,886** | **16,524** | **12,234** | **12,079** | **405,723** |

| | | | | | |
|---|---|---|---|---|---|
| **2020** | | | | | |
| K Spence | 99,658 | - | - | - | 99,658 |
| S Willis (ii) | 55,344 | 9,395 | 3,523 | 2,617 | 70,879 |
| M Macpherson | 55,344 | 4,698 | 3,523 | 5,302 | 68,867 |
| M Stirzaker | 55,344 | - | 3,523 | - | 58,867 |
| D Radley | 55,344 | 4,698 | - | 2,617 | 62,659 |
| **Total** | **321,034** | **18,791** | **10,569** | **10,536** | **360,930** |

*(i) Total remuneration packages denominated in Australian dollars (A$) and converted to US dollars (US$) for reporting purposes using the average exchange rate for the 2021 financial year of 0.7478 (2020: 0.6711).*

*(ii) Retired 20 November 2020.*

*(iii) Appointed 12 October 2020.*

## Equity instruments

### Performance Rights

The table below outlines movements in performance rights during the reporting period and the balance held by each Senior Executive at 30 June 2021.

| Name | Grant date (i) | Number of performance rights (ii) | Fair value of each performance right | Vesting date (iii) | Number vested during year | Number granted during year | Number lapsed during year | Number exercised during the year | Balance that remain subject to performance testing at end of year |
|---|---|---|---|---|---|---|---|---|---|
| T Carstens | 1 Oct 2016 | 1,725,567 | A$0.1625 | 30 Sep 2019 | - | - | - | 1,725,567 | - |
| | 1 Oct 2017 | 2,113,056 | A$0.2150 | 30 Sep 2020 | 896,820 | - | 1,216,236 | 896,820 | - |
| | 1 Oct 2018 | 2,806,452 | A$0.1610 | 30 Sep 2021 | - | - | - | - | 2,806,452 |
| | 1 Oct 2019 | 2,913,027 | A$0.1280 | 30 Sep 2022 | - | - | - | - | 2,913,027 |
| | 1 Oct 2020 | - | A$0.1385 | 30 Sep 2023 | - | 2,691,429 | - | - | 2,691,429 |
| | | 9,558,102 | | | 896,820 | 2,691,429 | 1,216,236 | 2,622,387 | 8,410,908 |
| C Bwye | 1 Oct 2016 | 1,725,567 | A$0.1625 | 30 Sep 2019 | - | - | - | 1,725,567 | - |
| | 1 Oct 2017 | 2,113,056 | A$0.2150 | 30 Sep 2020 | 896,820 | - | 1,216,236 | 896,823 | - |
| | 1 Oct 2018 | 2,806,452 | A$0.1610 | 30 Sep 2021 | - | - | - | - | 2,806,452 |
| | 1 Oct 2019 | 2,913,027 | A$0.1280 | 30 Sep 2022 | - | - | - | - | 2,913,027 |
| | 1 Oct 2020 | - | A$0.1385 | 30 Sep 2023 | - | 2,691,429 | - | - | 2,691,429 |
| | | 9,558,102 | | | 896,820 | 2,691,429 | 1,216,236 | 2,622,387 | 8,410,908 |
| K Balloch | 1 Oct 2016 | 691,333 | A$0.1625 | 30 Sep 2019 | - | - | - | 691,333 | - |
| | 1 Oct 2017 | 819,899 | A$0.2150 | 30 Sep 2020 | 347,980 | - | 471,919, | 347,980 | - |
| | 1 Oct 2018 | 984,677 | A$0.1610 | 30 Sep 2021 | - | - | - | - | 984,677 |
| | 1 Oct 2019 | 972,269 | A$0.1280 | 30 Sep 2022 | - | - | - | - | 972,269 |
| | 1 Oct 2020 | - | A$0.1385 | 30 Sep 2023 | - | 898,307 | - | - | 898,307 |
| | | 3,468,178 | | | 347,980 | 898,307 | 471,919 | 1,039,313 | 2,855,253 |
| A Greyling | 1 Oct 2016 | 622,200 | A$0.1625 | 30 Sep 2019 | - | - | - | 622,200 | - |
| | 1 Oct 2017 | 726,493 | A$0.2150 | 30 Sep 2020 | 308,337 | - | 418,856 | 308,337 | - |
| | 1 Oct 2018 | 931,452 | A$0.1610 | 30 Sep 2021 | - | - | - | - | 931,452 |
| | 1 Oct 2019 | 950,908 | A$0.1280 | 30 Sep 2022 | - | - | - | - | 950,908 |
| | 1 Oct 2020 | - | A$0.1385 | 30 Sep 2023 | - | 878,571 | - | - | 878,571 |
| | | 3,231,053 | | | 308,337 | 878,571 | 418,856 | 930,537 | 2,760,931 |
| S Hay | 1 Oct 2016 | 770,343 | A$0.1625 | 30 Sep 2019 | - | - | - | 770,343 | - |
| | 1 Oct 2017 | 862,139 | A$0.2150 | 30 Sep 2020 | 365,908 | - | 496,231 | 365,908 | - |
| | 1 Oct 2018 | 1,035,027 | A$0.1610 | 30 Sep 2021 | - | - | - | - | 1,035,027 |
| | 1 Oct 2019 | 1,021,983 | A$0.1280 | 30 Sep 2022 | - | - | - | - | 1,021,983 |
| | 1 Oct 2020 | - | A$0.1385 | 30 Sep 2023 | - | 944,239 | - | - | 944,239 |
| | | 3,689,492 | | | 365,908 | 944,239 | 496,231 | 1,136,251 | 3,001,249 |
| C Poletti | 1 Oct 2016 | 355,543 | A$0.1625 | 30 Sep 2019 | - | - | - | 355,543 | - |
| | 1 Oct 2017 | 674,600 | A$0.2150 | 30 Sep 2020 | 286,313 | - | 388,287 | 286,313 | - |
| | 1 Oct 2018 | 858,871 | A$0.1610 | 30 Sep 2021 | - | - | - | - | 858,871 |
| | 1 Oct 2019 | 892,926 | A$0.1280 | 30 Sep 2022 | - | - | - | - | 892,926 |
| | 1 Oct 2020 | - | A$0.1385 | 30 Sep 2023 | - | 825,000 | - | - | 825,000 |
| | | 2,781,940 | | | 286,313 | 825,000 | 388,287 | 641,856 | 2,576,797 |
| **Total** | | 32,286,867 | | | 3,102,178 | 8,928,975 | 4,207,765 | 8,992,731 | 28,016,046 |

*(i) The amount expensed per the statutory remuneration table reflects the period since commencement of services when the Group and the Senior Executive had a shared understanding of the award.*

*(ii) 2016 cycle performance rights had already vested at the start of the reporting period.*

*(iii) Performance rights are tested as at the vesting date against the performance criteria and only those performance rights that satisfy the performance criteria vest.*

## Director and other Senior Executive shareholdings

The number of ordinary shares in Base Resources held by each Director and other Senior Executives of the Group during the reporting period was as follows:

| | Shares held - 1 July 2020 (i) | Vested performance rights held – 1 July 2020 | Performance rights vested during the year | Vested performance rights exercised during the year | Purchased | Sold | Shares held - 30 June 2021 |
|---|---|---|---|---|---|---|---|
| **2021** | | | | | | | |
| K Spence | 666,667 | - | - | - | - | - | 666,667 |
| T Carstens | 5,820,446 | 1,725,567 | 896,820 | 2,622,387 | - | - | 8,442,833 |
| C Bwye | 6,073,671 | 1,725,567 | 896,820 | 2,622,387 | - | 1,496,820 | 7,199,238 |
| M Macpherson | - | - | - | - | - | - | - |
| M Stirzaker | - | - | - | - | - | - | - |
| D Radley | 500,000 | - | - | - | - | - | 500,000 |
| J Herzig (i) | - | - | - | - | - | - | - |
| K Balloch | 2,000,000 | 691,333 | 347,980 | 1,039,313 | - | - | 3,039,313 |
| A Greyling | 3,263,429 | 622,200 | 308,337 | 930,537 | - | - | 4,193,966 |
| S Hay | 1,139,126 | 770,343 | 365,908 | 1,136,251 | - | 577,378 | 1,697,999 |
| C Poletti | 807,003 | 355,543 | 286,313 | 641,856 | - | - | 1,448,859 |
| | **20,270,342** | **5,890,553** | **3,102,178** | **8,992,731** | **-** | **2,074,198** | **27,188,875** |

*(i) Shareholdings are as at 1 July 2020, except in the case of Ms Herzig whose shareholding is as at 12 October 2020, being the date Ms Herzig was appointed as a Director.*

## Executive Senior Executive employment arrangements

The employment arrangements of the Senior Executives are formalised in standard employment agreements. Details of the termination provisions contained in the agreements are provided below.

| Name | Term of contract | Notice period by either party | Termination benefit |
| --- | --- | --- | --- |
| T Carstens | Permanent – ongoing until terminated by either party | 3 months' notice by the employee or Company for termination without cause<br>1 months' notice for termination by Company if unable to perform duties by reason of illness<br>No notice required for termination by Company for cause | 12 months' fixed remuneration in the case of termination by the Company |
| C Bwye<br>K Balloch<br>A Greyling<br>S Hay<br>C Poletti | Permanent – ongoing until terminated by either party | 3 months' notice by the employee<br>6 months' notice for termination by Company without cause (3 months for A Greyling)<br>1 months' notice for termination by Company for serious breach of employment agreement, incompetence, gross misconduct or refusing to comply with lawful direction given by the Company<br>No notice required for termination by Company if convicted of any major criminal offence<br>Company may elect to make payment in lieu of notice | 6 months' fixed remuneration in the case of termination by the Company<br>(3 months' remuneration for A Greyling) |

This Report of Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

**Keith Spence,**
Chair

Dated: 28 August 2021

# Corporate Governance Statement

The Company is committed to implementing high standards of corporate governance that create and deliver value for shareholders and uphold its absolute commitment to acting in a legal, honest and ethical manner and with integrity.

To give effect to this commitment, the Board has established a corporate governance framework comprising a range of governance policies, charters and system documents. This framework is reviewed regularly in light of changes to the Company's business, developments in corporate governance and changes in law and best practice guidance.

The purpose of this statement is to report on the key aspects of the Company's corporate governance framework. In addition, as the Company is an ASX listed entity and subject to the ASX Listing Rules, this statement also reports on the extent to which the Company followed the corporate governance recommendations set out in the fourth edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Recommendations**) for the financial year ended 30 June 2021 (**reporting period**).

The Board considers that, throughout the reporting period, the Company followed the ASX Recommendations.

This statement is current as at 27 August 2021 and has been approved by the Board. This statement should be read in conjunction with the balance of the Annual Report. Where appropriate, the statement highlights relevant events that have occurred since 30 June 2021 with respect to the governance practices of the Company.

## The Base Way

The Company's corporate governance framework is underpinned by the core set of principles that together form the "**Base Way**" and drive the Company's approach and businesses practices. These principles are based on the Company's belief in:

- the potential of our people;
- the power of the team;
- the value of resources; and
- absolute integrity.

The Base Way is available from the Corporate Governance section of the Company's website.

## Board of Directors

### Role of the Board

The Board Charter sets out the Board's role, powers and duties and establishes the functions and responsibilities reserved for the Board and those which are delegated to **EXCO** (comprising the Managing Director and the Executive Director – Operations & Development) and the broader senior management team. The Board expressly reserves responsibility for specified matters including:

- overseeing the business and affairs of the Company, including its control and accountability systems;
- setting the strategic direction and objectives of the Company;
- reviewing and ratifying systems of risk management, internal compliance and control, codes of conduct and legal compliance;
- ensuring a high standard of corporate governance practices and regulatory compliance; and
- promoting ethical and responsible decision making.

The Board delegates responsibility for the day-to-day operations, management and administration of the Company to EXCO in accordance with the strategy and objectives approved by the Board. EXCO's joint responsibilities include:

- effective leadership of the Company;
- preparing and implementing development and operational plans, policies and procedures to achieve the strategic, operational and financial objectives of the Company as determined by the Board;
- managing the day to day affairs of the Company;
- identifying and managing business risks; and
- managing the Company's financial and other reporting mechanisms.

These delegations are further documented in and supported by the Company's Delegation of Authority Standard which the Board reviews and approves at least annually and sets out cascading authority limits for transactions for EXCO and other positions within the Group.

The Chair, Mr Spence, is responsible for leadership and effective performance of the Board and for promoting constructive and respectful relations between Directors, and between Directors and management.

The Company Secretary, Mr Poletti, is appointed by the Board and is accountable to the Board, through the Chair, on all matters to do with the proper functioning of the Board. The Company Secretary's role includes providing advice to the Board on corporate governance matters, with all Directors having access to the advice and services provided by the Company Secretary.

## Composition of the Board

The Board Charter provides that a majority of the Board should be comprised of non-executive Directors and, where practical, independent Directors.

As at 30 June 2021, the Board consisted of five non-executive Directors and two executive Directors - being the Managing Director and the Executive Director – Operations & Development. The Board's composition changed during the reporting period, with Ms Herzig being appointed as a non-executive Director with effect from 12 October 2020 and Mr Willis retiring as a non-executive Director on 20 November 2020 following the Company's 2020 Annual General Meeting.

The Board assesses each Director's independence in accordance with paragraph 11 of the Board Charter, which aligns with the commentary to Recommendation 2.3, including Box 2.3, of the ASX Recommendations.

As set out in paragraph 11 of the Board Charter, unless the Board determines that the interest, position or relationship in question is not material and will not interfere with the Director's ability to be independent and act in the best interests of the Company as a whole, a Director will be deemed not to be independent where the Director :

- is, or has been, employed in an executive capacity by the Company or any of its subsidiaries and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- receives performance-based remuneration (including options or performance rights) from, or participates in an employee incentive scheme of, the Company;
- is, or has been within the last three years, in a material business relationship (e.g. as a supplier, professional adviser, consultant or customer) with the Company or any of its subsidiaries, or is an officer of, or otherwise associated with, someone with such a relationship;
- is, represents, or is or has been within the last three years an officer or employee of, or professional adviser to, a substantial holder;
- has close personal ties with any person who falls within any of the categories described above; or
- has been a Director of the Company for such a period that their independence from management and substantial holders may have been compromised.

The Board assesses the materiality of an interest, position and relationship on a case-by-case basis, taking into account the relevant Director's specific circumstances.

The Board confirms that a majority of the Board is independent, and was independent at all times during the reporting period, with the Board's assessment of the independence of each Director in accordance with paragraph 11 of the Board Charter set out below. The Chair is an independent non-executive Director and is not the same person as the Managing Director.

| | Independent Director | Non-Executive Director | Executive Director |
|---|---|---|---|
| Keith Spence (Chair) | ✓ | ✓ | |
| Tim Carstens (Managing Director) | | | ✓ |
| Colin Bwye (Executive Director – Operations and Development) | | | ✓ |
| Malcolm Macpherson | ✓ | ✓ | |
| Diane Radley | ✓ | ✓ | |
| Michael Stirzaker | | ✓ | |
| Samuel Willis* | ✓ | ✓ | |
| Janine Herzig** | ✓ | ✓ | |

* Mr Willis retired as a Director on 20 November 2020.

** Ms Herzig was appointed as a Director on 12 October 2020.

Prior to his retirement in October 2020, Mr Willis had served on the Board since May 2007. For the portion of the reporting period that Mr Willis was a Director, the Board remained comfortable that this period of tenure did not compromise the independence of Mr Willis from management or any substantial shareholders, or otherwise materially influence Mr Willis' ability to act in the best interests of the Company in accordance with the definition of independence provided in the Board Charter.

Ms Herzig has close personal ties with a consultant that the Company has engaged in the past for discrete work on an ad hoc basis. The Board does not consider the Company's relationship with the consultant in question to be a material business relationship and furthermore, after taking into account Ms Herzig's specific circumstances, is comfortable that this relationship does not affect Ms Herzig's ability to act independently and in the best interests of the Company.

Mr Stirzaker is not considered independent due to his involvement with the Company's major shareholder, Pacific Road Capital.

Under the Board Charter, Directors must immediately declare to the Board any change in their interests, positions or relationships that could potentially bear upon their independence.

