BASE RESOURCES LIMITED

ABN 88 125 546 910

Interim Financial Report
For the six-month period ended
31 December 2022

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

Provided below are the Results for Announcement to the Market in accordance with ASX Listing Rule 4.2A.3 and Appendix 4D for Base Resources Limited (**Base Resources** or the **Company**) and its controlled entities (together with Base Resources, the **Group**) for the half-year ended 31 December 2022 (the **reporting period** or **half-year**) compared with the half-year ended 31 December 2021 (the **comparative period**).

Consolidated results	Movement (US$000s)	US$000s
Revenue from ordinary activities	up $21,996 (by 21%) to	$126,611
Profit from ordinary activities after tax attributable to members of Base Resources	up $25,361 (by 132%) to	$44,575
Net profit attributable to members of Base Resources	up $25,361 (by 132%) to	$44,575

Asset backing	Unit	31 December 2022	31 December 2021
Shares on issue	number	1,178,011,850	1,178,011,850
Net tangible assets (excludes capitalised exploration and evaluation assets)	US$000s	$192,110	$143,780
Net tangible assets per share	US$/share	$0.16	$0.12
Net assets	US$000s	$352,886	$303,792
Net assets per share	US$/share	$0.30	$0.26

In accordance with the ASX Listing Rules, net tangible assets per share represent total assets less intangible assets less liabilities ranking ahead of, or equally with, ordinary share capital, divided by the number of ordinary shares on issue at the end of the half-year. Capitalised exploration and evaluation assets have been treated as intangible assets and have therefore been excluded from the calculation of net tangible assets.

Dividends

During the reporting period, Base Resources paid a final dividend of AUD 3.0 cents per share, unfranked, in September 2022. The aggregate amount of dividends paid during the reporting period totalled US$22.7 million.

Since the end of the reporting period, the Base Resources Board determined to pay an interim dividend of AUD 2.0 cents per share, unfranked, in respect of the reporting period, with a record date of 13 March 2023 and payment date of 30 March 2023. The interim dividend will be paid wholly from conduit foreign income. The financial impact of the interim dividend, amounting to an estimated US$16.0 million (in aggregate), has not been recognised in the Consolidated Interim Financial Statements for the reporting period.

Details of entities over which control was gained or lost during the period

None.

Independent auditor's review report

The Consolidated Interim Financial Statements upon which the above information is based have been reviewed and the Independent Auditor's Review Report to the members of Base Resources is included in the accompanying Interim Financial Report.

Commentary

Commentary on the results for the reporting period is contained within the accompanying Interim Financial Report. It is recommended that the Interim Financial Report is read in conjunction with Base Resources' Annual Financial Report for the year ended 30 June 2022 and any public announcements made by Base Resources during and after the half-year year ended 31 December 2022 in accordance with Base Resources' continuous and periodic disclosure obligations under the *Corporations Act 2001* (Cth) and ASX Listing Rules.

DIRECTORS' REPORT

Your directors present the Interim Financial Report of the Group, being Base Resources Limited and its controlled entities, for the half-year ended 31 December 2022 (the **reporting period** or **half-year**) compared with the six-month period ended 31 December 2021 (the **comparative period**).

Directors

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

Mr Michael Stirzaker

Mr Tim Carstens

Mr Malcolm Macpherson

Ms Diane Radley

Mr Scot Sobey

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

Company Secretary

Mr Chadwick Poletti held the position of company secretary during the reporting period.

Principal Activities and Significant Changes in Nature of Activities

The principal activity of Base Resources is the operation of the Kwale Mineral Sands Mine (**Kwale Operations**) in Kenya and development of the Toliara Project in Madagascar.

Operating Results

The profit for the Group for the half-year after providing for income tax amounted to US$44,575,000 (2021: US$19,214,000).

Dividends Paid or Recommended

During the reporting period, Base Resources paid a final dividend of AUD 3.0 cents per share, unfranked, in September 2022. The aggregate amount of dividends paid during the reporting period totalled US$22.7 million.

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Review of Operations

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. Mining operations continued according to plan on the South Dune orebody with approximately 8.8 million tonnes mined (comparative period: 8.7 million tonnes). The higher tonnes mined and improved ore grade has resulted in higher production of all products by between 6% and 12%, with differences due to the proportion of each mineral present. Production of low-grade concentrate products (zircon and rutile) continued in the reporting period.

