

ASX, AIM and Media Release  
30 April 2024

## Quarterly Activities Report – March 2024

African mineral sands producer, **Base Resources Limited** (ASX & AIM: BSE) (**Base Resources** or the **Company**) is pleased to provide an operational, development and corporate update for the quarter ended 31 March 2024.

### KEY POINTS

#### *Corporate*

- Post quarter-end, Base Resources reached agreement with Energy Fuels, a US-based uranium and critical minerals producer, for a proposed combination to create a global critical minerals business.
- Subject to satisfaction of several conditions, Energy Fuels will acquire 100% of the issued shares in Base Resources by way of scheme of arrangement in return for 0.0260 Energy Fuels common shares plus an unfranked special dividend of A\$0.065 per Base Resources shares, representing a premium of 188% to Base Resources' last pre-announcement closing price.

#### *Kwale Operations*

- Following depletion of South Dune ore reserves, mining operations were successfully relocated to the Bumamani deposit over a two-week period resulting in reduced tonnage in the quarter.
- Due to improvements in HMC quality, FY24 production guidance has been revised upwards. Production guidance for FY25 (to the end of Kwale Operations' mine life) also issued.
- After challenging conditions over the past few quarters, the market stabilised as demand improved and some downstream re-stocking supported flat pricing across all products.

#### *Toliara Project*

- Engagement on Toliara Project fiscal terms and lifting of the project's on-ground suspension was reinitiated after President Rajoelina formed his new government in January.
- Substantial progress was made towards agreeing the fiscal terms for the Toliara Project, with the Government indicating that finalising terms and launching the project is a priority.

### PROPOSED COMBINATION WITH ENERGY FUELS

On 22 April 2024, the Company announced that it had entered a binding scheme implementation deed with Energy Fuels Inc. (NYSE American: UUUU, TSX: EFR) (**Energy Fuels**) pursuant to which Energy Fuels agreed to acquire 100% of the issued shares in Base Resources by way of scheme of arrangement (**Transaction** or **Scheme**). The Transaction will establish a global leader in the critical minerals sector with a focus on rare earth elements, uranium and heavy mineral sands production with a clear strategic development pathway.

Under the terms of the Transaction, Base Resources shareholders will be entitled to receive 0.0260 Energy Fuels common shares, plus A\$0.065 in cash via an unfranked special dividend payable by Base Resources<sup>1</sup> (together, the **Transaction Consideration**), for each Base Resources share held. The Transaction Consideration implies an offer price of A\$0.302 per share and represents a premium of 188% to Base Resources' last closing price prior to announcement of the Transaction<sup>2</sup>.

<sup>1</sup> Payment of the special dividend is conditional on the Scheme becoming legally effective.

<sup>2</sup> Implied offer price and premium based on (as applicable) Energy Fuels' and Base Resources' last closing price, prior to announcement of the Transaction, on 19 April 2024 of US\$5.84 and A\$0.105 per share, respectively, and a AUD:USD exchange rate of 0.6400.



Base Resources' Board has unanimously recommended that shareholders vote in favour of the Scheme and each Director owning Base Resources shares intends to vote all those shares in favour of the Scheme<sup>3</sup>. Voting intention statements were also received from each of Base Resources' two major shareholders (owning 26.5% and 24.8% respectively of the shares on issue) confirming that they each intend to vote in favour of the Scheme<sup>3</sup>.

Energy Fuels is the largest producer of uranium in the United States, with its yellowcake sold to major nuclear utilities. Energy Fuels' White Mesa mill in Utah is the only operating conventional uranium and vanadium mill in the United States, and the only mill in North America with the capabilities to extract rare earth elements (REEs) from monazite feed to produce high-purity advanced REE products. Since 2021, the White Mesa mill has successfully produced commercial quantities of REE products from monazite feedstock.

Potential benefits of the Transaction to Base Resources shareholders (in addition to the significant premium offered) include:

- A combined group with a strong platform for funding development of the Toliara Project, through the step-change in market capitalisation, trading liquidity, market profile and funding capacity, plus an enhanced opportunity to secure strategic, low-cost United States Government critical minerals funding support.
- An opportunity to add significant value to the monazite produced at the Toliara Project by capturing a greater share of the REE value chain through processing at the White Mesa mill into separated rare earth oxides<sup>4</sup>.
- An opportunity to retain exposure to a unique diversified critical minerals business.