### Skills and experience

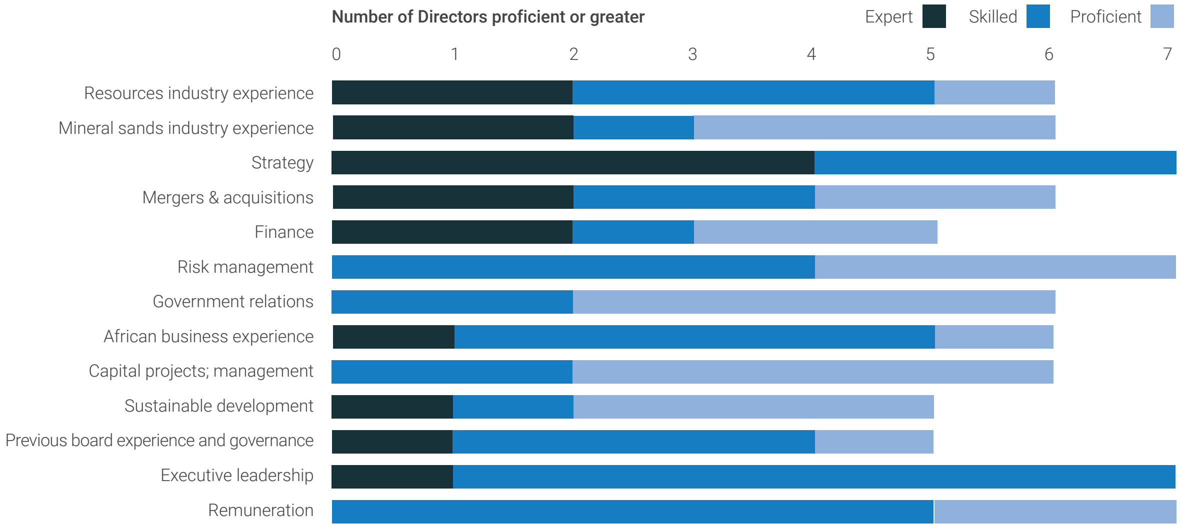
The Board is confident that, collectively, the Directors have the range of skills, knowledge, experience and competencies necessary to effectively discharge the Board's responsibilities and direct and oversee the Company. That said, through the Remuneration & Nomination Committee, the Board regularly monitors the skills, knowledge, experience and competencies of the Board, particularly as the Company's business and the issues facing it evolve, to identify opportunities for training and development and to identify gaps that may be addressed as part of Board succession.

A set of core competencies and criteria for assessing the extent of a Director's proficiency in respect of those core competencies have been established to assist the Remuneration & Nomination Committee assess the skills and experience of each Director and to ensure that the combined capabilities of Directors provide suitable coverage across each competency.

These core competencies are set out in the table below. The table also indicates the Directors on which the Board principally relies in relation to each competency. However, it is recognised that the skills and experience that each Director contributes to their role is far broader and diverse than is indicated below.

| Area | Competency | Key Directors |
|---|---|---|
| Resources industry experience | Experience in the resources industry, including broad knowledge of exploration, operations, project development, markets, shipping and competitors. | C Bwye, T Carstens, M Macpherson, K Spence, M Stirzaker, J Herzig |
| Mineral sands industry experience | Specific experience in the mineral sands industry, including an in-depth knowledge of exploration, operations, project development, markets, shipping, competitors and relevant technology. | C Bwye, T Carstens, M Macpherson, J Herzig |
| Strategy | Identifying and critically assessing strategic opportunities and threats to an organisation and developing and implementing successful strategies in context to the organisation's policies and business objectives. | C Bwye, T Carstens, M Macpherson, D Radley, K Spence, M Stirzaker, J Herzig |
| Mergers & acquisitions | Experience managing, directing or advising on mergers, acquisitions, divestments and portfolio optimisations. | M Macpherson, D Radley, K Spence, M Stirzaker, |
| Finance | Senior executive or other relevant experience in financial accounting and reporting, internal financial and risk controls, corporate finance and restructuring corporate transactions and project financing. | T Carstens, D Radley, M Stirzaker |
| Risk management | Experience working with and applying broad risk management frameworks in various country, regulatory or business environments, identifying key risks to an organisation, monitoring risks and compliance, and knowledge of legal and regulatory requirements. | T Carstens, M Macpherson, D Radley, K Spence |
| Government relations | Senior management or equivalent experience working in diverse international political, cultural, regulatory and business environments. | T Carstens, K Spence |
| African business experience | Experience in the successful development and operation of reputable businesses in Africa. | C Bwye, T Carstens, M Macpherson, D Radley, M Stirzaker |
| Capital projects; management | Experience with projects involving contractual negotiations, project management, significant capital outlays and long investment horizons. | C Bwye, K Spence |
| Sustainable development | Senior management or equivalent experience in workplace health and safety, environmental and social responsibility, community relations and organisational governance. | T Carstens, K Spence |
| Previous board experience and governance | Serving on boards of varying size and composition, in varying industries and for a range of organisations. Implementing high standards of governance in a major organisation that is subject to rigorous governance standards and identifying key issues for an organisation and developing appropriate policy parameters within which the organisation should operate. | M Macpherson, D Radley, K Spence, M Stirzaker |
| Executive leadership | Experience in evaluating the performance of senior management, overseeing strategic human capital planning, industrial relations, organisational change management and sustainable success in business at a senior level. | C Bwye, T Carstens, M Macpherson, D Radley, K Spence, M Stirzaker, J Herzig |
| Remuneration | Remuneration and/or nomination committee membership or management experience in relation to succession planning, remuneration, talent management (including incentive programs and superannuation) and the legislative and contractual framework governing remuneration. | T Carstens, M Macpherson, D Radley, K Spence, M Stirzaker |

The diagram below further illustrates the Board's depth of coverage across its core competencies by showing the extent of the proficiency of the Directors in respect of those competencies.




The composition of the Board is diverse, with the Board collectively bringing an in-depth knowledge of doing business in both Africa and Australia. Director ages range from 50-76 years. Average time served on the Board is 7.1 years, with the average tenure for non-executive Directors being 5.1 years.

Further details of the skills, experience, expertise and period of service of each Director are set out on pages 29 to 32 of the Annual Report.

**Director appointment, induction, training and continuing education**

All newly appointed non-executive Directors execute a letter of appointment containing the key terms and conditions of their appointment, including their duties, rights and responsibilities, anticipated time commitments and the Board's expectations with respect to committee work. Executive directors and all senior management enter employment agreements which govern their terms of employment.

New appointees to the Board receive a tailored induction plan having regard to their existing skills, knowledge and experience. The induction process typically includes a comprehensive overview of the Company's governance policies and procedures, in-depth discussions with each member of EXCO and the senior management team and site visits to the Company's key operating asset in Kwale, Kenya and development project in Toliara, Madagascar. The induction materials provided to new appointees include information on the Company's governance and culture, including the "Base Way". This induction process was followed for Ms Herzig, except that unfortunately Ms Herzig has so far been unable to undertake site visits as a result of COVID-19-related travel restrictions.

Directors are expected to maintain the skills necessary to effectively discharge their duties. The Company provides the Board with regular information on industry-related matters, proposed or potential changes to applicable regulatory requirements, and other new developments with the potential to affect the Company and its business. Regular "deep dives" on relevant topics are also provided to the Board. Topics on which "deep dives" were carried out during the reporting period included long term global macro trends, Board governance practices and trends and cyber security, including the cyber threats faced by the Company and the Company's existing and proposed actions and controls in response to these threats.

The Company also organises relevant professional development opportunities for Directors when a need is identified, for example, from a Board performance review or through the Remuneration & Nomination Committee's Board education oversight role, which includes periodically reviewing the professional development programs to be implemented for Directors.

An annual site visit is also arranged for Directors to the Company's Kwale Operations in Kenya to further enhance their knowledge and understanding of this operating project. The site visit to Kwale Operations for the reporting period, which was scheduled to occur in March 2021, had to again be cancelled as a result of COVID-19 travel restrictions. In response to this cancellation, the specific insight sessions that had been proposed for the site visit were instead conducted by way of videoconference as part of the regular Board program, including direct involvement of site-based management. With the exception of Ms Herzig, all Directors also previously visited the Toliara Project in Madagascar in 2018, following the Company's acquisition of that project.

### Board succession

The Board manages succession planning with the assistance of the Remuneration & Nomination Committee. The Remuneration & Nomination Committee reviews and makes recommendations to the Board about the appropriate size and composition of the Board.

If a vacancy exists or if it is appropriate for other Board changes to be implemented, the Remuneration & Nomination Committee identifies and recommends candidates to the Board. Before recommending any candidate, the Remuneration & Nomination Committee considers the necessary and desirable competencies of new Board members to ensure the appropriate mix of skills, experience, expertise and diversity across the Board and assesses how each candidate would contribute to the strategic direction of the Company. The Board may engage an independent recruitment firm to undertake the search for suitable candidates and leverages the networks of existing Directors as a means of identifying high calibre candidates. The Company conducts appropriate checks as to character, experience, education, criminal records and bankruptcy before nominating any candidate for appointment as a Director or for election by shareholders and before appointing any senior management. The Company provides shareholders all material information in its possession relevant to whether a candidate should be elected in the explanatory memorandum accompanying the relevant notice of meeting.

### Board performance evaluation

The Board reviews, critically evaluates and discusses the performance of the Board, Board Committees and individual Directors once a year. The Remuneration & Nomination Committee sets the method and scope of the annual performance evaluation, which typically includes self-assessments designed to effectively review the performance of the Board and each of its Committees against the requirements of their specific charters and the individual performance of each Director. The Board Charter specifies further requirements applicable to the annual reviews and evaluations of the Board, its Committees and individual Directors.

One or more aspects of the performance evaluations may involve engagement of an independent third-party Board advisor. Given the last externally facilitated review was undertaken for the reporting period ended 30 June 2019, and that the composition of the Board has not significantly changed since that time, the Remuneration & Nomination Committee did not consider it necessary to engage an independent advisor to facilitate any aspects of the performance evaluation and review of the Board, individual Directors or its Committee for the reporting period.

The performance evaluation of the Board, its Committees and individual Directors undertaken for the reporting period was conducted initially by each Director completing a series of questionnaires assessing each of the Board, the Chair, individual Directors and each Committee and its respective Chair, combined with one-on-one discussions between the Chair and each Director. The combined outcomes of this process were analysed and discussed at subsequent Board and Committee meetings, as applicable. The evaluation demonstrated that the Board, the Directors and each Committee and each respective Chair are considered to be functioning well and performing their respective roles effectively. The review process also identified areas for growth, refinement and continual improvement that the Board will address in the coming year.

### Director retirement and re-election

With the exception of the Managing Director, Directors must retire at the third AGM after their last election or re election. At least one Director must stand for election or re-election at each AGM. Any Director appointed to fill a casual vacancy since the date of the previous AGM automatically retires at the next AGM and is eligible for election. Board support for a Director's election or re-election is not automatic and is subject to satisfactory Director performance.

The Remuneration & Nomination Committee considers and recommends candidates for election or re-election to the Board. The Company provides shareholders with all material information in its possession relevant to whether or not any Director standing should be elected or re-elected (as the case may be) in the explanatory memorandum accompanying the relevant notice of meeting.

### Senior management performance evaluation

Managers are required to conduct regular (typically quarterly) performance enhancement conversations with members of their team, with annual judgement-based assessments of performance against the accountabilities, behaviours and indicators established in the relevant individual's role description. This process applies equally to senior managers but is also coupled with an annual assessment of the relevant individual's achievement of the accountabilities described in their annual Short Term Incentive Plan statement. In the case of EXCO, the assessment is undertaken by the Remuneration & Nomination Committee, led by the Committee Chair, and approved by the Board. In the case of General Managers, the assessment is undertaken by EXCO and then considered and approved by the Remuneration & Nomination Committee. The annual reviews have been completed for the year ended 30 June 2021.

Refer further to pages 36 to 50 of the Annual Report.

## Committees of the Board

The Company's Constitution provides that the Board may delegate its powers as it considers appropriate. The Board has established the following four committees:

- the Audit Committee;
- the Remuneration & Nomination Committee;
- the Risk Committee; and
- the Environment, Social and Ethics (or ESE) Committee.

The ESE Committee was established in February 2021, otherwise the committees were all in place throughout the reporting period. The Committees generally operate in a review or advisory capacity, except in circumstances where the Board's powers are specifically delegated to a Committee. Each Committee has a charter detailing its role, duties and membership requirements. These charters are reviewed regularly, and at least annually, and are updated as required. Each of the charters for the Audit Committee, Remuneration & Nomination Committee and Risk Committee were last reviewed and updated in February 2021 in parallel with the approval of the ESE Committee's charter.

Details of the skills, experience, and expertise of each member of the respective Committees of the Board is set out on pages 29 and 34 of the Annual Report. Details of the Committee meetings held during the year and attendances of members at those meetings is set out on page 33 of the Annual Report.

*Audit Committee*

The role of the Audit Committee is to assist the Board to meet its oversight responsibilities in relation to the Company's financial reporting, tax filings, compliance with associated legal and regulatory requirements and external audit function.

All members of the Audit Committee are required to be non-executive Directors, with a majority being required to be independent. Members must also be financially literate and have an understanding of the industry in which the Company operates. The Chair of the Audit Committee must not be the Chair of the Board and must be independent.

Mr Macpherson, Ms Radley and Mr Spence were members of the Audit Committee for the whole reporting period. Mr Willis was also a member of the Audit Committee until his retirement as a Director on 20 November 2020. Mr Willis was replaced as Chair by Ms Radley with effect from 1 October. At all times during the reporting period, all members were independent non executive Directors.

*Remuneration & Nomination Committee*

The role of the Remuneration & Nomination Committee with respect to remuneration matters is to assist the Board to fulfil its oversight responsibilities in relation to the overall remuneration strategy of the Company. The Committee considers the specific application of that remuneration strategy to EXCO and senior management and reviews, and approves equity based plans and other incentive schemes. This aspect of the Committee's role assists the Board to ensure that the executive remuneration policy demonstrates a clear relationship between executive performance and remuneration.

The role of the Committee with respect to nomination matters is to support the Board to fulfil its responsibilities by maintaining a Board with an appropriate mix of skills and experience. The Committee develops the method and scope of performance evaluations of the Board, its Committees and individual Directors, ensures the Company's Diversity Policy is implemented in respect of the Board and manages the process for identifying and selecting new Directors for appointment by the Board and subsequent consideration by shareholders.

All members of the Remuneration & Nomination Committee are required to be non-executive Directors, with a majority required to be independent. The Chair of the Remuneration & Nomination Committee must be independent.

Mr Macpherson, Mr Spence (as Chair) and Mr Stirzaker were members of the Remuneration & Nomination Committee for the whole reporting period. Mr Willis was a member until his retirement as a Director on 20 November 2020, at which time Ms Herzig was appointed as a member. At all times during the reporting period, all members were non executive Directors, the majority of whom were independent.

*Risk Committee*
The role of the Risk Committee is to assist the Board to identify and manage business and operational risks faced by the Company to a standard that considers the reasonable expectations of the Company's shareholders, employees, customers, suppliers, creditors and the broader community in which the Company operates.

The Committee typically conducts a full review and update of the Company's material business risk register and risk management framework at each Committee meeting and at least annually.

The Risk Committee must comprise a majority of independent non-executive Directors and the Chair of the Risk Committee must be independent.

Mr Macpherson (as Chair), Mr Spence and Ms Radley (all independent non executive Directors), and Mr Carstens and Mr Bwye (both executive Directors) were members of the Risk Committee for the whole reporting period. Mr Willis was a member of the Risk Committee until his retirement as a Director on 20 November 2020, at which time Ms Herzig was appointed as a member.

*ESE Committee*
The role of the ESE Committee is to assist the Board meet its oversight responsibility in respect of environmental, social and ethics matters. It specifically seeks to create strategic advantage by looking beyond ESE reporting and focusing on risk and outcomes as well as alignment of ESE matters with corporate strategy.

All members of the ESE Committee must have experience working in the industry and broader business in which the Company operates, as well as having specific expertise in the business aspects relevant to the ESE Committee's purpose. EXCO are standing members of the ESE Committee and the Chair must be independent.

For the period from its establishment until the end of the reporting period, the ESE Committee comprised all the Directors, with Mr Spence being the Chair.

## Shareholder Communication

### General
The Board recognises the importance of regular and proactive interaction with the market to ensure investors and key stakeholders remain informed about the Company's activities. This is reflected in the Company's Continuous Disclosure and Market Communications Standard, which sets out the Company's commitment to:

- communicate effectively with shareholders via ASX and AIM, information mailed to shareholders (e.g. notices of meetings and explanatory material and periodic disclosure, such as annual, half yearly and quarterly reporting of exploration, production and corporate activities) and the general meetings of the Company;
- give shareholders ready access to accurate, balanced and understandable information about the Company and corporate proposals; and
- make it easy for shareholders to participate in general meetings of the Company.