Mining, Production and Sales	**Six months to Dec 2022**	**Six months to Dec 2021**
Ore mined (tonnes)	8,848,556	8,680,545
Heavy mineral (HM) %	3.90%	3.54%
Valuable heavy mineral (VHM) %	2.98%	2.71%
Production (tonnes)		
Ilmenite	170,771	156,877
Rutile	38,384	36,180
Zircon	14,043	12,489
Zircon low grade	1,099	1,062
Rutile low grade	8,129	970
Sales (tonnes)		
Ilmenite	136,773	164,080
Rutile	28,859	25,383
Zircon	11,140	11,787
Zircon low grade	1,208	1,179
Rutile low grade	8,037	919

Heavy mineral concentrate (**HMC**) stocks have increased in the reporting period to 15,494 tonnes (9,713 tonnes as at 30 June 2022), in advance of a planned shut in early 2023 to transition part of our mining operations to the Kwale North Dune.

There were no lost time injuries during the reporting period resulting in a lost time injury frequency rate (LTIFR) for Base Resources of 0.23 per million hours worked. Compared to the Western Australian All Mines 2020/2021 LTIFR of 2.0, this remains an exceptional performance and reflects the ongoing focus and importance placed on safety by management. With two medical treatment injuries recorded in the last 12 months, Base Resources' total recordable injury frequency rate is 0.69 per million hours worked.

The Company maintains a balanced portfolio of multi-year and quarterly offtake agreements with long term customers, supplemented by a small proportion of ongoing spot sales. These agreements, 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.

Ilmenite, and the majority of rutile, is sold in bulk, with typical shipment sizes of 50-54kt for ilmenite and 10-12kt for rutile, which frequently results in sales volumes of these products being out of step with production volumes, which was the case in the reporting period. Zircon is sold in smaller parcels and, in the absence of any market constraints, sales generally align with production volume. Bulk shipments of both ilmenite and rutile took place in early 2023.

DIRECTORS' REPORT

Market Developments and Outlook

Titanium Dioxide

Ilmenite and rutile are primarily used as feedstock for the production of titanium dioxide (**TiO_2**) pigment, with a small percentage also used in the production of titanium metal and fluxes for welding rods and wire. TiO_2 is the most widely used white pigment because of its non-toxicity, brightness and very high refractive index. It is an essential component of consumer products such as paint, plastics and paper. Pigment demand is therefore the major driver of ilmenite and rutile pricing.

Major western pigment producers typically use high grade TiO_2 feedstocks (which includes rutile) while Chinese pigment producers typically rely on sulphate ilmenite as their main feedstock.

Financial year 2023 commenced with a very tight TiO_2 feedstock market. Demand was strong, with most global pigment plants operating near capacity levels. Feedstock supply could not keep up with demand and inventories throughout the supply chain were at very low levels. However, a slowdown in pigment consumption, driven by a deterioration in global economic conditions, led to a sharp downturn in pigment demand through later part of the reporting period. Pigment demand is expected to recover as it more closely reflects improving underlying consumption through the second half of financial year 2023.

In response to the sharp drop in pigment demand, and to avoid a build-up of pigment inventory, western pigment producers began curtailing production rates through the middle of the reporting period. This was particularly the case in Europe, where pigment consumption was weak and operating costs (due to energy cost inflation) have been very high. A subsequent build in raw material inventories led to declining demand for TiO_2 feedstock, including both rutile and ilmenite, through the latter part of the reporting period.

China, the major global market for ilmenite, was significantly impacted by government imposed COVID-19 restrictions through the reporting period. Domestic demand for pigment was weak throughout the reporting period and major pigment producers in China became increasingly dependent on export sales. Cost-related cuts to sulphate pigment production in Europe provided an opportunity for Chinese pigment exports to Europe to remain at high levels. For quality and logistics reasons, most major pigment producers in China, who typically maintain a high exposure to export sales, have a heavy dependence on imported ilmenite. Therefore, while overall pigment production in China declined, the ongoing need for imported ilmenite through the reporting period to support export sales provided solid support for Base Resources' ilmenite.

Demand for rutile into the welding and titanium metal sectors continued to be very strong throughout the reporting period and into the second half of financial year 2023. A booming ship-building industry is the main driver of demand for the high value welding sector and the sharp increase in aerospace manufacturing, combined with sanctions on Russian-supply of raw materials, is driving demand for titanium metal.

On the back of the strong conditions at the beginning of the reporting period, further price gains were achieved for both rutile and ilmenite. Rutile prices, mostly contracted during the middle of calendar year 2022, and with an exposure to the strong welding and metal markets, continued to increase throughout the reporting period. Ilmenite prices, mostly set on a spot basis, came under pressure and moderated through the latter stages of the reporting period. Over the reporting period, rutile prices were 36% higher and ilmenite prices were 12% higher than the comparative period (first half of financial year 2022).