The independent expert, PwC, has commenced their work, as has the independent technical specialist, AMC Consultants. Base Resources and Energy Fuels are progressing the key regulatory approvals required in Australia, Kenya and Madagascar, with preparation of the scheme booklet underway targeting despatch to shareholders in late June/early July 2024.

## KWALE OPERATIONS

### Operational performance

South Dune ore reserves were fully depleted early in the quarter, following which, mining operations were successfully relocated to the Bumamani deposit. This major logistical exercise was completed over a two-week period resulting in lower mined tonnage of 3.7 million tonnes (Mt) in the quarter (last quarter: 3.9Mt). Mining at the North Dune continued uninterrupted throughout the quarter.

SUMMARY BY QUARTER	FY23		FY24		
	MAR	JUN	SEP	DEC	MAR
<b>Mining</b> (million tonnes)					
Ore mined	3.3	4.1	4.1	3.9	<b>3.7</b>
HM %	3.9	3.0	2.5	2.2	<b>2.4</b>
VHM %	3.1	2.3	1.9	1.7	<b>1.9</b>

<b>Production</b> (thousand tonnes)					
Ilmenite	71.6	55.5	38.8	38.9	<b>33.5</b>
Rutile	16.6	13.8	9.6	9.3	<b>9.0</b>
Zircon	6.4	5.5	3.8	3.8	<b>3.7</b>
Low grade products <sup>5</sup>	4.1	3.4	2.0	2.2	<b>2.3</b>

	FY23		FY24		
	MAR	JUN	SEP	DEC	MAR
<b>US\$ per tonne</b>					
Sales revenue	\$637	\$695	\$1,029	\$589	<b>\$685</b>
Operating costs	\$190	\$240	\$343	\$317	<b>\$373</b>
Cost of goods sold	\$195	\$263	\$442	\$315	<b>\$403</b>
Revenue: Cost ratio	3.3	2.6	2.3	1.9	<b>1.7</b>

<b>Sales</b> (thousand tonnes)					
Ilmenite	86.2	74.6	11.1	63.7	<b>20.1</b>
Rutile	15.2	19.6	5.5	15.0	<b>3.9</b>
Zircon	7.4	6.6	3.9	3.3	<b>4.5</b>
Low grade products <sup>1</sup>	5.3	3.2	2.0	2.6	<b>1.0</b>

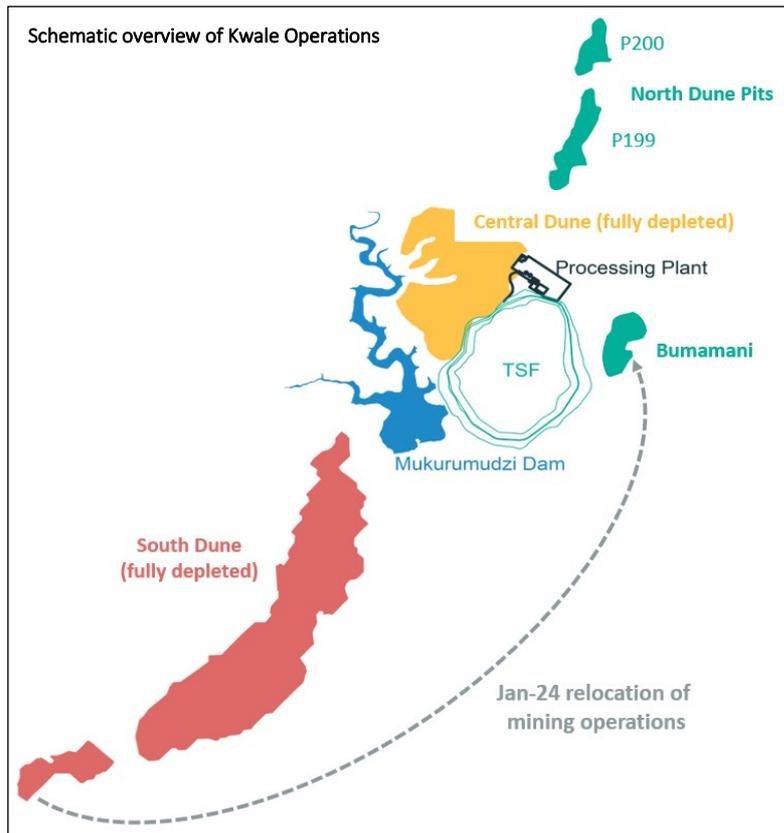
<sup>3</sup> In each case, in the absence of a superior proposal and subject to the independent expert concluding (and continuing to conclude) that the Scheme is in the best interests of shareholders.