The Board further recognises the rights of shareholders and encourages the effective exercise of those rights by:

- ensuring notices of meeting and other meeting materials are drafted in concise, clear language and are distributed in accordance with the provisions of the Corporations Act;
- encouraging shareholders to use their attendance at meetings to ask questions on relevant matters, with time specifically set aside at each meeting for shareholder questions;
- encouraging shareholders to vote on proposed resolutions by either attending the meeting or by way of lodgement of proxies, if shareholders are unable to attend the meeting;
- establishing a general practice to include a presentation to shareholders on the Company's recent activities at each annual general meeting; and
- ensuring that the lead engagement partner is present at the annual general meeting to answer any questions regarding the conduct of the audit and preparation and content of the auditor's report.

The Company also ensures that all resolutions to be considered at shareholder meetings are voted on and decided by way of poll, and shareholders are able to appoint proxies electronically through the Company's share registry.

To ensure any prevailing COVID-19 restrictions would not impact the ability of shareholders and guests to attend and participate in the meeting, the Company's 2020 Annual General Meeting was held as a hybrid meeting, with shareholders and guests having the ability to attend in-person or online. Online attendees were able to view a live webcast of the meeting, ask text-based questions and, in the case of shareholders, cast votes on the poll in real time. It is expected that the Company's 2021 Annual General Meeting will again be held as a hybrid meeting to the extent prevailing COVID-19 measures permit in-person meetings.

### Company information

The Company's website (www.baseresources.com.au) provides information about the Company generally for the benefit of its shareholders, market participants and other key stakeholders, with the website undergoing a full review, refresh and re-launch during the last reporting period. The Company promptly updates the website with material released to ASX after confirmation of release by ASX. Information available on the website is regularly reviewed and updated to ensure that information is current, or appropriately dated and archived. The following website sections contain information of particular relevance for shareholders:

- Corporate Governance (accessible from the 'Who we are' dropdown menu): containing the Company's Constitution, the "Base Way", relevant governance policies and standards, Board and Board Committee Charters, codes of conduct for the Company's personnel and its suppliers and the Company's previously published corporate governance statements and modern slavery statements.
- Board and Leadership (accessible from the 'Who we are' dropdown menu): containing the names and brief biographical information for each of the Directors and senior managers.
- Reports (accessible from the 'Investors' dropdown menu): containing copies of annual, half yearly and quarterly reports.
- Market Announcements (accessible from the 'Investors' dropdown menu): containing ASX announcements (including notices of meeting and explanatory material and investor presentations).

Shareholders can also access further information about Kwale Operations from the website of the Company's wholly owned operating subsidiary, Base Titanium (www.basetitanium.com) and about the Toliara Project from the project's website (www.basetoliara.mg).

### Investor relations

The Company has an investor relations program designed to facilitate effective two-way communication with shareholders, which includes the following:

- The Company regularly attends broker-sponsored and industry conferences.
- The Company hosts investor webcasts and conference calls following the release of its half year and full year results, and also on an ad hoc basis following major corporate actions. The calls are hosted by the Managing Director and the Chief Financial Officer, accompanied by other members of senior management as required.
- The Company provides opportunities for shareholders to receive communications from the Company electronically and also encourages shareholders to communicate electronically with the Company and its securities registry. Alternatively, telephone, fax and email contact details are available on the Company's website and shareholders are welcome to contact the Company using their preferred method.

### Continuous disclosure and market communications

The Company is committed to ensuring that:

- shareholders and the market are provided with full and timely information about the Company and its activities;
- all investors have equal opportunity to receive externally available information issued by the Company; and
- all disclosures are balanced and expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

The Company has established a Disclosure Committee comprising the Managing Director, the Executive Director – Operations and Development, the Chief Financial Officer and the Company Secretary, which is primarily responsible for, among other matters, ensuring that the Company complies with its disclosure obligations and for overseeing and co-ordinating the disclosure of information to relevant stock exchanges, shareholders and applicable regulatory authorities.

To assist the Disclosure Committee with discharging its role, the Company's Continuous Disclosure and Market Communications Standard requires every Director and employee to report to a member of the Disclosure Committee any potentially price sensitive information which they obtain.

To the full extent practical (having regard to the requirement for immediate disclosure in certain circumstances), all members of the Disclosure Committee and the Board are given the opportunity to review and comment on material announcements before their release. Otherwise, copies of all material market announcements are provided to the Board promptly after they have been made.

The Company also undertakes a verification process in respect of each material statement of fact or belief in its market announcements to ensure they are appropriately verified.

The Company ensures that any briefing or presentation materials that are new and substantive are released on ASX and uploaded to the Company's website in advance of the relevant briefing or presentation.

## Promoting Responsible and Ethical Behaviours

### The "Base Way"

The "Base Way" sets out the unifying set of beliefs and behavioural expectations for the Company and all its employees. One of the beliefs is "absolute integrity" and the behavioural expectations flowing from this belief include always acting with absolute integrity, not making, soliciting or accepting bribes, and confronting inappropriate behaviour in others.

Various means are adopted to promote the "Base Way" and ensure it is at the forefront of the minds of all employees, including via regular internal communications. In addition, the Company's Role Description Standard requires a specific accountability of demonstrating the "Base Way" to be included in every employee's role description and this is subject to formal assessment as part of every employee's annual performance review.

### Codes of Conduct

The Company has a Code of Conduct for its directors and employees (**Personnel Code**), as well as a Code of Conduct for its suppliers (**Supplier Code**).

The Personnel Code was reviewed and updated during the reporting period and provides an overview of the framework for decision making and actions in relation to ethical conduct by directors, employees and officers of, and consultants acting for, the Company and its subsidiaries. The Personnel Code summarises the Group's key business systems (including relevant Policies and Standards) which, together with the "Base Way", entrench the Company's commitment to integrity and fair dealing in its business affairs. Breaches of the Personnel Code may lead to disciplinary action in accordance with the Company's Unacceptable Performance and Misconduct System. All material breaches of the Personnel Code are required to be notified to the Board or the ESE Committee.

The Supplier Code sets out the Company's core requirements and expectations for the Group's suppliers. In line with the Company's own commitment, the Supplier Code is directed to ensuring that the Group's suppliers act in a legal, honest and ethical manner, and acting with integrity, at all times. Like the Personnel Code, the Supplier Code also summarises aspects of the Company's Policies and Standards that equally apply to its suppliers. It also supplements those documents with further requirements concerning, among other matters, employment practices. The Supplier Code was also reviewed and updated during the reporting period.

### Integrity System

The Company's Integrity Policy expands on the behavioural expectations set out in the "Base Way" by:

- prohibiting bribery and corruption in all forms;
- ensuring that gifts, entertainment, travel and per diem reimbursements are not given or received as a reward or encouragement for preferential treatment;
- ensuring that the Company does not participate in party politics, including not making payments to political parties or individual politicians;
- prohibiting charitable donations or sponsorships that could be perceived as bribes or payments to gain an improper business advantage;
- requiring employees to ensure that their personal activities and interests do not conflict with their responsibilities to the Company;
- requiring third parties who act on the Company's behalf to comply with the Integrity Policy and the Integrity Standard; and
- requiring employees to confront inappropriate behaviour in others.

The Integrity Standard, which is disclosed on the Company's website, gives effect to the Integrity Policy by:

- specifying the limits of discretion of directors, officers and employees and individuals who act for or represent the Company or its subsidiaries (referred to in the Integrity Standard as "Base Personnel") in respect of specified conduct;
- setting out the responsibilities of Base Personnel in observing and upholding the absolute prohibition on bribery, corruption and related improper conduct; and
- providing information and guidance on how to recognise and deal with instances of potential bribery and corruption.

The Company provides Integrity Standard training to all employees assessed to be in high-risk roles, such as those employees engaging with government or communities. To further embed the Integrity System and give effect to the principle set out in the "Base Way" of "absolute integrity" and the associated behavioural expectations, all Group personnel at supervisor level and above are required to provide a signed Integrity Undertaking on an annual basis containing a series of confirmations and undertakings tied to the requirements of the Company's Integrity Policy and Integrity Standard, including to always act in a legal, honest and ethical manner when performing their role. The roles of supervisor level and above were considered as higher risk given the authority inherent with those roles, however in time the Integrity Undertaking will be considered for roll out across the Group. The Integrity Standard is also subject to annual review and was updated during the reporting period, including for consistency with proposed foreign bribery-related amendments to the Australian Commonwealth Criminal Code as set out in the Crimes Legislation Amendment (Combatting Corporate Crime) Bill 2019 and the Australian Government's draft guidance on adequate procedures to prevent foreign bribery.

A breach of the Integrity Standard by a member of the Company's personnel will be regarded as serious misconduct and will lead to disciplinary action which may include termination of employment. All material breaches of the Integrity Standard are currently required to be notified to the Risk Committee. However, following the establishment of the ESE Committee, and recognising its oversight responsibility in respect of ethical matters, as part of the Integrity Standard's 2021 annual review, this requirement will be changed and notifications of material breaches will be required to be made to the ESE Committee.

**Whistleblower System**

The Company's Whistleblower System further reinforces the behavioural expectations of the "Base Way" by providing a transparent and confidential mechanism for past and present employees and suppliers to report any instances of inappropriate conduct by employees and for such reports to be addressed in a timely manner.

The Company's Whistleblower Standard contains details about the individuals that can make reports of inappropriate conduct, how reports of inappropriate conduct can be made, which options include to the Company's independent whistleblower service provider, how reports will be investigated and the measures that are put in place to ensure confidentiality and protect against detriment. The Company's Whistleblower Standard was updated during the reporting period.

**Extractive Industries Transparency Initiative**

The Company is a signatory to the Extractive Industries Transparency Initiative (EITI). The EITI has established a reporting system to encourage transparency and accountability by Governments with respect to their receipt and use of revenues from extractive industries. EITI supports good governance through the verification and full publication of payments by companies and use of government revenues derived from oil, gas and mining. For its operations in Kenya, the Company publishes these payments in the Governance section (accessible from the 'Who We Are' dropdown menu) of the website of its wholly-owned subsidiary, Base Titanium (www.basetitanium.com). Once payments to Government commence in Madagascar following development of the Toliara Project, the Company will publish relevant payment details on the Base Toliara website (www.basetoliara.mg).

**Securities ownership and dealing**

The Company's Securities Trading Standard applies to directors and employees of the Company and its subsidiaries (referred to in the Standard as "Base Personnel"), as well as their consultants and advisers (referred to in the Standard as "Base Associates"). This Standard was substantially updated during the reporting period for closer alignment with United Kingdom's Market Abuse Regulation (UK MAR), which applies due to the Company's AIM listing.

The purpose of the Standard is to:

- assist Base Personnel and Base Associates to avoid insider trading, as well as the appearance of such conduct;
- explain the type of conduct in relation to dealings in securities of the Company that is prohibited under the Corporations Act and UK MAR; and
- establish a procedure relating to dealing in the Company's securities that provides best practice protection to the Company, Base Personnel and Base Associates against the misuse of unpublished information which could materially affect the price or value of the Company's securities.

Accordingly, among other things, the Standard summarises the law on insider trading under the Corporations Act and the UK MAR and specifies the types of dealings that are prohibited and the clearance requirements for permitted dealings. Additionally:

- Consistent with applicable requirements, the Securities Trading Standard requires the Company Secretary to be notified of any dealing in the Company's securities by Directors so that ASX can be notified, and any dealing by Directors or other persons discharging management responsibility so that the required notifications can be made to AIM and the United Kingdom's Financial Conduct Authority, in each case, within the prescribed time periods.
- Directors and employees participating in equity based incentive plans are also prohibited from entering into any transaction which would have the effect of hedging or otherwise transferring to any other person the risk of any fluctuation in the value of any unvested entitlement in the Company's securities.

Strict compliance with the Securities Trading Standard is mandatory for all Base Personnel and Base Associates. Any breach of the Standard is taken seriously and results in the person being subject to disciplinary action, including possible termination of their employment or appointment.

## Risk Management and Internal Controls

**Approach to risk management internal controls**

The Company recognises that risk is an integral and unavoidable component of its business and is characterised by both downside risk and upside opportunity. Effective management of risk enables the Company to enhance opportunities and reduce threats, and in so doing provide it with a competitive advantage. The Company is committed to managing risk in a proactive manner that is integrated throughout the business and informs all decision making as part of day to day management.

**Risk management roles and responsibilities**

Key ways in which the Company manages risk are through its well-established Risk Management Framework, the Board's Risk Committee, which has operated since 2015, and the Board's newly formed ESE Committee. The Company does not have a formal internal audit function. The need for an internal audit function is subject to annual review and assessment by the Risk Committee from a risk management perspective, and by the Audit Committee from an assurance perspective. The Board considers that a formal internal audit process is not required or justifiable at this time, and the Board is comfortable with the current and future planned assurance programs with respect to the Company's material business risks.

The Company also has a series of financial reporting controls for mitigating material financial reporting risks which were developed in consultation with accounting firm EY in 2019 following EY's review of the Company's controls environment. To assess and ensure the ongoing efficacy of its key controls, the Company carries out self-assessment testing biannually.

In 2020, following the expansion of the Audit Committee's responsibility to monitoring the level of non-audit services provided by the Company's external auditor and the fees received for those services to ensure there is no actual or perceived adverse impact on auditor independence, a non-audit services standard was developed and approved by the Audit Committee. The Non-Audit Services Standard sets out the authority limits for approving non-audit services provided by the Company's external auditor.

The Risk Committee's role is to assist the Board in monitoring risk, with a full review and update of the Company's Material Business Risk Register and Risk Management Framework typically occurring for each Committee meeting, and at least annually. The Company's Material Business Risk Register and Risk Management Framework was reviewed in November and February 2020 and in July 2021.

In parallel with the establishment of the ESE Committee and in recognition of that committee's specific focus on the management of environmental, social and ethics matters and their associated risks, the Risk Committee's Charter was updated during the reporting period to remove its responsibilities with respect to those matters. Accordingly, the Risk Committee's responsibilities are now to:

- ensure that management designs and implements a risk management and internal control system to manage the Company's material business risks;
- review, at least annually, the Company's risk management and internal risk control system and reporting to the Board on its efficiency and effectiveness;
- periodically review the need for a formal internal audit function from a risk management perspective;
- review the risk reports produced by management, the efficiency and effectiveness of that risk management and internal control system and any material incidents notified to it and the learnings from those incidents;
- develop and maintain a risk register which identifies the material business risks to the Company and its operations and assess the likelihood of their occurrence;
- periodically review the scope and adequacy of the Company's insurance, having regard to the Company's business and its associated insurable risks; and
- oversee the Company's operational and risk management and occupational health and safety processes.

The ESE Committee's responsibilities include:

- ensuring that management designs, implements and maintains an Environmental and Social Management System (ESMS) as well as any other systems necessary to achieve the Company's ESE strategy and positioning objectives;
- reviewing and monitoring the efficacy and effectiveness of the ESMS;
- monitoring the Company's responsibilities and commitments under international ESE-related frameworks;
- ensuring that management designs and implements a whistleblower system to encourage and promote the reporting of any inappropriate conduct and overseeing procedures for whistleblower protection;
- ensuring that management designs and implements an anti-bribery and corruption system to minimise the Company's risks with respect to bribery and corruption;

- reviewing at least annually the Company's anti-bribery and corruption system and reporting to the Board on its efficiency and effectiveness; and
- monitoring and reviewing emergent material ESE risks and opportunities as well as trends in the identified ESE metrics.

Management is responsible for promoting and applying the Risk Policy, which involves establishing a risk-aware culture, identifying and assessing business and operational risks, developing and implementing appropriate risk strategies, systems and controls, monitoring the effectiveness of risk controls and reporting on risk management and performance. Management also maintains the Material Business Risk Register.

**Business risks and mitigations**

The Company is exposed to a number of risks across its business, which it seeks to manage in a manner consistent with its Risk Management Framework. The Company identifies each risk according to the following categories:

- Strategic – such as the Company's ability to execute its growth strategy or access to exploration opportunities.
- Financial – such as funding continuity.
- Regulatory – such as political, mining and fiscal policy.
- Operational – such as community, safety, security, human resources and production.
- Project – such as risks to planned project development.