Western pigment producers have advised their intent to increase their production rates, to match an expected return in underlying pigment demand, back to normal levels through the second half of financial year 2023. Optimism is also growing in the Chinese domestic pigment market as lifting of government imposed COVID-19 restrictions continues, which should lead to improved pigment demand through the coming period. It is, therefore, expected that both rutile and ilmenite prices will soften through early 2023, before stabilising towards the end of the financial year.

Zircon

Zircon has a range of end-uses, the predominant of which is in the production of ceramic tiles, accounting 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 growth for zircon is closely linked to growth in global construction and increasing urbanisation in the developing world.

Zircon experienced increasingly tight conditions through financial year 2022 and finished that year at historically high price levels. The government imposed COVID-19 restrictions in China, who account for over 50% of the global zircon market, weighed on zircon demand through the reporting period. However, in the first few months of the reporting period, this was off-set by ongoing firm demand in most regions outside of China, particularly in Europe, and average zircon prices were maintained at high levels. Deteriorating economic conditions in Europe began to have an impact on zircon demand in the latter part of the reporting period which, combined with the weak conditions in

China, resulted in prices for zircon dropping. However, over the whole reporting period zircon prices were 29% higher than the comparative period.

While the weak economic conditions across the major zircon markets have continued into the beginning of 2023, the optimism building in China from the lifting of COVID-19 restrictions is expected to provide support for zircon demand in coming months.

Kwale Operations Extensional Opportunities

Implementation of the Bumamani Project, which will extend Kwale Operations mine life to late 2024, continued during the reporting period, and mining activities on the Kwale North Dune remain on schedule to commence in March 2023. The subsets of the Kwale North Dune, forming part of the Bumamani Project, will be mined concurrently with the South Dune area to maximise mining rates and better manage tailings.

Exploration activities commenced in the area immediately North-East of Kwale Operations (and within Prospecting Licence 2018/0119) with 320 holes for a total of 3,260m drilled by the end of the reporting period. Drilling in this area will continue in second half of FY23 as further land access is secured.

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

Toliara Project

In November 2019, the Government of Madagascar required Base Resources 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, with discussions with the Government of Madagascar on fiscal terms, and lifting of its on-ground suspension, continued to advance in the reporting period with positive progress made.

A Final Investment Decision (**FID**) to proceed with construction of the Toliara Project remains subject to lifting of the suspension and fiscal terms being agreed with the Government of Madagascar. Once these two key milestones are achieved, there will be approximately 11 months' work to complete prior to reaching FID, including finalisation of funding, completion of land access arrangements, conclusion of major construction contracts and entry of offtake agreements with customers. Contact with major EPCM consultants, construction contractors and equipment suppliers has been maintained in readiness to accelerate progress when conditions support. Assessment of potential funding options for the Toliara Project also progressed during the reporting period.

Tanzanian exploration

The Company has four prospecting licenses in the Umba region of northern Tanzania covering 263km^2, with a fifth application still pending. An initial wide-spaced reverse circulation drill program commenced in this area, with 149 holes for 3,889m drilled during the reporting period. The drill samples were exported to Kenya for analysis at the Kwale Operations laboratory with this work currently ongoing. Analysis for graphite is also being concurrently undertaken by an external laboratory. Results from this program are expected to be released in the second half of the 2023 financial year.

Review of Financial Performance

Base Resources achieved a profit after tax of US$44.6 million for the reporting period, an increase compared with a profit of US$19.2 million in the comparative period, primarily due to increased product prices and lower depreciation.