<sup>4</sup> Subject to Energy Fuels completing commissioning of Phase 1 of its REE separation facility at the White Mesa mill, and then arranging for and making a development decision on Phase 2 of this facility.

<sup>5</sup> Low grade products are a combination of low-grade zircon and low-grade rutile which are sold separately at a discount to standard grade products.

The heavy mineral (HM) grade of ore mined in the quarter was higher than last quarter at 2.4% (last quarter: 2.2% HM), due to the introduction of the higher-grade feed from the Bumamani deposit and a high-grade strand encountered in the North Dune. The grade and volume of ore mined in the quarter, together with lower slimes content and an increase in concentrator recoveries, increased heavy mineral concentrate (HMC) production to 73.3kt (last quarter: 67.5kt). At these ore grades and HMC production rates, the mineral separation plant (MSP) continued to be operated on a campaign basis to ensure optimum product recoveries were maintained, with extended shuts between campaigns to allow HMC stocks to rebuild. HMC fed to the MSP was lower in the quarter at 63.0kt (last quarter: 71.4kt).

Deposition of sand tails into the mined-out Central Dune and P199 pit on North Dune continued in the quarter. To aid water retention and subsequent rehabilitation, the sand tails are capped with a 4m to 6m co-disposed slimes/sand layer. Rehabilitation activities on the Central Dune, South Dune and North Dune proceeded to plan with the rehabilitation activities for the entire South Dune mining area expected to be largely complete by June 2024.



Bulk shipping operations at the Company's Likoni export facility continued to run smoothly with 20kt of bulk ilmenite dispatched (last quarter: 73.6kt). Containerised shipments of rutile and zircon were exported through the Mombasa Port. Despite lower production levels for the remainder of Kwale Operations' mine life, the Company plans to continue bulk shipments of ilmenite (up to 54kt lots) and rutile (between 5-10kt lots), which will result in significant sales volatility between quarters, as illustrated by the sales volumes over recent quarters.

Total cash operating costs of US\$18.1 million were higher compared to the prior quarter (last quarter: US\$17.2 million) primarily due to increased unit power costs. When combined with lower overall production volume, this resulted in an increase in unit operating costs for the quarter to US\$373 per tonne produced (rutile, ilmenite, zircon and low-grade products) (last quarter: US\$317 per tonne).

Cost of goods sold also increased to US\$403 per tonne sold (operating costs, adjusted for stockpile movements, and royalties) due to the increased unit operating costs and product sales mix (last quarter: US\$315 per tonne). Average unit revenue was also higher at US\$685 per tonne (prior quarter: US\$589 per tonne) due to the increased proportion of rutile and zircon in the sales mix. Consequently, the revenue to cost of goods sold ratio for the quarter decreased to 1.7 (last quarter: 1.9).

### Transition to closure

Mining at Kwale Operations is expected to end in December 2024 when ore reserves are fully depleted, with processing activities concluding shortly thereafter. A detailed mine closure plan is well advanced, covering all aspects of the transition from operations to closure and aims to achieve Base Resources' objective of transitioning Kwale Operations to a post-mining state that cements the Company's reputation for excellence across the full life cycle of mining.

### Production guidance

Improvements in the quality of HMC produced through the rejection of more 'trash' minerals has increased the proportion of rutile, ilmenite and zircon in the MSP feed. With the expectation that this trend will continue, and in conjunction with the higher than planned mining volumes and ore grades achieved year to date, the production guidance for all products has been revised upwards for the 2024 financial year (FY24) as set out in the table below. Production guidance for the 2025 financial year (FY25) is also set out in the table. With mining at Kwale Operations expected to end in December 2024 when ore reserves are fully depleted, the production guidance for FY25 is considerably lower than FY24.