The Company has identified material exposures to certain environmental and social sustainability risks associated with Kwale Operations and its development of the Toliara Project. As noted above, the ESE Committee is responsible for overseeing the management of these risks, together with more broadly ensuring the clear articulation of the Company's ESE vision and a strategy is in place to achieve that vision (among other matters).

The Company recognises that host communities for its Kwale Operations and Toliara Project play an integral role in the success of those projects and, by extension, the Company's overall success.

For the full mining life cycle, the Company adopts world class, inclusive business practices seeking to minimise any negative impacts and maximise positive outcomes of its operations for its employees, host communities and host nations to ensure the Company is a welcome member of its communities. These practices are based on the understanding that achieving the Company's long-term goals is reliant on building beneficial relationships with the communities in which it operates and establishing a balanced flow of mutual benefit.

The Company's sustainability practices focus on the Company's people, its communities and the environment. These focus areas were developed taking into consideration international best practice and feedback from stakeholders, including host communities and host nations. In each case, the Company's sustainability practices are based on the "Base Way", applicable Company policies (including the Company's Communities, Health and Safety and Environment Policies), applicable legislation and regulation and international best practice, including the International Financial Corporation's Performance Standards, the Equator Principles, the World Bank's Environmental, Health and Safety Guidelines, International Labour Organisation's core labour standards, the Extractive Industries Transparency Initiative and the United Nations Voluntary Principles on Security and Human Rights.

The Company's environmental sustainability practices are also based on a comprehensive understanding of the environmental impacts during design, construction, operations and ultimately closure of Kwale Operations and the Toliara Project. They are further designed to ensure continuous improvement, with the Company recognising that environmental sustainability is an area of increasing focus for governments, shareholders, other stakeholders and the broader public and that the Company will only have increasing responsibility and be subject to increasing expectations. Whilst this increasing focus is partly driven by climate change concerns, which the Company recognises creates both direct and indirect risks to its operations and business, the Company acknowledges environmental sustainability is a broader issue.

Details about the Company's sustainability practices in respect of its people, its communities and the environment are set out on pages 14 to 17 of the Annual Report. In addition to those practices:

- The Company seeks to mitigate its social sustainability risk by ensuring the Company and its personnel act in a legal, honest and ethical manner and with integrity at all times. The Company has taken multiple and wide-ranging steps designed to ensure the highest standards of behaviours, which include putting in place the governance documents and taking the other steps described elsewhere in this statement.
- In line with the Company's commitment to respecting human rights and ensuring all aspects of its employment practices abide by applicable laws and regulations, during the reporting period, the Company took various steps to identify, assess and mitigate the risk of modern slavery in its operations and supply chains. Those steps, together with the other information prescribed by the Australian Modern Slavery Act 2018, will be set out in the Company's modern slavery statement which will be published in respect of the reporting period, and included:
  - carrying out due diligence on key suppliers previously identified as having a higher risk of modern slavery;
  - preparing a detailed modern slavery risk assessment procedure and embedding that procedure into the Group's supplier onboarding processes;
  - carrying out a high level risk assessment on further key suppliers for the purposes of selecting further suppliers for due diligence;
  - carrying out an audit of the Group's new contracts and new suppliers to assess the extent to which modern slavery mitigations introduced during the previous reporting period were followed; and
  - reviewing the Group's internal recruitment procedures to determine appropriate enhancements to further reduce the modern slavery risk.
- The Company regularly reviews all aspects of its environmental performance to achieve continuous improvement and works in partnership with its host communities, conservation groups and environmental experts to not only meet applicable legal and regulatory requirements, but its broader environmental objectives.

**CEO and CFO assurance**

The Board receives monthly reports on the Group's financial and operational results. Before the Board adopted the 31 December 2020 half-year and 30 June 2021 full-year financial statements, the Managing Director and the Chief Financial Officer declared in writing to both the Audit Committee and the Board that (in their opinion):

- the financial records of the Company had been properly maintained;
- the financial statements comply with the appropriate accounting standards; and
- the financial statements give a true and fair view of the financial position and performance of the Company, and that their opinion had been formed on the basis of a sound system of risk management and internal control which was operating effectively.

## Diversity

The Company values and encourages a diverse workforce and strives to provide a work environment in which everyone is treated fairly, with respect and can realise their full potential. The Company seeks to achieve this by:

- employing staff based on job requirements and merit without discriminating on grounds which include age, ethnic or social origin, gender, sexual orientation, politics or religion;
- training its people to work in safe, healthy and environmentally responsible ways, and then ensuring that they work in that manner;
- requiring managers to be models of the highest standards of behaviour and to demonstrate visible leadership;
- requiring employees to treat each other and those they deal with externally with dignity, fairness and respect and to guard against harassment in the workplace;
- maintaining codes of conduct and performance standards that establish sound conditions of work and disciplinary procedures in compliance with all applicable laws and which uphold human rights principles;
- ensuring that its remuneration and incentive systems are equitable and transparent;
- establishing and developing integrated employment management systems that seek to elevate employee engagement within the Company to a recognised competitive advantage; and
- including in every employee's role description a specific accountability of demonstrating the "Base Way".

A key focus of the Company since before commencement of Kwale Operations in late 2013 has been establishment of an operational workforce that delivers on commitments to maximise employment opportunities for local communities, whilst achieving the highest standards of operational and safety performance. As at 30 June 2021, the Company is pleased to report that it employed 98.6% Kenyan national employees at Kwale, which is marginally higher than the prior reporting period. This demonstrates the effectiveness of the systems designed by the Company to drive the structured transfer of skills over time.

For the Toliara Project, there has been the same structured focus on maximising employment opportunities for local communities against the backdrop of achieving the necessarily high standards of operational and safety performance. This requirement is documented in the project's Labour Recruitment and Influx Management Plan and will continue as the proposed development of the Toliara Project progresses. While that development is in the early stages and progress has been impacted by the suspension of on-ground activities required by the Government of Madagascar and exacerbated by COVID-19, the Company is pleased to report that, as at 30 June 2021, it employed 89.7% Malagasy national employees at the Toliara Project.

While the primary focus to date has been on maximising local participation, workforce establishment and performance enhancement, the Board does set measurable objectives for achieving gender diversity, annually review those objectives and annually assess progress in achieving those objectives.

The Board determined to maintain the measurable diversity objectives it set last financial year for the reporting period and added two further objectives. The objectives set were:

- increase the overall percentage of women employed by the group;
- maintain female representation in the intake for graduate and apprentice programs at or above one third, subject to the constraint of the operation of the Company's established system for prioritising employment opportunities to local communities;
- subject to vacancies, increase the percentage of women in executive roles (Manager level and above);
- subject to vacancies, to consider diversity when reviewing Board succession plans with the aim to further balance gender representation and achieve greater diversity;
- subject to vacancies, to increase the percentage of women in senior management (General Manager level and above); and
- excluding short-term employees, maintain female turnover that is equal to or less than Group turnover.

Turnover for the purposes of the final diversity objective covers all scenarios which may result in an employment relationship being ended, with the exception of termination for cause.

For the reporting period, the Group met its objectives to increase the overall percentage of women in its workforce and maintain female representation in the intake for graduate and apprentice programs at or above one third. It also met its aim to further balance gender representation on the Board with Ms Herzig's appointment on 12 October 2020.

However, the Group did not meet its objectives of:

- achieving an increase in the percentage of women in management and senior management roles, with there being a slight reduction in the percentage of women in management roles compared to the last reporting period and there being no change to the percentage of women in senior management roles; and
- maintaining female turnover that is equal to or less than Group turnover.

That said, in both percentage and absolute terms, the number of women employed in the Group increased, the number of women in management roles in absolute terms again remained stable and no appointment opportunities were available during the reporting period at senior management level. In addition, female voluntary turnover for the reporting period was materially the same as the prior reporting period. and lower than FY19.

The Company considers that, given the relatively low turnover of senior employees, the group's graduate and apprenticeship programs continue to represent the greatest opportunity to increase female representation within the Company over time – particularly at executive level. For the Toliara Project, the Company has undertaken several measures to encourage women from local communities to apply for future training and job opportunities, and dispel the commonly held perception that mining is an unsuitable career for women. Such measures included using female role models in advertising and holding "women only" registration days when targeting registrations for capacity-building training programs to broaden the pool of suitable applicants for roles during the construction and operation phases. Of the applicants registered for these programs, approximately 33% were female.

Shown below is the Company's performance in achieving its set objectives during the year ended 30 June 2021, as compared to the two prior periods. The Company's turnover percentages for FY21 are distorted by, and materially higher than the percentages for the two prior periods due to, the redundancy process that was carried out in Madagascar during that year due to the impact of, among other things, the suspension of on-the-ground activities and COVID-19 on available work opportunities.

| Objective | FY19 | FY20 | FY21 | Change in % FY20 to FY21 |
|---|---|---|---|---|
| Increase the overall percentage of women | 163/892<br>18.3% | 167/944<br>17.7% | 177/964<br>18.4% | 0.7% |
| Female representation in graduate and apprentice programs at or above one third | 11/33<br>33.3% | 14/42<br>33.3% | 8/24<br>33.3% | No change |
| Increase the percentage of women in management roles (Manager and above) | 6/31<br>19.4% | 6/36<br>16.7% | 6/38<br>15.8% | (0.9)% |
| Increase the percentage of women in senior management (General Manager and above)[4] | 0/10<br>0.0% | 0/11<br>0.0% | 0/11<br>0.0% | No change |
| Board gender diversity | 14.3% | 14.3% | 28.6% | 14.3% |
| Maintain female turnover that is equal to or less than Group turnover | Female – 2.9%<br>Group – 0.6%<br>Difference - 2.3% | Female – 0.9%<br>Group – 1.2%<br>Difference - (0.3%) | Female – 12.0%<br>Group – 8.6%<br>Difference - 3.4% | 3.71% |

4. For the purposes of Recommendation 1.5 of the ASX Recommendations, the Company has defined the senior executive as senior management (General Manager and above).

The Board has determined to maintain the above existing measurable objectives for the coming financial year. The Board will report progress in achieving the set objectives in next year's corporate governance statement.

## Availability of Key Corporate Governance Documents

The following key corporate governance policies and procedures are available on the Company's website:

- Company Values – The Base Way
- Constitution
- Board Governance Plan (including Board Committee Charters)
- Continuous Disclosure and Market Communications Standard
- Risk Management Policy
- Diversity Standard
- Integrity Standard
- Environment Policy
- Communities Policy
- Employment Policy
- Health and Safety Policy
- Whistleblower Standard
- Securities Trading Standard
- Code of Conduct (Company Personnel)
- Supplier Code of Conduct

# Lead Auditor's Independence Declaration

KPMG

## Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

### To the Directors of Base Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Base Resources Limited for the financial year ended 30 June 2021 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Graham Hogg
*Partner*
Perth
28 August 2021

# FINANCIAL STATEMENTS AND NOTES

# Consolidated statement of profit or loss and other comprehensive income

FOR THE YEAR ENDED 30 JUNE 2021

| | Note | 2021 US$000s | 2020 US$000s |
|---|---|---|---|
| Sales revenue | 3 | 198,235 | 208,016 |
| Cost of sales | 4 | (139,310) | (139,333) |
| Profit from operations | | 58,925 | 68,683 |
| | | | |
| Corporate and external affairs | | (12,001) | (10,465) |
| Community development costs | | (4,618) | (3,559) |
| Selling and distribution costs | | (3,706) | (2,388) |
| COVID-19 response costs | | (1,200) | (1,082) |
| Other (expense)/income | | (2,264) | 314 |
| Profit before financing costs and income tax | | 35,136 | 51,503 |
| Financing costs | 5 | (5,878) | (5,873) |
| Profit before income tax | | 29,258 | 45,630 |
| Income tax expense | 7 | (18,277) | (6,042) |
| **Net profit for the year** | | **10,981** | **39,588** |
| | | | |
| **Other comprehensive income** | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Foreign currency translation differences - foreign operations | | 3,599 | 364 |
| Total other comprehensive income for the year | | 3,599 | 364 |
| **Total comprehensive income for the year** | | **14,580** | **39,952** |
| | | | |
| **Earnings per share** | | **Cents** | **Cents** |
| Basic earnings per share (US cents per share) | 6 | 0.93 | 3.38 |
| Diluted earnings per share (US cents per share) | 6 | 0.92 | 3.34 |

*The accompanying notes form part of these consolidated financial statements.*

# Consolidated statement of financial position

AS AT 30 JUNE 2021

| | Note | 30 June 2021 US$000s | 30 June 2020 US$000s |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | | 64,925 | 162,559 |
| Trade and other receivables | 9 | 62,635 | 46,620 |
| Inventories | 10 | 18,355 | 19,492 |
| Other current assets | | 8,208 | 7,313 |
| **Total current assets** | | **154,123** | **235,984** |
| | | | |
| **Non-current assets** | | | |
| Capitalised exploration and evaluation | 11 | 157,909 | 139,633 |
| Property, plant and equipment | 12 | 104,917 | 158,751 |
| **Total non-current assets** | | **262,826** | **298,384** |
| **Total assets** | | **416,949** | **534,368** |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | 13 | 21,618 | 12,984 |
| Borrowings | | 41 | 25,195 |
| Provisions | 14 | 38,687 | 32,541 |
| Income tax payable | | - | 539 |
| Deferred consideration | 15 | 7,000 | 17,000 |
| **Total current liabilities** | | **67,346** | **88,259** |
| | | | |
| **Non-current liabilities** | | | |
| Borrowings | | - | 48,940 |
| Provisions | 14 | 15,088 | 25,408 |
| Deferred tax liability | 7 | 4,615 | 9,027 |
| Deferred consideration | 15 | 10,000 | - |
| **Total non-current liabilities** | | **29,703** | **83,375** |
| **Total liabilities** | | **97,049** | **171,634** |
| **Net assets** | | **319,900** | **362,734** |
| | | | |
| **Equity** | | | |
| Issued capital | 16 | 307,811 | 307,063 |
| Treasury shares | 17 | (2,273) | - |
| Reserves | | (14,201) | (17,227) |
| Retained earnings | | 28,563 | 72,898 |
| **Total equity** | | **319,900** | **362,734** |

*The accompanying notes form part of these consolidated financial statements.*

# Consolidated statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2021

| | Issued capital US$000s | Retained earnings US$000s | Share based payment reserve US$000s | Foreign currency translation reserve US$000s | Treasury shares reserve US$000s | Total US$000s |
|---|---|---|---|---|---|---|
| Balance at 1 July 2019 | 306,512 | 33,310 | 3,399 | (22,629) | - | 320,592 |
| Profit for the year | - | 39,588 | - | - | - | 39,588 |
| Other comprehensive income | - | - | - | 364 | - | 364 |
| Total comprehensive income for the year | - | 39,588 | - | 364 | - | 39,952 |
| *Transactions with owners, recognised directly in equity* | | | | | | |
| Share based payments | 551 | - | 1,639 | - | - | 2,190 |
| **Balance at 30 June 2020** | **307,063** | **72,898** | **5,038** | **(22,265)** | **-** | **362,734** |
| Balance at 1 July 2020 | 307,063 | 72,898 | 5,038 | (22,265) | - | **362,734** |
| Profit for the year | - | 10,981 | - | - | - | 10,981 |
| Other comprehensive income | - | - | - | 3,599 | - | 3,599 |
| Total comprehensive income for the year | - | 10,981 | - | 3,599 | - | 14,580 |
| *Transactions with owners, recognised directly in equity* | | | | | | |
| Dividends paid | - | (56,383) | - | - | - | (56,383) |
| Purchase of treasury shares | - | - | - | - | (3,458) | (3,458) |
| Share based payments | 748 | 1,067 | (573) | - | 1,185 | 2,427 |
| **Balance at 30 June 2021** | **307,811** | **28,563** | **4,465** | **(18,666)** | **(2,273)** | **319,900** |

*The accompanying notes form part of these consolidated financial statements.*

# Consolidated statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2021

| | Note | 2021 US$000s | 2020 US$000s |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 183,107 | 216,818 |
| Payments in the course of operations | | (99,524) | (83,750) |
| Income taxes paid | | (19,115) | (27,543) |
| **Net cash from operating activities** | 8 | **64,468** | **105,525** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (9,310) | (10,377) |
| Payments for exploration and evaluation | | (15,222) | (23,212) |
| Other | | (13) | 299 |
| **Net cash used in investing activities** | | **(24,545)** | **(33,290)** |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | - | 75,000 |
| Dividends paid | 19 | (56,383) | - |
| Purchase of treasury shares | | (3,458) | - |
| Repayment of borrowings | | (75,000) | (20,000) |
| Payments for debt service costs | | (2,977) | (2,512) |
| **Net cash (used in) / from financing activities** | | **(137,818)** | **52,488** |
| **Net (decrease) / increase in cash held** | | **(97,895)** | **124,723** |
| Cash at beginning of year | | 162,559 | 39,242 |
| Effect of exchange fluctuations on cash held | | 261 | (1,406) |
| **Cash at end of year** | | **64,925** | **162,559** |

*The accompanying notes form part of these consolidated financial statements.*

# Notes to the consolidated financial statements

## Note 1: Basis of preparation

Base Resources Limited is a company domiciled in Australia. The registered address is located at Level 3, 46 Colin Street, West Perth, WA, 6005. The consolidated financial statements of the Company, as at and for the year ended 30 June 2021, comprises the Company and its wholly owned subsidiaries (together referred to as the Group). The Group is a for-profit entity and primarily involved in the operation of its Kwale Mineral Sands Mine in Kenya and development of its Toliara Project in Madagascar.