	Six months to 31 December 2022				Six months to 31 December 2021			
	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	**126,611**	**-**	**-**	**126,611**	**104,615**	**-**	**-**	**104,615**
Cost of goods sold excluding depreciation & amortisation:								
Operating costs	(37,931)	-	-	(37,931)	(35,919)	-	-	(35,919)
Inventory movement	11,332	-	-	11,332	6,771	-	-	6,771
Royalties expense	(7,318)	-	-	(7,318)	(7,754)	-	-	(7,754)
Total cost of goods sold [i]	**(33,917)**	**-**	**-**	**(33,917)**	**(36,902)**	**-**	**-**	**(36,902)**
Corporate & external affairs	(2,429)	(43)	(4,397)	(6,869)	(1,817)	(54)	(3,947)	(5,818)
Community development	(2,758)	-	-	(2,758)	(2,228)	-	-	(2,228)
Selling & distribution costs	(1,005)	-	-	(1,005)	(1,182)	-	-	(1,182)
Net write-off of Kenyan VAT receivable and royalty payable	-	-	-	-	(3,012)	-	-	(3,012)
Other expenses	(1,144)	-	(228)	(1,372)	(137)	-	(823)	(960)
EBITDA [i]	**85,358**	**(43)**	**(4,625)**	**80,690**	**59,337**	**(54)**	**(4,770)**	**54,513**
Depreciation & amortisation	(14,897)	(94)	(198)	(15,189)	(22,404)	(94)	(198)	(22,696)
EBIT [i]	**70,461**	**(137)**	**(4,823)**	**65,501**	**36,933**	**(148)**	**(4,968)**	**31,817**
Net financing expenses	(1,640)	46	936	(658)	(3,062)	-	311	(2,751)
Income tax expense:								
Corporate income tax	(12,168)	-	-	(12,168)	(5,352)	-	-	(5,352)
Dividend withholding tax	-	-	(8,100)	(8,100)	-	-	(4,500)	(4,500)
NPAT [i]	**56,653**	**(91)**	**(11,987)**	**44,575**	**28,519**	**(148)**	**(9,157)**	**19,214**

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

Sales revenue increased 26% to US$126.6 million for the reporting period (comparative period: US$104.6 million) due to a 32% increase in the average price of product sold to US$681 per tonne (comparative period: US$514 per tonne).

Total operating costs of US$37.9 million represented an increase of 6% compared to the prior period (US$35.9 million), due to higher unit fuel and power costs and a 6% increase in production volume, with operating costs per tonne produced steady at US$169 per tonne (prior period: US$167 per tonne).

Cost of goods sold (operating costs, adjusted for stockpile movements, and royalties), was US$195 per tonne of product sold, 5% higher than the comparative period (US$185 per tonne) due to higher product prices driving an increase in royalties and product sales mix.

With an operating margin of US$486 per tonne sold (comparative period: US$329 per tonne) and an achieved revenue to cost of sales ratio of 3.5 (comparative period: 2.8), Base Resources remains well positioned amongst mineral sands producers.

Higher product prices have delivered an increased Kwale Operations EBITDA for the reporting period of US$85.4 million (comparative period: US$59.3 million) and a Group EBITDA of US$80.7 million (comparative period: US$54.5 million).

The majority of Kwale Operations assets are depreciated on a straight-line basis over the remaining mine life. Shortly before the start of the reporting period, the maiden Kwale North Dune and Bumamani Ore Reserves estimate was released, which extended mine life by 13 months, allowing depreciation and amortisation charges to be prospectively spread over a longer remaining mine life. Accordingly, depreciation and amortisation in the reporting period decreased 34% to US$15.2 million (prior period: US$22.7 million).

Due to increased EBITDA and reduced depreciation and amortisation, Kwale operations recorded a net profit after tax of US$56.7 million (comparative period: US$28.5 million). During the reporting period, the Group's Kenyan subsidiary, Base Titanium Limited (**Base Titanium**), distributed US$54.0 million of surplus cash (comparative period: US$30.0), via dividend, to the Group's ultimate parent entity, Base Resources. The dividend distribution by Base Titanium incurred 15% Kenyan dividend withholding tax of US$8.1 million (comparative period: US$4.5 million), which has been recorded as an income tax expense, thus contributing to a profit after tax of US$44.6 million for the Group (comparative period: US$19.2 million).

Cash flow from operations was US$56.1 million for the reporting period (comparative period: US$20.6 million), with higher sales revenue contributing to US$19.6 million increase in receipts from customers and a decrease in royalties paid due to a one-off royalty catch-up payment in the comparative period of US$18.8m. Operating cashflows were used to fund capital expenditure at Kwale Operations, Toliara Project progression and dividend.

Total capital expenditure for the Group was US$27.5 million in the reporting period (comparative period: US$12.0 million) comprised of US$22.6 million at Kwale Operations (comparative period: US$5.8 million), primarily for the acquisition of land and establishment infrastructure and services to support mining operations in the Kwale North Dune and Bumamani deposits, and US$4.5 million on the progression of the Toliara Project (comparative period: US$4.1 million).

Consistent with Base Resources' strategy, the Group seeks to provide returns to shareholders through both long-term growth in the Base Resources share price and appropriate cash distributions. Cash not required to meet the Group'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 capital management policy, the Board determined a FY22 final dividend of AUD 3 cents per share, unfranked, which was paid during the reporting period.