PRODUCTION GUIDANCE (tonnes)	FY24 Guidance Range		FY25
	Original	Updated	To end of mine life
Rutile	35,000 to 41,000	38,000 to 42,000	17,000 to 19,000
Ilmenite	130,000 to 160,000	145,000 to 160,000	55,000 to 63,000
Zircon	13,000 to 16,000	15,000 to 17,000	5,500 to 7,000

The production guidance for FY25, is based on the following assumptions:

- Mining of 6.3Mt at an average HM grade of 1.90%, with the volume coming predominately from Ore Reserves.
- HMC produced by the wet concentrator plant of 118kt.
- HMC fed into the MSP feed of 123kt.
- MSP product recoveries of 101% for rutile, 101.5% for ilmenite and 84.5% for zircon.

## MARKETING

After challenging conditions over the past few quarters, the market stabilised through the March quarter as demand improved and some downstream re-stocking supported flat pricing across all products.

Chinese pigment plants continue to operate at high levels of production, driven by ongoing strong pigment exports – maintaining firm demand for ilmenite. An improved global pigment outlook and speculation over the potential for new import tariffs to be applied to Chinese pigment in the European Union by mid-2024 supported increased Chinese pigment imports into Europe through the quarter, which has so far continued through the June quarter. This improved export demand for Chinese pigment has balanced the ilmenite market, which had been experiencing an over-supply of Chinese domestic ilmenite in the previous few quarters.

Chloride pigment producers in China remain reliant on good quality imported ilmenite and are expected to continue increasing output over time – providing strong ongoing market support for Base Resources' ilmenite.

Western pigment producers have mostly reported improved sales volumes for the quarter with a positive order book outlook for the June quarter. This has resulted in increased pigment production rates and consumption of high-grade feedstock including rutile. Despite the improved demand, prices for bulk rutile have remained under pressure in the quarter due to the elevated inventories. However, the recent suspension of rutile mining in Sierra Leone and reduced 2024 production guidance from some major high grade feedstock producers is likely to result in inventories being run down and tighter market conditions in the coming quarters.

Rutile demand from the smaller welding and titanium metal sectors remains firm. The expected tightening of the rutile market is likely to see prices improve in these sectors at some point in the next few months. Base Resources benefits from having a premium grade rutile product that is suitable for niche high-end welding applications and will continue to target a high proportion of rutile sales to this market.

Re-stocking of zircon by major users in Europe and China through the quarter has supported stable zircon pricing. When combined with a reduction in production guidance from a major zircon producer, this has resulted in slight price gains for June quarter contracts. Zircon demand and prices beyond the June quarter will depend upon economic developments in major markets and whether the current optimism and re-stocking of zircon continues.

## SUSTAINABILITY

### Health and safety

There were no lost time injuries during the quarter and, with no lost time injuries in the past 12 months, Base Resources has a lost time injury frequency rate (LTIFR) of 0.0 per million hours worked. Compared to the Western Australian All Mines 2020/2021 LTIFR of 2.0, this is an exceptional performance and reflects the ongoing focus and importance placed on safety. With no medical treatment injuries recorded in the last 12 months, Base Resources' total recordable injury frequency rate is also 0.0 per million hours worked.

## Community and environment – Kwale Operations

Engagements with communities on the impact of mine closure continued throughout the quarter with the focus of these engagements shifting to discussions on post-mining land use options. A further impact of mine closure is the conclusion of the Company's scholarship and bursary support program, with the final disbursements commencing during the quarter for existing beneficiaries. Mentoring sessions for current students were conducted to reinforce the importance of staying in school and working hard.

Support for agricultural livelihood programs continued through the PAVI Farmers' Cooperative which undertook a farmer recruitment exercise ahead of the "long-rains" wet season. Over 750 small-scale farmers signed up to grow cotton and maize. Construction of the Government of Kenya funded cotton ginnery at PAVI's business park also progressed.

Infrastructure programs continue to be implemented by the three Community Development Agreement Committees established for the communities affected by Kwale Operations, with the programs focusing on improving infrastructure in local schools and access to clean water.