The consolidated financial statements of the Group for the year ended 30 June 2021:

- Are a general purpose financial report prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.
- Comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board.
- Are presented in United States dollars and all values are rounded to the nearest thousand dollars (US$000s) unless otherwise stated, in accordance with ASIC Corporations instrument 2016/191. The functional currency of the Parent is Australian dollars, whilst all other subsidiaries are United States dollars.
- Have been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The consolidated financial statements were approved by the Board of Directors on 28 August 2021.

### Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the exchange rate at that date. Non-monetary items in a foreign currency that are measured at historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on re-translation are recognised in the Statement of Profit or Loss and Comprehensive Income.

### Foreign operations

The assets and liabilities of foreign operations are translated to the functional currency at exchange rates at the reporting date. The income and expenses of foreign operations, are translated to United States dollars at exchange rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the translation reserve in equity.

### Critical accounting estimates and judgements

Estimates and judgements used in developing and applying the Group's accounting policies are continually evaluated and are based on experience and other factors and are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised. The critical estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed in the respective sections of the Consolidated Financial Statements.

To assist in identifying critical accounting judgements, we have highlighted them with the following formatting:

### Ore Reserves and Mineral Resources estimates

The estimated quantities of economically recoverable Ore Reserves and Mineral Resources are based upon interpretations of geological and geophysical models and require assumptions to be made regarding factors such as future operating costs, future commodity prices, future capital requirements and future operating performance. Changes in reported Ore Reserves and Mineral Resources estimates can impact the carrying value of PP&E, provisions for mine closure and rehabilitation obligations, the recognition of deferred tax assets, as well as the amount of depreciation and amortisation charged to the Statement of Profit or Loss and Other Comprehensive Income.

*Note: this is an example presentation.*

# Notes to the consolidated financial statements

PERFORMANCE FOR THE YEAR

This section analyses the financial performance of the Group for the year ended 30 June 2021. It includes segment performance, earnings per share and taxation.

## Note 2: Segment reporting

| Segment | Principal activities |
|---|---|
| Kwale Operation | The Group's 100% owned Kwale Operation is located in Kenya and generates revenue from the sale of rutile, ilmenite and zircon. |
| Toliara Project | The Group acquired the Toliara Project in Madagascar in 2018 and is progressing the project towards development. |
| Other | Includes Group head office, all corporate expenditure not directly attributable to the Kwale Operation or Toliara Project and exploration activities not directly related to Kwale Operations or the Toliara Project. |

| | 2021 | | | | 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| **Reportable segment** | **Kwale Operation US$000s** | **Toliara Project US$000s** | **Other US$000s** | **Total US$000s** | **Kwale Operation US$000s** | **Toliara Project US$000s** | **Other US$000s** | **Total US$000s** |
| Sales revenue | 198,235 | - | - | 198,235 | 208,016 | - | - | 208,016 |
| Cost of sales | (139,310) | - | - | (139,310) | (139,333) | - | - | (139,333) |
| **Profit from operations** | **58,925** | **-** | **-** | **58,925** | **68,683** | **-** | **-** | **68,683** |
| Corporate and external affairs | (3,759) | (272) | (7,970) | (12,001) | (3,340) | (271) | (6,854) | (10,465) |
| Community development costs | (4,618) | - | - | (4,618) | (3,559) | - | - | (3,559) |
| Selling and distribution costs | (3,706) | - | - | (3,706) | (2,388) | - | - | (2,388) |
| COVID-19 Response Costs | (1,200) | - | - | (1,200) | (1,082) | - | - | (1,082) |
| Other (expenses) / income | (1,727) | - | (537) | (2,264) | 641 | - | (327) | 314 |
| **Profit before financing and tax** | **43,915** | **(272)** | **(8,507)** | **35,136** | **58,955** | **(271)** | **(7,181)** | **51,503** |
| Financing costs | (5,800) | - | (78) | (5,878) | (5,524) | - | (349) | (5,873) |
| **Profit before tax** | **38,115** | **(272)** | **(8,585)** | **29,258** | **53,431** | **(271)** | **(7,530)** | **45,630** |
| Income tax expense | (9,277) | - | (9,000) | (18,277) | (6,042) | - | - | (6,042) |
| **Reportable profit** | **28,838** | **(272)** | **(17,585)** | **10,981** | **47,389** | **(271)** | **(7,530)** | **39,588** |

| | 2021 | | | | 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| **Reportable segment** | **Kwale Operation US$000s** | **Toliara Project US$000s** | **Other US$000s** | **Total US$000s** | **Kwale Operation US$000s** | **Toliara Project US$000s** | **Other US$000s** | **Total US$000s** |
| Capital expenditure | 11,464 | 12,200 | 868 | 24,532 | 10,639 | 22,791 | 160 | 33,590 |
| Total assets | 227,364 | 156,744 | 32,841 | 416,949 | 364,662 | 141,448 | 28,258 | 534,368 |
| Total liabilities | 76,466 | 18,022 | 2,561 | 97,049 | 151,855 | 17,901 | 1,878 | 171,634 |

### Determination and presentation of operating segments

Operating segments are components of the Group about which separate financial information is available that is evaluated regularly by the Group's senior executives (chief operating decision makers) in deciding how to allocate resources and in assessing performance.

The division of the Group's results into segments has been ascertained by identification of revenue/cost centres and where interrelated segment costs exist, an allocation has been calculated on a pro rata basis.

## Note 3: Revenue

| | 2021 US$000s | 2020 US$000s |
|---|---|---|
| Revenue from contracts with customers | 197,832 | 206,473 |
| Revenue from contracts subject to provisional pricing (a) | 403 | 1,543 |
| **Total sales revenue** | **198,235** | **208,016** |

**a. Revenue from contracts subject to provisional pricing**

Contract terms for some of the Group's rutile sales allow for a retrospective final price adjustment after the date of sale, based on average market prices in the quarter that the product is sold. Average market prices are derived from an independently published quarterly dataset of all global rutile trades, available approximately four months after the end of each quarter. During the reporting period, revenue arising from the final price adjustment was US$0.4 million (2020: US$1.5 million).

Sales revenue made under these terms that have not yet been subject to a final price adjustment are recognised at the estimated fair value of the total consideration receivable, which takes into account the latest available market data at the balance date.

As a result, rutile sales revenue of US$0.7 million remains subject to final market pricing at 30 June 2021 (2020: US$11.2 million). Adjustments between the provisional and final price are accounted for under AASB 9 and are separately disclosed.

### Recognition and measurement of revenue

The Group sells mineral sands under a range of International Commercial Terms (Incoterms). Revenue is recognised only when all of the following have been satisfied: there is no continuing managerial involvement to the degree usually associated with ownership or effective control over the goods sold; the amount of revenue and costs can be reliably measured; and the flow of future economic benefits is probable.

The delivery of mineral sands products is the only performance obligation of the Group. The Group considers effective control over the products sold to have passed at the point that physical control over the goods has transferred to the customer, which is determined under the Incoterms of the particular sale. For most of the Group's sales, this is when the goods are loaded onto a shipping vessel, where the Incoterms are Free on Board (FOB) or Cost and Freight (CFR). As such, this is the most common revenue recognition point for sales. Different Incoterms arise depending on the customer and there are scenarios where control does not transfer until the goods reach their point of destination at which stage the performance obligation is considered satisfied and the revenue is recognised.

The Group measures its revenues from contracts with customers at a price established in the formal agreement with the customer. For rutile sales, where final pricing is based on average market prices, a provisional pricing adjustment is recorded as described above.

In all circumstances, revenue can reliably be measured based on quantities shipped and prices as described above. All costs associated with the sale, most notably the cost of the inventory being shipped, are known at the time of shipment.

After control has transferred to the customer, there are no continuing obligations such as customer right of return or warranties that could impact the recognition of revenues. Once the Group's sole performance obligation has been met, the Group has the right to invoice the customer and it is therefore probable that future economic benefits will flow to the Group.

## Note 4: Cost of sales

| | 2021 US$000s | 2020 US$000s |
|---|---|---|
| Operating costs | 64,963 | 68,553 |
| Changes in inventories of concentrate and finished goods | 1,576 | (502) |
| Royalties expense | 13,823 | 14,557 |
| Depreciation and amortisation | 58,948 | 56,725 |
| | **139,310** | **139,333** |

## Note 5: Financing costs

| | 2021 US$000s | 2020 US$000s |
|---|---|---|
| Interest expense, inclusive of withholding tax | 2,036 | 1,820 |
| Amortisation of capitalised borrowing costs | 650 | 447 |
| Unwinding of discount on provision for rehabilitation | 49 | 359 |
| Foreign exchange loss | 2,812 | 2,214 |
| Commitment fees | 302 | 587 |
| Other financing costs | 29 | 446 |
| | **5,878** | **5,873** |

**Finance expenses**

Financing expenses include:

- Interest on borrowings and leases.
- Amortisation of costs incurred to establish the borrowings.
- The unwinding of discount on provisions for mine closure and rehabilitation.

Financing expenses are calculated using the effective interest rate method. Finance expenses incurred for the development of mining projects are capitalised up to the point at which commercial production is achieved. Other financing expenses are expensed as incurred.

## Note 6: Earnings per share

| | 2021 US$000s | 2020 US$000s |
|---|---|---|
| Earnings used to calculate basic/diluted earnings per share | **10,981** | **39,588** |

**a. Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share**

| *in thousands of shares* | 2021 | 2020 |
|---|---|---|
| Issued ordinary shares at 1 July | 1,171,610 | 1,127,575 |
| Effect of performance rights vested under the Group's LTIP | 5,402 | 28,885 |
| Treasury shares acquired on market by the Trustee to satisfy vested performance rights under the Company's LTIP | (4,994) | - |
| Treasury shares allocated to participants in the Company's LTIP following exercise of vested performance rights | 2,840 | - |
| **Weighted average number of ordinary shares at 30 June** | **1,174,858** | **1,156,460** |

**b. Weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share**

| *in thousands of shares* | 2021 | 2020 |
|---|---|---|
| Weighted average number of ordinary shares (basic) | 1,174,858 | 1,170,029 |
| Effect of performance rights on issue | 20,777 | 15,801 |
| **Weighted average number of ordinary shares (diluted) at 30 June** | **1,195,635** | **1,185,830** |

## Note 7: Income tax

| | 2021 US$000s | 2020 US$000s |
|---|---|---|
| **a. Amounts recognised in profit or loss** | | |
| *Current income tax* | | |
| Income tax expense | 13,689 | 13,515 |
| Dividend withholding tax | 9,000 | - |
| *Deferred tax* | | |
| Origination and reversal of temporary differences | (6,218) | (4,722) |
| Adjustments to deferred tax balance due to changes in Kenyan tax rates | 1,806 | (2,752) |
| **Income tax expense reported in comprehensive income** | **18,277** | **6,042** |

**b. Reconciliation of income tax expense to prima facie tax payable**

*The prima facie tax payable on loss from ordinary activities before tax is reconciled to the income tax expense as follows:*

| | 2021 US$000s | 2020 US$000s |
|---|---|---|
| Accounting profit before tax | 29,258 | 45,630 |
| Prima facie tax on operating profit at 30% (2020: 30%) | 8,777 | 13,689 |
| Add / (less) tax effect of: | | |
| Non-deductible items | 512 | 2,525 |
| Share based payments | 406 | 364 |
| Tax losses not recognised | 3,744 | 2,098 |
| Other deferred tax assets not brought to account as realisation not considered probable | 1,249 | 636 |
| Effect of tax rates in foreign jurisdictions (i) | (5,411) | (13,270) |
| **Income tax attributable to operating profit** | 9,277 | 6,042 |
| Dividend withholding tax | 9,000 | - |
| **Income tax** | **18,277** | **6,042** |

*(i) The Kenyan tax rate applicable to Base Titanium Limited is 15% (2020: 12.5%)*

**c. Net deferred tax liability recognised**

| | 2021 US$000s | 2020 US$000s |
|---|---|---|
| **Deferred tax asset recognised** | | |
| Opening balance | 1,447 | 1,156 |
| Adjustment for change in Kenyan tax rate (2021: 15%; 2020: 12.5%) | 289 | (191) |
| Deferred tax movement at prevailing Kenyan tax rate | 251 | 482 |
| **Closing balance** | **1,987** | **1,447** |
| **Deferred tax liability recognised** | | |
| Opening balance | (10,474) | (17,656) |
| Adjustment for change in Kenyan tax rate (2021: 15%; 2020: 12.5%) | (2,095) | 2,943 |
| Deferred tax movement at prevailing Kenyan tax rate | 5,967 | 4,239 |
| **Closing balance** | **(6,602)** | **(10,474)** |
| **Net deferred tax liability** | **(4,615)** | **(9,027)** |

### d. Deferred tax assets unrecognised

| | | |
|---|---|---|
| Deductible temporary differences | 335 | 308 |
| Tax losses Australia | 9,017 | 8,310 |
| Tax losses other | 422 | 591 |
| Exploration expenditure Madagascar | 9,002 | 6,667 |
| | **18,776** | **15,876** |

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward, excluding those recognised for Kwale Operations, have not been brought to account at 30 June 2021 and 2020 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

1. The Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss and exploration expenditure to be realised;
2. The Group continues to comply with conditions for deductibility imposed by law; and
3. No changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the loss and exploration expenditure.

### Recoverability of deferred tax assets

Balances related to taxation disclosed are based on the best estimates of directors. These estimates take into account both the financial performance and position of the Group as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents the directors' best estimate, pending an assessment by the tax authorities in Australia and jurisdictions where it has foreign operations.

A deferred tax asset is recognised for unused tax losses only if it is probable that future taxable profits will be available to utilise those losses. Determination of future taxable profits requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively, sale of the respective areas of interest will be achieved. This includes estimates and judgements about commodity prices, exchange rates, future capital requirements, future operational performance and the timing of estimated cash flows. Changes in these estimates and assumptions could impact on the amount and probability of estimated taxable profits and accordingly the recoverability of deferred tax assets.

### Recognition and measurement of income taxes

The income tax expense/benefit for the year comprises current income tax expense/benefit and deferred tax expense/benefit.

Current income tax expense charged to the Statement of Profit or Loss and Other Comprehensive Income is the expected tax payable or recoverable on the taxable income or loss calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date, and any adjustment to tax payable in respect of previous years. Deferred income tax expense reflects movements in deferred tax asset and liability balances during the year as well as unused tax losses.

Current and deferred income tax expense/benefit is charged or credited directly to equity instead of the Statement of Profit or Loss and Other Comprehensive Income when the tax relates to items that are credited or charged directly to equity.

Current tax assets and liabilities are measured at the amounts expected to be paid to/recovered from the relevant taxation authority.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

## Note 8: Operating cashflows

The Group's operating cashflow reconciled to profit after tax is as follows:

| | 2021 US$000s | 2020 US$000s |
|---|---|---|
| Profit for the year | 10,981 | 39,588 |
| Depreciation and amortisation | 58,948 | 56,725 |
| Share based payments | 1,837 | 1,764 |
| Financing costs classified as financing activity | 5,878 | 5,873 |
| Amortisation of deferred revenue | - | (625) |
| Decrease in income tax payable | (539) | (13,924) |
| Decrease in deferred tax liability | (4,412) | (7,473) |
| (Increase) / decrease in receivables and other assets | (16,910) | 14,756 |
| Decrease in inventories | 1,137 | 81 |
| Increase in trade and other payables | 11,722 | 6,250 |
| (Decrease) / increase in provisions | (4,174) | 2,510 |
| **Cash flow from operations** | **64,468** | **105,525** |

# Notes to the consolidated financial statements

OPERATING ASSETS AND LIABILITIES

This section presents information about the Group's assets and liabilities, including its policies and processes for measuring and estimating these balances.