While discussions with the Government of Madagascar on fiscal terms applicable to the Toliara Project have progressed significantly in the reporting period, an agreement has not yet been signed. Against this backdrop, with net cash of US$60.2 million at the end of the period and continued strong financial performance, the Board has determined an interim dividend of AUD 2.0 cents per share (unfranked), totalling A$23.6 million in aggregate (approximately US$16.0 million), to be paid wholly from conduit foreign income.

After Balance Date Events

Other than the interim dividend determined by the Board, there have been no other significant events since the reporting period.

Rounding

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

DIRECTORS' REPORT

Auditor's Declaration

The Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001 is set out on page 11 for the half-year ended 31 December 2022.

This report is signed in accordance with a resolution of the Board of Directors.

Mike Stirzaker

Chair

Dated this 25th day of February 2023

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 review of Base Resources Limited for the half-year ended 31 December 2022 there have been:

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

ii. No contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Graham Hogg
Partner
Perth
25 February 2023

CONSOLIDATED CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

	Note	6 months to 31 December 2022 US$000s	6 months to 31 December 2021 US$000s
Sales revenue	2	126,611	104,615
Cost of sales	3	(48,814)	(59,307)
Profit from operations		77,797	45,308
Corporate and external affairs		(7,161)	(6,109)
Community development costs		(2,758)	(2,228)
Selling and distribution costs		(1,005)	(1,182)
Net write-off of Kenyan VAT receivable and royalty payable		-	(3,012)
Other expenses		(1,372)	(960)
Profit before financing costs and income tax		65,501	31,817
Financing costs		(658)	(2,751)
Profit before income tax		64,843	29,066
Income tax expense	4	(20,268)	(9,852)
Net profit for the period		**44,575**	**19,214**
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences - foreign operations		(2,587)	(1,166)
Total other comprehensive income/(loss) for the period		(2,587)	(1,166)
Total comprehensive income for the period		**41,988**	**18,049**
Net earnings per share		**Cents**	**Cents**
Basic earnings per share (US cents per share)		3.85	1.64
Diluted earnings per share (US cents per share)		3.80	1.60

The accompanying notes form part of these condensed consolidated interim financial statements.

CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Note	31 December 2022 US$000s	30 June 2022 US$000s
Current assets			
Cash and cash equivalents		60,165	55,447
Trade and other receivables	5	62,720	68,961
Inventories	6	25,932	15,098
Other current assets		7,800	9,099
Total current assets		**156,617**	**148,605**
Non-current assets			
Capitalised exploration and evaluation	7	160,776	156,069
Property, plant and equipment	8	95,149	89,012
Deferred tax asset		64	-
Total non-current assets		**255,989**	**245,081**
Total assets		**412,606**	**393,686**
Current liabilities			
Trade and other payables		19,322	17,652
Provisions	9	6,242	7,500
Deferred consideration		7,000	7,000
Other current liabilities		372	493
Total current liabilities		**32,936**	**32,645**
Non-current liabilities			
Provisions	9	16,262	16,534
Deferred tax liability		-	162
Deferred consideration		10,000	10,000
Other non-current liabilities		522	645
Total non-current liabilities		**26,784**	**27,341**
Total liabilities		**59,720**	**59,986**
Net assets		**352,886**	**333,700**
Equity			
Issued capital	10	307,811	307,811
Treasury shares	11	(2,261)	(4,957)
Reserves		(21,085)	(17,811)
Retained earnings		68,421	48,657
Total equity		**352,886**	**333,700**

The accompanying notes form part of these condensed consolidated interim financial statements.

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

	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 2021	307,811	28,563	4,465	(18,666)	(2,273)	319,900
Profit for the period	-	19,214	-		-	19,214
Other comprehensive income/(loss)	-	-	-	(1,166)	-	(1,166)
Total comprehensive income for the period	-	19,214	-	(1,166)	-	18,048
Transactions with owners, recognised directly in equity						
Dividends paid	-	(34,838)	-	-	-	(34,838)
Purchase of treasury shares	-	-	-	-	(537)	(537)
Share based payments	-	529	(460)	-	1,150	1,219
Balance at 31 December 2021	**307,811**	**13,469**	**4,005**	**(19,832)**	**(1,660)**	**303,792**
Balance at 1 July 2022	307,811	48,657	3,650	(21,461)	(4,957)	333,700
Profit for the period	-	44,575	-	-	-	44,575
Other comprehensive income/(loss)	-	-	-	(2,587)	-	(2,587)
Total comprehensive income for the period	-	44,575	-	(2,587)	-	41,988
Transactions with owners, recognised directly in equity						
Dividends paid	-	(22,703)	-	-	-	(22,703)
Purchase of treasury shares	-	-	-	-	(1,151)	(1,151)
Share based payments	-	(2,108)	(687)	-	3,847	1,052
Balance at 31 December 2022	**307,811**	**68,421**	**2,963**	**(24,048)**	**(2,261)**	**352,886**

The accompanying notes form part of these condensed consolidated interim financial statements.

CONSOLIDATED CONDENSED STATEMENT OF CASHFLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

	6 months to 31 December 2022 US$000s	6 months to 31 December 2021 US$000s
Cash flows from operating activities		
Receipts from customers	134,885	115,276
Payments in the course of operations	(63,292)	(77,522)
Income tax paid	(15,502)	(17,118)
Net cash from operating activities	**56,091**	**20,636**
Cash flows from investing activities		
Purchase of property, plant and equipment	(22,368)	(6,806)
Payments for exploration and evaluation	(5,153)	(5,163)
Other	466	93
Net cash used in investing activities	**(27,055)**	**(11,877)**
Cash flows from financing activities		
Dividends paid	(22,703)	(34,838)
Purchase of treasury shares	(1,151)	(537)
Payments for debt service costs	(534)	(55)
Net cash used in financing activities	**(24,388)**	**(35,430)**
Net increase/ (decrease) in cash held	4,648	(26,671)
Cash at beginning of period	55,447	64,925
Effect of exchange fluctuations on cash held	70	(1,188)
Cash at end of period	**60,165**	**37,066**

The accompanying notes form part of these condensed consolidated interim financial statements.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION

Reporting entity

Base Resources Limited is a company domiciled in Australia. The condensed consolidated interim financial statements of the Group for the six-months ended 31 December 2022 comprises the Company and its controlled entities (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.

Statement of compliance

The consolidated interim financial report is a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134: *Interim Financial Reporting*.

The consolidated interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of the consolidated entity for the year ended 30 June 2022 and any public announcements made by Base Resources Limited during the interim financial reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The consolidated interim financial report was approved by the Board of Directors on 25 February 2023.

Basis of measurement

The financial report has 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.

Functional and presentation currency

The functional currency of the Parent Company (Base Resources Limited) is Australian Dollars (AUD), whilst the presentation currency of the Group is United States Dollars (USD). All subsidiaries have a functional currency of USD.

Significant accounting policies

The accounting policies applied by the Group in this consolidated interim financial report are consistent with those applied by the Group in its annual financial report for the year ended 30 June 2022.

Critical accounting estimates and judgements

The directors make estimates and judgements in the preparation of the financial report that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty, were consistent with those that applied to the consolidated financial statements for the year ended 30 June 2022.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 2: SALES REVENUE

	6 months to 31 Dec 22 US$000s	6 months to 31 Dec 21 US$000s
Revenue from contracts with customers	126,611	104,592
Revenue from contracts subject to provisional pricing (a)	-	23
Total sales revenue	**126,611**	**104,615**

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. 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.

NOTE 3: COST OF SALES

	6 months to 31 Dec 22 US$000s	6 months to 31 Dec 21 US$000s
Operating costs	37,931	35,919
Changes in inventories of concentrate and finished goods	(11,332)	(6,771)
Royalties expense	7,318	7,755
Depreciation and amortisation	14,897	22,404
	48,814	**59,307**

NOTE 4: INCOME TAX EXPENSE

	6 months to 31 Dec 22 US$000s	6 months to 31 Dec 21 US$000s
Income tax expense	12,394	8,502
Movement in deferred tax liability/asset	(226)	(3,150)
Kenyan dividend withholding tax (a)	8,100	4,500
	20,268	**9,852**

a. Kenyan dividend withholding tax

During the reporting period, the Group's Kenyan subsidiary, Base Titanium Limited (**Base Titanium**), distributed US$54.0 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$8.1 million, which has been recorded as an income tax expense.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 5: TRADE AND OTHER RECEIVABLES

	31 Dec 22 US$000s	30 Jun 22 US$000s
Trade receivables	48,825	57,515
VAT receivables	13,871	11,413
Other receivables	24	33
	62,720	**68,961**

NOTE 6: INVENTORIES

	31 Dec 22 US$000s	30 Jun 22 US$000s
Heavy mineral concentrate and other intermediate stockpiles – at cost	1,474	1,014
Finished goods stockpiles – at cost	12,713	1,840
Stores and consumables – at cost	11,745	12,244
	25,932	**15,098**