## Note 9: Trade and other receivables

| | 30 June 2021 US$000s | 30 June 2020 US$000s |
|---|---|---|
| **Current** | | |
| Trade receivables | 41,744 | 26,965 |
| VAT receivables | 20,833 | 19,576 |
| Other receivables | 58 | 79 |
| | **62,635** | **46,620** |

### Recoverability of construction period VAT receivable

The Group has a US$18.8 million (2020: US$17.9million) VAT receivable in Kenya, of which US$16.0 million (2020: US$16.2 million) was incurred during the construction of Kwale Operations and is overdue but not impaired. An estimation has been made as to the timing of the receipt of this amount and forms the basis for its classification as a current asset.

## Note 10: Inventories

| | 30 June 2021 US$000s | 30 June 2020 US$000s |
|---|---|---|
| **Current** | | |
| Heavy mineral concentrate and other intermediate stockpiles – at cost | 2,153 | 2,015 |
| Finished goods stockpiles – at cost | 4,136 | 5,849 |
| Stores and consumables – at cost | 12,066 | 11,628 |
| | **18,355** | **19,492** |

### Net realisable value of inventories

Inventories are recognised at the lower of cost and net realisable value (**NRV**).

NRV is based on the estimated amount expected to be received when the product is sold, less all costs still to be incurred in converting the relevant inventory to a saleable product and transporting to the port ready for shipment. The computation of NRV for inventories of heavy mineral concentrate and finished product involves significant judgements and estimates in relation to timing of processing, processing costs, transport costs, commodity prices and the ultimate timing of sale. A change in any of these critical assumptions will alter the estimated NRV and may therefore impact the carrying value of inventories.

### Recognition and measurement of inventories

Inventories of heavy mineral concentrate and finished product are valued on a weighted average cost basis and include direct costs and an appropriate portion of fixed and variable overhead expenditure, including depreciation and amortisation.

Inventories of consumable supplies and spare parts to be used in production are valued at weighted average cost. Obsolete or damaged inventories are valued at NRV. A regular and ongoing review is undertaken to establish the extent of surplus items, and a provision is made for any potential loss on their disposal.

## Note 11: Capitalised exploration and evaluation

| | 30 June 2021 US$000s | 30 June 2020 US$000s |
|---|---|---|
| Toliara Project – Madagascar | 150,341 | 135,093 |
| Kenya | 7,568 | 4,540 |
| **Closing carrying amount** | **157,909** | **139,633** |

| | 2021 US$000s | 2020 US$000s |
|---|---|---|
| **Movement in carrying amount** | | |
| Opening balance | 139,633 | 115,891 |
| Reclasification of exploration cost from property, plant and equipment | 2,525 | - |
| Exploration and evaluation expenditure during the year | 15,751 | 23,742 |
| | **157,909** | **139,633** |

In November 2019, the Government of Madagascar required the Group 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 the Group engages with the Government of Madagascar in relation to the fiscal terms applicable to the Toliara Project, with progress made during the reporting period. The suspension does not affect the validity of the Toliara Project's mining permit.

### Recognition and measurement of exploration and evaluation expenditure

Exploration for and evaluation of mineral resources is the search for mineral resources after the entity has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the mineral resource. Accordingly, exploration and evaluation expenditure are those expenditures incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Accounting for exploration and evaluation expenditure is assessed separately for each 'area of interest'. An 'area of interest' is an individual geological area which is considered to constitute a favourable environment for the presence of a mineral deposit or has been proved to contain such a deposit.

For each area of interest, the expenditure is recognised as an exploration and evaluation asset when the rights of tenure to that area of interest are current and the expenditure is expected to be recouped through successful development and exploitation of an area of interest, or alternatively by its sale, and where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

General and administrative costs are allocated to, and included in, the cost of exploration and evaluation assets only to the extent that those costs can be related directly to operational activities in the area of interest to which the exploration and evaluation assets relate. In all other instances, these costs are expensed as incurred.

Accumulated costs in relation to an abandoned area are written off in full to the Statement of Profit or Loss and Other Comprehensive Income in the year in which the decision to abandon the area is made.

### Impairment testing of exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

## Note 12: Property, plant and equipment

| 2021 | Plant & equipment US$000s | Mine property and development US$000s | Buildings US$000s | Right-of-use assets US$000s | Capital work in progress US$000s | Total US$000s |
|---|---|---|---|---|---|---|
| At cost | 273,543 | 144,011 | 6,493 | 170 | 3,691 | 427,908 |
| Accumulated depreciation | (205,802) | (112,672) | (4,382) | (135) | - | (322,991) |
| **Closing carrying amount** | **67,741** | **31,339** | **2,111** | **35** | **3,691** | **104,917** |
| | | | | | | |
| Reconciliation of carrying amounts: | | | | | | |
| Balance at 1 July 2020 | 94,250 | 58,235 | 2,751 | 190 | 3,325 | 158,751 |
| Additions | 6,312 | 1,690 | 54 | - | 4,238 | 12,294 |
| Transfers | 4,651 | (779) | - | - | (3,872) | - |
| Reclassification to exploration and evaluation | - | (2,525) | - | - | - | (2,525) |
| Disposals | (24) | - | - | (7) | - | (31) |
| Decrease in mine rehabilitation asset | - | (5,189) | - | - | - | (5,189) |
| Depreciation expense | (37,477) | (21,137) | (694) | (154) | - | (59,462) |
| Effects of movement in foreign exchange | 29 | 1,044 | - | 6 | - | 1,079 |
| **Balance at 30 June 2021** | **67,741** | **31,339** | **2,111** | **35** | **3,691** | **104,917** |

| 2020 | US$000s | US$000s | US$000s | US$000s | US$000s | US$000s |
|---|---|---|---|---|---|---|
| At cost | 262,750 | 159,083 | 6,439 | 315 | 3,325 | 431,912 |
| Accumulated depreciation | (168,500) | (100,848) | (3,688) | (125) | - | (273,161) |
| **Closing carrying amount** | **94,250** | **58,235** | **2,751** | **190** | **3,325** | **158,751** |
| | | | | | | |
| Reconciliation of carrying amounts: | | | | | | |
| Balance at 1 July 2019 | 117,959 | 83,061 | 3,263 | - | 1,303 | 205,586 |
| Recognition of right-of-use assets on initial application of AASB 16 | - | - | - | 315 | - | 315 |
| Additions | 1,822 | 4,447 | 148 | - | 3,281 | 9,698 |
| Transfers | 9,851 | (8,592) | - | - | (1,259) | - |
| Disposals | (8) | - | - | - | - | (8) |
| Increase in mine rehabilitation asset | - | 793 | - | - | - | 793 |
| Depreciation expense | (35,364) | (21,151) | (660) | (125) | - | (57,300) |
| Effects of movement in foreign exchange | (10) | (323) | - | - | - | (333) |
| **Balance at 30 June 2020** | **94,250** | **58,235** | **2,751** | **190** | **3,325** | **158,751** |

### Impairment of assets

At each reporting date, the Group reviews the carrying values of its assets to determine whether there is any indication those assets have been impaired. When impairment indicators are identified, the Group determines the recoverable value of the cash- generating unit to which the assets are allocated, via an estimation of the fair value of the cash-generating unit. Estimating the fair value amount requires management to make an estimate of expected future cash flows from the cash-generating unit over the forecast period and also to determine a suitable discount rate in order to calculate the present value of those cash flows. Key estimates supporting the expected future cash flows include commodity prices, production output and cost forecasts.

### Ore Reserves and Mineral Resources estimates

The estimated quantities of economically recoverable Ore Reserves and Mineral Resources are based upon interpretations of geological and geophysical models and require assumptions to be made regarding factors such as future operating costs, future commodity prices, future capital requirements and future operating performance. Changes in reported Ore Reserves and Mineral Resources estimates can impact the carrying value of PP&E, provisions for mine closure and rehabilitation obligations, the recognition of deferred tax assets, as well as the amount of depreciation and amortisation charged to the Statement of Profit or Loss and Other Comprehensive Income.

## Recognition and measurement of property, plant and equipment

Each class of property, plant and equipment (PP&E) is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

PP&E is measured on a historical cost basis. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in the Statement of Profit or Loss and Comprehensive Income during the financial period in which they are incurred.

Any gain or loss on disposal of an item of PP&E is determined by comparing the proceeds from disposal with the carrying amount, and is recognised net within other income/other expenses in the Statement of Profit or Loss and Other Comprehensive Income.

Mine property and development assets include costs transferred from exploration and evaluation assets once technical feasibility and commercial viability of an area of interest are demonstrable and a decision to proceed with development of the project has been made, and also includes subsequent development costs required to bring the mine into production.

Any ongoing costs associated with mining which are considered to benefit mining operations in future periods are capitalised.

### Depreciation

All PP&E, except freehold land, is depreciated on a straight line basis over the asset's useful life to the Group, commencing from the time the asset is held ready for use. The depreciation methods used for each class of depreciable assets are:

| Class of plant and equipment | Depreciation method |
|---|---|
| Buildings | Straight line at 5% per annum |
| Plant and equipment – process plant | Straight line over remaining mine life |
| Plant and equipment – other | Straight line at 10% to 30% per annum |
| Mine property and development | Straight line over remaining mine life |

The assets' residual values and useful lives are reviewed, and adjusted prospectively if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

## Right-of-Use-Assets (Leases)

As a lessee, the Group recognises a right-of-use (ROU) asset, representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments, on the statement of financial position for leases (other than short term and low value leases). ROU assets are depreciated over the life of the lease.

The Group recognises a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost (present value of the lease liability plus deemed cost of acquiring the asset), and subsequently at cost less accumulated depreciation, impairment losses and adjusted for remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments expected to be paid over the lease term, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the Group's incremental borrowing rate or, where not available, a market rate alternative. The lease liability is further remeasured if the estimated future lease payments change as a result of index or rate changes, residual value guarantees or likelihood of exercise of purchase, extension or termination options.

## Note 13: Trade and other payables

| | 30 June 2021 US$000s | 30 June 2020 US$000s |
|---|---|---|
| Trade payables and accruals | 21,618 | 12,984 |
| | **21,618** | **12,984** |

## Note 14: Provisions

| | 30 June 2021 US$000s | 30 June 2020 US$000s |
|---|---|---|
| **Current** | | |
| Provision for increase in Government of Kenya royalty (a) | 31,419 | 26,633 |
| Mine closure and rehabilitation (b) | 5,330 | 4,066 |
| Employee benefits | 1,938 | 1,842 |
| | **38,687** | **32,541** |
| **Non-current** | | |
| Mine closure and rehabilitation (b) | 15,046 | 25,352 |
| Employee benefits | 42 | 56 |
| | **15,088** | **25,408** |

**a. Government of Kenya Royalty**

The Group is in ongoing discussions with the Government of Kenya with respect to the royalty rate payable for the Kwale Operation in the context of resolution of a number of outstanding issues, including refund of US$16.0 million VAT receivables related to the construction of Kwale Operations (refer to Note 9) and the extension of the SML to incorporate Kwale South Ore Reserves presently outside that lease boundary. Royalty costs are provided for, and expensed, on the basis of a 5% royalty rate being payable to the Government of Kenya, whereas the royalty rate applicable under the terms of the special mining lease, and currently being paid, is 2.5%.

| **b. Movement in mine closure and rehabilitation:** | 2021 US$000s | 2020 US$000s |
|---|---|---|
| Balance at 1 July | 29,418 | 26,368 |
| (Decrease) / increase in rehabilitation estimate | (6,654) | 4,527 |
| Rehabilitation activities | (2,437) | (1,836) |
| Unwinding of discount | 49 | 359 |
| **Balance at 30 June** | **20,376** | **29,418** |

### Mine closure and rehabilitation obligations

The calculation of the mine closure and rehabilitation provision requires assumptions such as application of environmental legislation, mine closure dates, available technologies, engineering costs and inflation and discount rates. A change in any of the assumptions used may have a material impact on the carrying value of mine closure and rehabilitation obligations.

The mine closure and rehabilitation provision is recorded as a liability at present value, assuming a risk-free discount rate equivalent to the 2 year US Government bonds rate of 0.25% as at 30 June 2021 (2020: 0.18%) and an inflation factor derived from the US consumer price index of 1.70% (2020: 1.79%).

Although the ultimate amount to be incurred is uncertain, management has, at 30 June 2021, estimated the cost of mine closure and rehabilitation activities using an expected remaining mine life of 1.5 years and a total undiscounted estimated cash flow of US$24.2 million (2020: US$29.9 million). Management's estimate of the underlying cost of mine closure and rehabilitation activities is reviewed by an external consultant on a regular basis for completeness, with the last such review completed in March 2021.

### Recognition and measurement of provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

There are a number of tax audits underway against the Group, the outcomes of which cannot be forseen at present, and for which no amounts have been provided for as disclosed.

A mine closure and rehabilitation provision is recognised at the commencement of a mining project and/or construction based on the estimated costs necessary to meet legislative requirements by estimating future costs and discounting these to a present value. The provision is recognised as a liability, separated into current (estimated costs arising within twelve months) and non-current components based on the expected timing of these cash flows. A corresponding asset is included in mine property and mine development assets, only to the extent that it is probable that future economic benefits associated with the restoration expenditure will flow to the entity, and is amortised over the life of the mine.

At each reporting date the mine closure and rehabilitation provision is re-measured in line with changes in discount rates and timing or amounts of the costs to be incurred. Adjustments to the estimated amount and timing of future closure and rehabilitation cash flows are a normal occurrence in light of the significant judgements and estimates involved and are dealt with on a prospective basis as they arise.

Changes in the liability relating to mine closure and rehabilitation obligations are added to or deducted from the related asset (where it is probable that future economic benefits will flow to the entity), other than the unwinding of the discount which is recognised as a financing expense in the Statement of Profit and Loss and Other Comprehensive Income. Where a change in the liability relating to mine closure and rehabilitation obligations results in a reduction to the liability greater than the carrying value of the related asset, the reduction in excess of the asset carrying value will be recognised in the Statement of Profit and Loss and Other Comprehensive Income. Changes in the asset value have a corresponding adjustment to future amortisation charges. If a decrease in the provision exceeds the carrying amount of the asset, the excess shall be recognised immediately in the Statement of Profit and Loss and Other Comprehensive Income.

The mine closure and rehabilitation provision does not include any amounts related to remediation costs associated with unforeseen circumstances.

## Note 15: Deferred consideration

| | 30 June 2021 US$000s | 30 June 2020 US$000s |
|---|---|---|
| **Current** | | |
| Deferred consideration – Toliara Project acquisition | 7,000 | 17,000 |
| **Non-current** | | |
| Deferred consideration – Toliara Project acquisition | 10,000 | - |

In January 2018, Base Resources completed the acquisition of the Toliara Project in Madagascar, with payment of US$75.0 million in up-front consideration, for an initial 85% interest. In January 2020, in accordance with the terms of the share sale agreement with World Titane Holdings Limited, the Group acquired the remaining minority interest in the Toliara Project. A further US$17.0 million (deferred consideration) is payable on achievement of key milestones, as the project advances to mine development. An estimation has been made as to the timing of payment of the future consideration, which has resulted in a current liability of US$7.0 million and a non current liability of US$10.0 million being recognised.

# Notes to the consolidated financial statements

CAPITAL STRUCTURE, FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

This section presents information about the Group's financial assets and liabilities, its exposure to financial risks, as well as its objectives, policies and processes for measuring and managing risks.

## Note 16: Issued capital

| | 30 June 2021 US$000s | 30 June 2020 US$000s |
|---|---|---|
| Ordinary share capital: | | |
| **Issued and fully paid** | **307,811** | **307,063** |

| Date | Number | US$000s |
|---|---|---|
| 1 July 2019 | 1,166,623,040 | 306,512 |
| New ordinary shares issued following exercise of vested performance rights under the Company's Long Term Incentive Plan (LTIP) | 4,986,734 | 551 |
| **30 June 2020** | **1,171,609,774** | **307,063** |
| | | |
| 1 July 2020 | 1,171,609,774 | 307,063 |
| New ordinary shares issued following exercise of vested performance rights under the Company's LTIP | 6,402,076 | 748 |
| **30 June 2021** | **1,178,011,050** | **307,811** |

All issued shares are fully paid. The Group does not have authorised capital or par value in respect of its issued shares. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group.