NOTE 7: CAPITALISED EXPLORATION AND EVALUATION

	31 Dec 22 US$000s	30 Jun 22 US$000s
Toliara Project – Madagascar	158,615	154,576
Kenya	1,204	992
Tanzania	957	501
Closing carrying amount	**160,776**	**156,069**

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

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2022	Plant & equipment $000s	Mine property and development $000s	Buildings $000s	Right-of-use assets $000s	Capital work in progress $000s	Total $000s
At cost	277,210	184,437	6,556	1,030	1,035	470,268
Accumulated depreciation	(238,141)	(131,376)	(5,292)	(310)	-	(375,119)
Closing carrying amount	**39,069**	**53,061**	**1,264**	**720**	**1,035**	**95,149**
Reconciliation of carrying amounts:						
Balance at 1 July 2022	45,416	33,837	1,447	845	7,467	89,012
Additions	584	18,993	8	-	968	20,553
Transfers	273	7,099	27	-	(7,399)	-
Disposals	(14)	-	-	-	-	(14)
Increase in mine rehabilitation asset	-	863	-	-	-	863
Depreciation expense	(7,182)	(7,688)	(218)	(118)	-	(15,206)
Effects of movement in foreign exchange	(8)	(43)	-	(7)	(1)	(59)
Balance at 31 December 2022	**39,069**	**53,061**	**1,264**	**720**	**1,035**	**95,149**
As at 30 June 2022						
At cost	276,463	157,873	6,521	1,040	7,467	449,364
Accumulated depreciation	(231,047)	(124,036)	(5,074)	(195)	-	(360,352)
Closing carrying amount	**45,416**	**33,837**	**1,447**	**845**	**7,467**	**89,012**
Reconciliation of carrying amounts:						
Balance at 1 July 2021	67,741	31,339	2,111	35	3,691	104,917
Additions	660	617	-	865	4,948	7,090
Transfers	1,788	1,045	-	-	(2,833)	-
Disposals	(6)	(802)	-	-	-	(808)
Transfer from exploration and evaluation	-	2,123	-	-	-	2,123
Depreciation expense	(14,869)	(7,511)	(357)	(122)	-	(22,679)
Effects of movement in foreign exchange	(4)	(243)	-	-	(34)	(281)
Balance at 31 December 2021	**55,490**	**26,568**	**1,754**	**778**	**5,772**	**90,362**

NOTE 9: PROVISIONS

	31 Dec 22 US$000s	30 Jun 22 US$000s
Current		
Mine closure and rehabilitation	4,703	5,784
Employee benefits	1,539	1,716
	6,242	**7,500**
Non-Current		
Mine closure and rehabilitation	16,223	16,502
Employee benefits	39	32
	16,262	**16,534**

NOTE 10: ISSUED CAPITAL

Date	31 Dec 22 Number	30 Jun 22 US$000s
1 July 2021	1,178,011,850	307,811
30 June 2022	**1,178,011,850**	**307,811**
1 July 2022	1,178,011,850	307,811
31 December 2022	**1,178,011,850**	**307,811**

All issued shares are fully paid. The Company 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 or determined from time to time and are entitled to one vote per share at general meetings of the Company.

NOTE 11: TREASURY SHARES RESERVE

During the reporting period, the Company instructed the trustee of the Base Resources Long Term Incentive Plan (**LTIP**) 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 2019 (**2019 Cycle Performance Rights**), completed its three-year performance period, resulting in a partial vesting (refer to Note 12). Subsequent to their vesting, several LTIP participants chose to exercise their vested 2019 Cycle Performance Rights and were allocated Treasury Shares. In addition, a portion of the small amount of unexercised 2018 Cycle Performance Rights were exercised during the reporting period and were allocated Treasury Shares acquired on-market by the trustee.

The treasury shares reserve comprises the cost of treasury shares that had not yet been allocated to an LTIP participant as at 31 December 2022.

	31 Dec 22	30 Jun 22
	US$000s	US$000s
Treasury shares	**2,261**	**4,957**

	31 Dec 22	30 Jun 22
Date	**Number**	**US$000s**
1 July 2022	22,946,785	4,957
Treasury shares acquired on market by the Trustee to satisfy vested performance rights under the Company's LTIP	8,706,800	1,151
Treasury shares allocated to participants in the Company's LTIP following exercise of vested performance rights	(16,776,760)	(3,847)
31 December 2022	**14,876,825**	**2,261**

NOTE 12: SHARE BASED PAYMENTS

Performance rights

In October and November 2022, the Company issued 18,165,033 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 20,804,781 performance rights granted for the 2019 Cycle Performance Rights concluded on 30 September 2022. Base Resources' absolute total shareholder return (**TSR**) over the performance period was 81%, resulting in 100% of the performance rights subject to absolute TSR performance criteria vesting. Base Resources' relative TSR over the performance period placed it in the 73rd percentile which resulted in 97% of the performance rights subject to relative TSR performance criteria vesting. Accordingly, a total of 20,458,045 of the 2019 Cycle Performance Rights vested.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 13: 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.

	6 months to December 2022				**6 months to December 2021**			
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	126,611	-	-	126,611	104,615	-	-	104,615
Cost of sales	(48,814)	-	-	(48,814)	(59,307)	-	-	(59,307)
Profit from operations	**77,797**	**-**	**-**	**77,797**	**45,308**	**-**	**-**	**45,308**
Corporate and external affairs	(2,429)	(137)	(4,595)	(7,161)	(1,816)	(148)	(4,145)	(6,109)
Community development costs	(2,758)	-	-	(2,758)	(2,228)	-	-	(2,228)
Selling and distribution costs	(1,005)	-	-	(1,005)	(1,182)	-	-	(1,182)
Net write-off of Kenyan VAT receivable and royalty payable	-	-	-	-	(3,012)	-	-	(3,012)
Other expenses	(1,144)	-	(228)	(1,372)	(137)	-	(823)	(960)
Profit before financing and tax	**70,461**	**(137)**	**(4,823)**	**65,501**	**36,933**	**(148)**	**(4,968)**	**31,817**
Financing costs	(1,640)	46	936	(658)	(3,062)	-	311	(2,751)
Profit before tax	**68,821**	**(91)**	**(3,887)**	**64,843**	**33,871**	**(148)**	**(4,657)**	**29,066**
Income tax expense	(12,168)	-	(8,100)	(20,268)	(5,352)	-	(4,500)	(9,852)
Reportable profit	**56,653**	**(91)**	**(11,987)**	**44,575**	**28,519**	**(148)**	**(9,157)**	**19,214**

	As at 31 December 2022				**As at 30 June 2022**			
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	22,558	4,506	457	27,521	11,346	6,391	1,311	19,048
Total assets	206,557	163,718	42,331	412,606	203,309	160,386	29,991	393,686
Total liabilities	39,484	17,444	2,792	59,720	38,514	17,681	3,791	59,986

NOTE 14: CONTINGENT LIABILITY

In connection with its acquisition of the Kwale Project in 2010, Base Titanium Limited granted a 2% royalty to third parties owning or having an interest in that project. There is a disagreement between Base Titanium Limited and the current holders of the royalty in respect of the royalty's scope – specifically, whether, and the extent to which, the royalty applies outside the Kwale Special Mining Lease 23 as it existed at the time of the acquisition. The directors have not disclosed an estimate of any for this contingent liability as discussions between the parties have not concluded and a reliable estimate of the amount arising from any possible obligation cannot be made at this stage.

NOTE 15: EVENTS SUBSEQUENT TO REPORTING DATE

After the reporting period, the Base Resources Board determined to pay an interim dividend of AUD 2.0 cents per share, unfranked, in respect of the reporting period, with a record date of 13 March 2023 and payment date of 30 March 2023. The interim dividend will be paid wholly from conduit foreign income. The financial impact of the interim dividend, amounting to an estimated US$16.0 million (in aggregate), has not been recognised in the Consolidated Interim Financial Statements for the reporting period.

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

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. the interim financial statements and notes, as set out on pages 12 to 22, are in accordance with the Corporations Act 2001 including:
    a. giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the six month period ended on that date; and
    b. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. in the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Mike Stirzaker
Chair
Dated this 25 February 2023

Independent Auditor's Report

To the shareholders of Base Resources Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of Base Resources Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Base Resources Limited does not comply with the *Corporations Act 2001*, including:

- Giving a true and fair view of the ***Group's*** financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- Complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Financial Report*** comprises:

- Consolidated statement of financial position as at 31 December 2022;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the half-year ended on that date;
- Notes 1 to 15 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The ***Group*** comprises Base Resources Limited (the Company) and the entities it controlled at the half-year's end or from time to time during the half-year.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- The preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;* and
- Such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of an Interim Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG

KPMG

Graham Hogg
Partner
Perth
25 February 2023

CORPORATE DIRECTORY

DIRECTORS
Mr Michael Stirzaker, Non-Executive Chair
Mr Tim Carstens, Managing Director
Mr Malcolm Macpherson, Non-Executive Director
Ms Diane Radley, Non-Executive Director
Mr Scot Sobey, Non-Executive Director

COMPANY SECRETARY
Mr Chadwick Poletti

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