### Recognition and measurement of issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

## Note 17: Treasury shares reserve

During the reporting period, the Company instructed the trustee of the Base Resources Long Term Incentive Plan Trust (Trustee) to acquire ordinary shares in the Company on-market (Treasury Shares), for future allocation to holders of performance rights issued under the Company's LTIP that vest and are exercised. During the reporting period the LTIP cycle commencing 1 October 2017 (2017 Cycle Performance Rights), completed its three-year performance period, resulting in a partial vesting (refer to Note 18). Subsequent to their vesting, several LTIP participants chose to exercise their vested 2017 Cycle Performance Rights and were allocated Treasury Shares.

The Treasury Shares reserve comprises the cost of Treasury Shares that had not yet been allocated to an LTIP participant as at 30 June 2021.

| | 30 June 2021 US$000s | 30 June 2020 US$000s |
|---|---|---|
| **Treasury Shares** | **2,273** | **-** |

| Date | Number | US$000s |
|---|---|---|
| 1 July 2020 | - | - |
| Treasury shares acquired on market by the Trustee to satisfy vested performance rights under the Company's LTIP | 16,975,319 | 3,458 |
| Treasury shares allocated to participants in the Company's LTIP following exercise of vested performance rights | (6,231,939) | (1,185) |
| **30 June 2021** | **10,743,380** | **2,273** |

## Note 18: Share-based payments

### Performance rights

In October and November 2020, the Company issued 23,188,695 performance rights to key management personnel and other senior staff under the Group's LTIP. The LTIP operates on a series of annual cycles. Each cycle commences on 1 October and is followed by a three-year performance period, with a test date on the third anniversary of the commencement of the cycle.

The three-year performance period for the 15,016,546 performance rights granted for the 2017 Cycle Performance Rights concluded on 30 September 2020. Base Resources' absolute TSR over the performance period was 14%, resulting in none of the performance rights subject to absolute TSR performance criteria vesting. Base Resources' relative TSR over the performance period placed it in the 67th percentile which resulted in 85% of the performance rights subject to relative TSR performance criteria vesting. Accordingly, a total of 6,373,301 of the 2017 Cycle Performance Rights vested.

Total expenses arising from share based payment transactions during the year as part of employee benefit expenses was US$1.8 million (prior period: US$1.8 million).

Granted performance rights are as follows:

| Performance cycle date | KMP | Other employees | Total | Fair value at grant date |
|---|---|---|---|---|
| 1 October 2018 | 9,422,931 | 13,122,499 | 22,545,430 | A$0.1610 |
| 1 October 2019 | 9,664,140 | 15,811,201 | 25,475,341 | A$0.1280 |
| 1 October 2020 | 8,928,975 | 13,862,337 | 22,791,312 | A$0.1385 |

All performance rights are granted for nil consideration.

The fair value of the performance rights granted during the 2021 financial year has been estimated at the date of grant using a Monte Carlo Simulation model using the following assumptions: risk-free interest rate of 0.13%; dividend yield of 4.8%; volatility factor of the expected market price of the Company's shares of 45%; and a remaining life of performance rights of 2.98 years at valuation date. The fair value of the performance rights is recognised over the three-year performance period, which commenced on the date of grant of 1 October 2020.

The movement in the number of performance rights during the year is set out below:

| | 2021 | 2020 |
|---|---|---|
| Opening balance | 62,639,934 | 48,586,062 |
| Granted – cycle commenced during reporting period | 22,791,312 | 25,077,958 |
| Granted – cycles commenced in previous reporting periods | 397,383 | 1,396,459 |
| Forfeited – cycles commenced in previous reporting periods | (8,643,245) | (906,204) |
| Vested | (6,373,301) | (11,514,341) |
| **Closing balance** | **70,812,083** | **62,639,934** |

### Recognition and measurement of share based payments

The Group LTIP is an equity settled employee share scheme. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of performance rights is ascertained using a recognised pricing model which incorporates all market vesting conditions.

## Note 19: Dividends

Details in relation to dividends announced or paid since 1 July 2021 are set out in the below table:

| Record Date | Payment Date | Unfranked cents per share (AUD) | Total US$000s |
|---|---|---|---|
| 21 September 2020 | 7 October 2020 | 3.5 | 29,765 |
| 15 March 2021 | 31 March 2021 | 3.0 | 26,618 |
| Total | | | 56,383 |

## Note 20: Financial risk management

The Group's activities expose it primarily to the following financial risks:

- Market risk consisting of commodity price risk, interest rate risk and currency exchange risk.
- Credit risk.
- Liquidity risk.

The overall risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance. The senior executives of the Group meet on a regular basis to analyse treasury risks and evaluate treasury management strategies in the context of the prevailing economic conditions and forecasts. Risk management policies are approved and reviewed by the Risk Committee and the Board on a regular basis. Financial assets and liabilities of the Group are carried at amortised cost, which approximates fair value.

The Group's financial instruments consist of deposits with banks, accounts receivable and payables. With growing confidence in the trajectory of the mineral sands market and greater clarity on the risks and impacts of the COVID-19 pandemic, the Company retired the Revolving Credit Facility nine months ahead of the final maturity in March 2021. The Company is now debt-free. The totals for each category of financial instruments are as follows:

| | Note | 2021 US$000s | 2020 US$000s |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and cash equivalents | | 64,925 | 162,559 |
| Trade and other receivables and other current assets | | 62,914 | 46,620 |
| | | **127,839** | **209,179** |
| **Financial liabilities** | | | |
| Trade and other payables | 13 | 21,618 | 12,984 |
| Revolving Credit Facility | | - | 75,000 |
| Lease liabilities | | 41 | 195 |
| | | **21,659** | **88,179** |

### Commodity price risk

The Group is exposed to commodity price volatility on rutile sales made under contract terms which allow for a retrospective final price adjustment based on average market prices in the quarter the product is sold. Average market prices are derived from an independently published quarterly dataset of all global rutile trades, available approximately four months after the end of each quarter. Sales made under these terms that have not yet been subject to a final price adjustment are recognised at the estimated fair value of the total consideration receivable, which takes into account the latest available market data at the balance date.

Rutile sales revenue of US$0.7 million remains subject to final market pricing at 30 June 2021 (2020: US$11.2 million). An interim adjustment to sales revenue has been recorded at the reporting date to align the estimated fair value of these sales with the latest available market data. If commodity prices increased/decreased by 10%, with all other variables held constant, the Group's before tax profit/loss would have increased/decreased by US$0.1 million (2020: US$1.1 million).

### Interest rate risk

The Group holds its cash deposits in accounts with Nedbank Limited and National Australia Bank Limited at variable rates and term deposits at fixed rates.

| | Carrying amount | | Realisable/payable within six months | |
|---|---|---|---|---|
| | 2021 US$000s | 2020 US$000s | 2021 US$000s | 2020 US$000s |
| **Fixed rate instruments** | | | | |
| Financial assets | 279 | 60,000 | - | 60,000 |
| Financial liabilities | (41) | (195) | (41) | - |
| | **238** | **59,805** | **(41)** | **60,000** |
| **Variable rate instruments** | | | | |
| Financial assets | 64,925 | 102,559 | 64,925 | 102,559 |
| Financial liabilities | - | (75,000) | - | - |
| | **64,925** | **27,559** | **64,925** | **102,559** |

### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased or decreased equity and profit or loss before tax by the amounts shown below. This analysis assumes that all other variables remain constant.

| Variable rate instruments | 2021 US$000s 100bp increase | 2021 US$000s 100bp decrease | 2020 US$000s 100bp increase | 2020 US$000s 100bp decrease |
|---|---|---|---|---|
| Profit or loss | 649 | (649) | 276 | (276) |
| Equity | (649) | 649 | (276) | 276 |

### Currency risk

The Group is exposed to currency risk from bank balances, payables and receivables that are denominated in a currency other than the respective functional currencies of Group entities, being USD and AUD.

The USD carrying amount of the Group's financial assets and liabilities by its currency risk exposure at the reporting date is disclosed below:

**30 June 2021**

| In US$000s: | AUD | USD | KES | MGA | Other | Total USD |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | - | 27,936 | 1,775 | 339 | 5 | 30,055 |
| Trade and other receivables | - | - | 18,775 | 1,961 | - | 20,736 |
| Other current assets | - | - | 360 | 39 | - | 399 |
| Trade and other payables | (70) | (166) | (3,846) | (399) | (603) | (5,084) |
| **Net exposure** | **(70)** | **27,770** | **17,064** | **1,940** | **(598)** | **46,106** |

**30 June 2020**

| In US$000s: | AUD | USD | KES | MGA | Other | Total USD |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | - | 69,690 | 919 | 292 | 4 | 70,905 |
| Trade and other receivables | - | - | 17,883 | 1,648 | - | 19,531 |
| Other current assets | - | - | 365 | 39 | - | 404 |
| Trade and other payables | (43) | (226) | (3,306) | (335) | (338) | (4,248) |
| **Net exposure** | **(43)** | **69,464** | **15,861** | **1,644** | **(334)** | **86,592** |

The following significant exchange rates applied during the year:

| | Average rate | | 30 June spot rate | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| USD : AUD | 1.3373 | 1.490 | 1.3323 | 1.454 |
| USD : KES | 108.74 | 103.03 | 107.85 | 106.52 |
| USD : MGA | 3,727.55 | 3,701.70 | 3,916.39 | 3,855.38 |

### Sensitivity analysis

Based on the financial instruments held at reporting date, had the functional currencies weakened/strengthened by 10% and all other variables held constant, the Group's before-tax profit/(loss) for the year to date would have been US$4.6 million lower/higher (2020: US$8.7 million lower/higher).

### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from cash and deposits with financial institutions as well as credit exposures to outstanding receivables. Credit risk on cash and deposits is managed by holding funds with reputable international banks.

The Group is exposed to counterparty credit risk through sales of mineral sands products under normal terms of trade. Total sales revenue for the year ended 30 June 2021 was US$198.2 million (2020: US$208.0 million). Base Resources had three major customers who individually accounted for more than 10% of sales revenue, with the first contributing $59.2 million (2020: $45.2 million), the next contributing $22.2 million (2020: nil) and the last contributing $22.0 million (2020: $27.6 million). These customers represent 32% (2020: 44%) of the trade receivables balance at 30 June 2021.

Credit risk arising from sales to customers is managed by the Group's policy to only trade with reputable companies, with whom a long-term offtake agreement is held, or where such an agreement is not in place, sales are backed by Letters of Credit held with internationally recognised banks.

The Group is owed US$18.8 million in VAT receivable by the Government of Kenya (Note 9), of which US$16.0 million relates to the construction of Kwale Operations and is overdue but not impaired. An estimation has been made as to the timing of the receipt of this amount and forms the basis for its classification as a current asset.

At the reporting date the carrying amounts of financial assets are adjusted for any impairment and represent the Group's maximum exposure to credit risk, excluding the value of any collateral or other security, which was as follows:

| | 2021 US$000s | 2020 US$000s |
|---|---|---|
| **Financial assets – cash flow realisable** | | |
| Cash and cash equivalents | 64,925 | 162,559 |
| Trade and other receivables | 62,914 | 46,620 |
| **Total anticipated inflows** | **127,839** | **209,179** |

At 30 June 2021, the ageing of trade and other receivables, excluding VAT receivable, that were not impaired was as follows:

| | 2021 US$000s | 2020 US$000s |
|---|---|---|
| Neither past due nor impaired | 41,802 | 27,044 |
| Past due 1 - 30 days | - | - |
| | **41,802** | **27,044** |

There were no impairment losses in relation to financial assets during the current or the prior financial year. The maximum exposure to credit risk for financial assets at the reporting date by geographic region of the customer or financial institutions was:

| | 2021 US$000s | 2020 US$000s |
|---|---|---|
| United Kingdom | 24,936 | 66,816 |
| Kenya | 23,259 | 21,535 |
| China | 14,515 | 8,265 |
| USA | 25,333 | 12,008 |
| Australia | 31,787 | 88,125 |
| Other | 8,009 | 12,430 |
| **Total** | **127,839** | **209,179** |

### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with financial liabilities. The Group manages liquidity risk by conducting regular reviews of the timing of cash outflows and the maturity profiles of term deposits in order to ensure sufficient funds are available to meet its obligations.

*Financial liability maturity analysis*

| | | | Contractual cash flows | | | | |
|---|---|---|---|---|---|---|---|
| | Carrying amount | Total | 2 months or less | 2 – 12 months | 1 – 2 years | 2 – 5 years | More than 5 years |
| **30 June 2021** | **US$000s** | **US$000s** | **US$000s** | **US$000s** | **US$000s** | **US$000s** | **US$000s** |
| Trade and other payables | 21,618 | 21,618 | 21,618 | - | - | - | - |
| Lease liabilities | 41 | 41 | 41 | - | - | - | - |
| | **21,659** | **21,659** | **21,659** | **-** | **-** | **-** | **-** |
| **30 June 2020** | | | | | | | |
| Trade and other payables | 12,984 | 12,984 | 12,984 | - | - | - | - |
| Revolving Credit Facility | 75,000 | 80,351 | 680 | 28,325 | 51,346 | - | - |
| Lease liabilities | 195 | 195 | 195 | - | - | - | - |
| | **88,179** | **93,350** | **13,859** | **28,325** | **51,346** | **-** | **-** |

### Capital Management

Management controls the capital of the Group in order to maintain an appropriate working capital position to ensure that the Group can fund its operations and continue as a going concern. Capital is managed by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market.

| | 2021 US$000s | 2020 US$000s |
|---|---|---|
| Cash and cash equivalents | 64,925 | 162,559 |
| Trade and other receivables | 62,635 | 46,620 |
| Inventories | 18,355 | 19,492 |
| Other current assets | 8,208 | 7,313 |
| Trade and other payables | (21,618) | (12,984) |
| Borrowings | - | (25,195) |
| Provisions | (38,687) | (32,541) |
| Income tax payable | - | (539) |
| Other liabilities | (41) | - |
| Deferred consideration | (7,000) | (17,000) |
| **Working capital position** | **86,777** | **147,725** |

# Notes to the consolidated financial statements

GROUP STRUCTURE AND OTHER INFORMATION

## Note 21: Parent entity disclosures

As at, and throughout the financial year ended 30 June 2021, the parent entity of the consolidated group was Base Resources Limited.

| Financial performance of the parent entity | 2021 US$000s | 2020 US$000s |
|---|---|---|
| Profit/(Loss) for the year | 51,172 | (9,627) |
| **Total comprehensive income for the year** | **51,172** | **(9,627)** |

| Financial position of the parent entity | 2021 US$000s | 2020 US$000s |
|---|---|---|
| Current assets | 32,133 | 88,486 |
| Non-current assets | 184,341 | 169,738 |
| **Total assets** | **216,474** | **258,224** |
| Current liabilities | 3,630 | 3,342 |
| Non-current liabilities | 42 | 82,530 |
| **Total liabilities** | **3,672** | **85,872** |
| **Net assets** | **212,802** | **172,352** |
| Issued capital | 307,811 | 307,063 |
| Treasury Shares | (2,273) | - |
| Reserves | (28,671) | (43,769) |
| Accumulated losses | (64,065) | (90,942) |
| **Total equity** | **212,802** | **172,352** |

### Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Base Resources Limited at the end of the reporting period. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled.

In preparing these financial statements, all inter-group balances and transactions between entities in the Group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

| | | Ownership % | |
|---|---|---|---|
| **Controlled entity** | **Country of Incorporation** | **2021** | **2020** |
| Base Titanium (Mauritius) Limited | Mauritius | 100 | 100 |
| Base Titanium Limited | Kenya | 100 | 100 |
| BTS Holdings (Mauritius) Limited | Mauritius | 100 | 100 |
| Madagascar Mineral Fields Limited | Mauritius | 100 | 100 |
| Malagasy Sands No. 2 Limited | Mauritius | 100 | 100 |
| Base Toliara SARL | Madagascar | 100 | 100 |
| Madagascar Resources SARL | Madagascar | 100 | 100 |
| BET Two Limited | Tanzania | 100 | - |

## Note 22: Related parties

| KMP compensation: | 2021 US$ | 2020 US$ |
|---|---|---|
| Short-term employment benefits | 3,575,641 | 2,798,216 |
| Post-employment benefits | 140,972 | 128,658 |
| Share-based payments | 1,015,631 | 951,986 |
| Other long term | 40,126 | 56,053 |
| | **4,772,370** | **3,934,913** |

Refer to the Remuneration Report for further details.

**Other related party transactions**
In January 2017, one of the Company's major shareholders, Pacific Road Capital Management Pty Limited (Pacific Road), acquired a Kwale Operation royalty stream of 0.25% of sales revenue from Pangea Goldfields Inc. In the year to 30 June 2021, US$488,000 (2020: US$513,000) was paid or is payable to Pacific Road under this royalty arrangement.

### Recognition and measurement of short term employee benefits

STIP obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under the STIP where the Group has a present legal or constructive obligation as a result of past services by the employee, and the obligation can be estimated reliably.

### Recognition and measurement of defined contribution plans

Contributions are made by the Group to individual defined contribution superannuation plans for Australian directors and employees and are expensed when incurred.

## Note 23: Auditors' remuneration

| | 2021 US$ | 2020 US$ |
|---|---|---|
| **Audit services** | | |
| *KPMG Australia* | | |
| Audit of financial report | 116,536 | 104,624 |
| *Overseas KPMG firms* | | |
| Audit services | 122,573 | 114,562 |
| | **239,109** | **219,186** |
| | | |
| **Other services** | | |
| *KPMG Australia* | | |
| Routine tax compliance and advisory services for reporting period | - | 15,133 |
| Other services | 8,047 | 7,151 |
| *Overseas KPMG firms* | | |
| Assistance with Kenyan Revenue Authority audits for prior periods for which KPMG was the incumbent tax advisor | 33,898 | 55,384 |
| Kenyan VAT compliance and advisory services | 10,068 | 39,266 |
| Other tax compliance and advisory services for reporting period | - | 30,243 |
| | **52,013** | **147,177** |

## Note 24: New accounting standards not yet adopted

**New standards adopted in the period**

During the period, the Group adopted the following accounting standards that were considered material to the Group's financial report:

- Definition of Material (Amendments to AASB 101 and AASB 108). AASB 101 and AASB 108 refines the definition of 'material' as the following: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

Other accounting standards adopted during the period are not considered material to the Group's financial report.

**Accounting standards and interpretations not yet effective**

There are a number of new standards effective for annual periods beginning on or after 1 July 2021. The Group has not adopted these early:

- *COVID-19 related rent concessions* (Amendments to AASB 2021).
- *Interest rate benchmark reform* (Amendments to AASB 2020).
- *Simplified disclosures for For-Profit and Not-for-Profit Tier 2 entities* (Amendments to AASB 1060).
- *Removal of Special Purpose* (Amendments to AASB 2020).
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to AASB 2014).

The abovementioned standard and interpretations are not expected to have a significant impact on the Group's consolidated financial statements when adopted.

## Note 25: Events after the reporting date

Since the end of the reporting period, on 27 August 2021, the Board has determined a full-year dividend of AUD 4.0 cents per share, unfranked, with a record date of 13 September 2021 and payment date of 29 September 2021. The financial impact of the dividend amounting to an estimated US$34.2 million has not been recognised in the Consolidated Financial Statements for the year-ended 30 June 2021.

## Note 26: Company details

The principal place of business and registered office of the Company is:

Base Resources Limited (ASX & AIM: BSE)
Level 3
46 Colin Street
West Perth 6005
Western Australia

# Directors' Declaration

1. In the opinion of the directors of Base Resources:

   (a) the consolidated financial statements and notes that are set out on pages 69 to 95 and the Remuneration Report in pages 35 to 51 in the Directors' Report, are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance, for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the financial year ended 30 June 2021.

3. The directors draw attention to Note 1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

**Keith Spence,**
Chair

Dated at Perth this 28th day of August 2021

# Independent Auditor's Report

## To the shareholders of Base Resources Limited

## Report on the audit of the Financial Report

### Opinion

We have audited the ***Financial Report*** of Base Resources Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- Complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2021.
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended.
- Notes including a summary of significant accounting policies.
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

### Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

| Recoverability of the carrying value of property, plant and equipment (US$104.9 million) | |
|---|---|
| Refer to Note 12 to the Financial Report | |
| **The key audit matter** | **How the matter was addressed in our audit** |
| The recoverability of the carrying value of property, plant and equipment was considered a key audit matter due to:<br>• The size of the Kwale mine property, plant and equipment balance (being 23% of total assets).<br>• The mineral sands sector, within which the Group operates, having experienced volatile commodity prices and uncertainty in the global demand for products, putting pressure on the recoverability of asset values.<br>• The ongoing impact of COVID-19 and the potential impact it may have on the ability of the Group to generate cash flows and support the valuation assessment of the property, plant and equipment.<br>• The Group's market capitalisation at 30 June 2021 being less than the net assets, resulting in the management performing a valuation assessment of the property, plant and equipment.<br>In performing the valuation assessment of the Group's property, plant and equipment, management developed a fair value less cost of disposal model to determine the recoverable amount. In designing the model, management applies significant estimates and judgments, specifically in determining key inputs. These inputs include:<br>• Forecast sales, production output, production costs, capital expenditure and expected commodity prices for their mineral sands products. The uncertainty and volatility described above increase the possibility of inaccurate forecasts.<br>• Discount rates, the calculation of which is particularly complex where operations are overseas as country-specific risk must be estimated.<br>• Life of mineral reserves. The Group engages an external expert to assist in producing the reserves and resources statement which underlies the forecast production output within the Group's calculation.<br>The existence of management's significant estimate and judgments in determining the valuation of property, plant and equipment contributes to our conclusion that this is a key audit matter. | Our procedures included assessing impairment triggers, including management's valuation modelling and included:<br>• Considering the appropriateness of the Group's use of the fair value less costs of disposal methodology against the requirements of the accounting standards.<br>• Performing mathematical integrity checks of the fair value less costs of disposal model.<br>• Evaluating the sensitivity of the valuation of property, plant and equipment by considering reasonably possible changes to the key assumptions, including forecast commodity prices and the discount rate.<br>• Assessing the historical accuracy of Group forecasts to inform our evaluation of the forecasts incorporated in the model.<br>• Comparing the forecast cash flows contained in the model to management's budgets presented to its Board of Directors.<br>• Assessing key assumptions underlying the discounted cash flows in the fair value less costs of disposal model, including forecast sales, production output, production costs and capital expenditure, using our knowledge of the Group and comparing to past performance.<br>• Comparing expected commodity prices to the most recent published views of the market commentator on future trends.<br>• Comparing the life of mineral reserves and resources, and production output assumptions in the Group's model to those in the reserves and resources statement commissioned by the Group for consistency. We also assessed the competency of management's external experts used to determine reserves and resources estimates.<br>• Working with our valuation specialists, we independently developed a discount rate range considered comparable, using publicly available market data for comparable entities, adjusted for Kenya country risk.<br>• Consideration of market capitalisation deficiency in comparison to net assets.<br>• Assessing the impact of COVID 19 on the Kwale operations and the potential for impact on forecast cashflows. |

| | |
|---|---|
| In assessing this key audit matter, we involved senior team members and valuation specialists. | |

## Other Information

Other Information is financial and non-financial information in Base Resources Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

## Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- Preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001.
- Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- Assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- To obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- To issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

## Report on the Remuneration Report

### Opinion

In our opinion, the Remuneration Report of Base Resources Limited for the year ended 30 June 2021, complies with *Section 300A of the Corporations Act 2001.*

### Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

### Our responsibilities

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2021.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Graham Hogg
*Partner*
Perth
28 August 2021

# Additional shareholder information

The following additional information required by the ASX Listing Rules is current as at 31 July 2021.

## Ordinary Shares

| Distribution of shares | Holders | Units | % |
|---|---|---|---|
| 1 – 1,000 | 156 | 8,914 | 0.00 |
| 1,001 – 5,000 | 413 | 1,270,505 | 0.11 |
| 5,001 – 10,000 | 256 | 2,124,197 | 0.18 |
| 10,001 – 100,000 | 667 | 23,785,022 | 2.02 |
| 100,001 and over | 195 | 1,150,823,212 | 97.69 |
| | 1,687 | 1,178,011,850 | 100.0 |

There were 198 holders of unmarketable parcels of shares (<A$500) based on the closing share price of A$0.285 per share as at 31 July 2021 comprising a total of 74,890 shares.

The voting rights attached to the ordinary shares are as follows:

a) At a meeting of members or a class of members, each member entitled to vote may vote in person, or by proxy or attorney.

b) On a show of hands, every person present who is a member has one vote.

c) On a poll, every member present in person or by proxy, attorney or representative has one vote for each ordinary share held.

| 20 largest registered holders of shares | Number of Shares | % |
|---|---|---|
| 1. HSBC CUSTODY NOMINEES <AUSTRALIA> LIMITED | 317,672,843 | 26.97 |
| 2. PACIFIC ROAD CAPITAL II PTY LIMITED | 312,436,779 | 26.52 |
| 3. JP MORGAN NOMINEES AUSTRALIA PTY LIMITED | 121,819,817 | 10.34 |
| 4. UBS NOMINEES PTY LTD | 65,131,109 | 5.53 |
| 5. CITICORP NOMINEES PTY LIMITED | 62,681,284 | 5.32 |
| 6. WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C> | 55,635,722 | 4.72 |
| 7. CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C> | 35,848,143 | 3.04 |
| 8. CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C> | 14,870,796 | 1.26 |
| 9. COMPUTERSHARE CLEARING PTY LTD <CCNL DI A/C> | 14,362,670 | 1.22 |
| 10. NERO RESOURCE FUND PTY LTD <NERO RESOURCE FUND A/C> | 13,713,639 | 1.16 |
| 11. CPU SHARE PLANS PTY LTD <BSE LTR UNALLOCATED A/C> | 10,743,380 | 0.91 |
| 12. BNP PARIBAS NOMS PTY LTD <DRP> | 10,159,650 | 0.86 |
| 13. MR TIMOTHY JAMES CARSTENS | 8,023,054 | 0.68 |
| 14. NGE CAPITAL LIMITED | 7,400,000 | 0.63 |
| 15. NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT> | 7,269,351 | 0.62 |
| 16. MR COLIN NEIL STEWART BWYE + MRS ANNETTE MARGARET BWYE <BWYE SUPER FUND A/C> | 5,922,018 | 0.50 |
| 17. BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C> | 5,351,675 | 0.45 |
| 18. BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM | 5,271,415 | 0.45 |
| 19. BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C> | 4,983,583 | 0.42 |
| 20. DEFENDER EQUITIES PTY LTD <DEFENDER AUS OPPORTUN FD A/C> | 2,982,345 | 0.25 |
| | 1,082,279,273 | 91.87 |

## Substantial shareholdings

The substantial shareholders of the Company, and the number of securities in which those shareholders and their associates have a relevant interest, as disclosed in the substantial holding notices received by the Company are:

| Name | Number of shares |
|---|---|
| Pacific Road Capital II Pty Ltd and Pacific Road Capital Management GP II Limited | 310,813,913 |
| Sustainable Capital Ltd | 277,232,274 |
| Regal Funds Management Pty Limited | 124,549,009 |
| FIL Limited | 105,975,698 |
| UBS Group AG | 65,591,302 |
| Credit Suisse Holdings (Australia) Limited | 64,380,484 |

## Performance rights

The following unlisted performance rights are on issue. Performance rights do not carry a right to vote. Voting rights will attach to any ordinary shares allocated upon vesting and exercise of performance rights in accordance with their terms of issue pursuant to the Base Resources Long Term Incentive Plan.

| Cycle | Date of Testing | Number of performance rights | Number of Holders |
|---|---|---|---|
| 2017 | 30 September 2020 | 266,893* | 4 |
| 2018 | 30 September 2021 | 22,545,430 | 37 |
| 2019 | 30 September 2022 | 25,475,341 | 40 |
| 2020 | 30 September 2023 | 23,090,022 | 43 |

* Performance rights have vested, but remain subject to valid exercise.

During the reporting period, the trustee of the LTIP acquired 16,975,319 ordinary shares on-market at an average price of A$0.27 per share for future allocation to LTIP participants upon the vesting and exercise of performance rights granted pursuant to the LTIP.

## Other information

The Company has a primary listing on ASX and a secondary listing on the London Stock Exchange's AIM.

There is no current on-market buy back taking place.

# Glossary

| | |
|---|---|
| AASB | Australian Accounting Standards Board |
| AGM | Annual general meeting |
| AIM | Alternative Investment Market |
| APES | Accounting Professional and Ethical Standards |
| ASIC | Australian Securities and Investments Commission |
| ASX | Australian Securities Exchange |
| AUD | Australian dollar |
| Base Resources or the Company | Base Resources Limited |
| CDA | Community Development Agreement |
| DFS | Definitive feasibility study |
| EBIT | Earnings before interest and taxes |
| EBITDA | Earnings before interest, taxes, depreciation and amortisation |
| EITI | Extractive Industries Transparency Initiative |
| ESE | Environmental, Social and Ethics |
| EXCO | Managing Director and the Executive Director - Operations & Development |
| FY18 | Financial year ended 30 June 2018 |
| FY19 | Financial year ended 30 June 2019 |
| FY20 or prior period | Financial year ended 30 June 2020 |
| FY21, year or reporting period | Financial year ended 30 June 2021 |
| Group | Base Resources and its controlled entities |
| HM | Heavy mineral |
| HMC | Heavy mineral concentrate |
| IFRS | International Financial Reporting Standards |
| ILM | Ilmenite |
| IUCN | International Union for Conservation of Nature |
| JORC | Australasian Joint Ore Reserves Committee |
| KES | Kenyan Shilling |

| | |
|---|---|
| KMP | Key management personnel |
| kt | Thousand tonnes |
| Kwale Operations | "The Company's mineral sands operations |
| in Kwale County, Kenya." | Lost time injury |
| LEUC | Leucoxene |
| LTI | Lost time injury |
| LTIP | Base Resources' Long Term Incentive Plan |
| MGA | Malagasy Ariary |
| MSP | Mineral separation plant |
| Mt | Million tonnes |
| NGOs | Non-governmental organisations |
| NPAT | Net profit after tax |
| NRV | Net realisable value |
| OS | Oversize material |
| PLMU | Post mining land use |
| RCF | Revolving credit facility |
| RUT | Rutile |
| SL | Slimes |
| SML23 | Special mining lease |
| SPL | Special prospecting license |
| STIP | Base Resources' Short Term Incentive Plan |
| TFR | Total fixed remuneration |
| TiO2 | Titanium dioxide |
| tph | Tonnes per hour |
| TRP | Total remuneration package |
| TSR | Total shareholder return |
| USD or US$ | United States dollar |
| VUCA | volatile, uncertain, complex, and ambiguous |
| VWAP | Volume weighted average price |
| WCP | Wet concentrator plant |
| ZIR | Zircon |

# Corporate Directory

### Directors

**Mr Keith Spence**
Non-Executive Chair

**Mr Tim Carstens**
Managing Director

**Mr Colin Bwye**
Executive Director

**Mr Malcolm Macpherson**
Non-Executive Director

**Mr Michael Stirzaker**
Non-Executive Director

**Ms Diane Radley**
Non-Executive Director

**Ms Janine Herzig**
Non-Executive Director

### Company secretary

**Mr Chadwick Poletti**

### Principal place of business and registered office

Level 3
46 Colin Street
West Perth WA 6005

### Contact details

**Website** baseresources.com.au
**Email** info@baseresources.com.au
**Phone** + 61 (8) 9413 7400
**Fax** + 61 (8) 9322 8912

### Solicitors

**Herbert Smith Freehills**
QV1 Building
250 St Georges Terrace
Perth WA 6000

### Auditors

**KPMG**
235 St Georges Terrace
Perth WA 6000

### Share registry

**ASX**
Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
Perth WA 6000

**Enquiries** (within Australia): 1300 850 505
(outside Australia): +61 (3) 9415 4000
**Website** computershare.com.au

**AIM**
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

**Enquiries** +44 (0) 870 702 0003
**Website** computershare.co.uk

### Joint brokers

**Berenberg**
60 Threadneedle Street
London EC2R 8HP

**Canaccord Genuity**
88 Wood Street
London EC2V 7QR

### Nominated advisor

**RFC Ambrian Limited**
Level 48, Central Park
152-158 St George Terrace
Perth WA 6000

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Base Resources Limited
**Annual Report 2021**

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BASE RESOURCES

BASE TOLIARA

BASE TITANIUM