Average rainfall for the quarter allowed rehabilitation and restoration work across the mine site to continue at pace. Over 30,000 trees were planted during the quarter, including within the tailings storage facility where eucalypt species are being trialled as part of its dewatering plan following mine closure. Seasonal ecological monitoring was completed in partnership with the National Museums of Kenya during the quarter with 13 new plant species and three new microinvertebrate species observed indicating positive biodiversity outcomes in rehabilitated areas.

## Community and environment – Toliara Project

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

## BUSINESS DEVELOPMENT

### Toliara Project development – Madagascar

Following the presidential elections late last year, President Rajoelina formed his new government and appointed his cabinet in January, with the incumbent Minister of Mines re-appointed. Re-engagement with the Government of Madagascar, including the Minister of Mines, recommenced shortly following formation of cabinet and continued through the quarter. The Minister has expressed that concluding negotiations on Toliara Project fiscal terms and lifting of the project's on-ground suspension is a priority for the Government. Leveraging the in-principle agreement reached last year on the fiscal terms that would apply for the mineral sands aspect of the project, substantial progress was made on fiscal terms discussions during the quarter. These discussions focused on the new Mining Code's fiscal regime and how this would apply to the whole of the Toliara Project (i.e. both mineral sands and monazite), with the Government expressing support for the production of a monazite product from the project. While progress slowed towards the end of the quarter as the Government's attention shifted to the upcoming legislative assembly elections on 29 May 2024, the Company expects good progress once these elections have concluded.

Following its passing into law late last year, the Government is preparing the Implementing Decree for the new Mining Code. Initial high-level industry consultation on key aspects of the Implementing Decree was recently held (subsequent to quarter end), with a draft decree expected to be available for review and industry consultation in the near term. As previously disclosed, while key financial elements of the new Mining Code appear to not be materially different from those assumed for the Toliara Project Mineral Sands DFS2, the application of these elements and other key provisions lack sufficient detail to fully assess their potential impact on the project. The Implementing Decree (and any further supporting regulations, orders and decrees) once finalised will provide greater clarity on the new Mining Code regime and its application to the Toliara Project.

The Company remains committed to progressing the world class Toliara Project to a final investment decision once fiscal terms are secured and the on-ground suspension is lifted.

Total expenditure on the Toliara Project for the quarter was US\$2.5 million (last quarter: US\$2.3 million).

### Extensional exploration – Kenya

Despite last quarter's announcement that the moratorium on issuance of mining rights for all construction and industrial minerals was lifted, including for heavy mineral sands, no prospecting licences have been issued. The Company continues to engage with Kenya's

Department of Mining with a view to progressing its eight prospecting licence applications in the Kwale, Kuranze and Lamu regions, most of which were lodged prior to the decision to implement the moratorium in 2019.

Expenditure on exploration activities during the quarter in Kenya was US\$246k (last quarter: US\$430k).

## **CORPORATE**

As at 31 March 2024, the Company had cash of US\$83.0 million and no debt.

The Company currently has the following securities on issue:

- 1,178,011,850 fully paid ordinary shares.
- 72,041,626 performance rights issued pursuant to the terms of the Base Resources Long Term Incentive Plan, comprising:
  - 8,295,847 vested performance rights, which remain subject to exercise<sup>6</sup>; and
  - 63,745,779 unvested performance rights subject to performance testing in accordance with their terms of issue.

## **INVESTOR CONFERENCE CALLS**

Base Resources will host two investor conference calls to discuss the quarterly activities update. The briefings will be hosted by Base Resources' Managing Director, Tim Carstens, Chief Financial Officer, Kevin Balloch, and General Manager - Marketing, Stephen Hay, who will each also be available to answer questions at the end of the calls.

All participants will need to pre-register their details using the teleconference registration URL provided below. Upon registering, participants will receive a calendar invite with their unique PIN and dial-in details so that they can join the call without speaking to an operator.

### **Teleconference - Asia Pacific**

**Date:** Tuesday, 30 April 2024

**Time:** 8:30am AWST / 10:30am AEST

Teleconference pre-registration URL: <https://registrations.events/direct/OCP190830>

### **Teleconference – UK/Europe**

**Date:** Tuesday, 30 April 2024

**Time:** 4:30pm AWST / 9.30am (London time)

Teleconference pre-registration URL: <https://registrations.events/direct/OCP488275>

----- ENDS -----

## **Forward looking statements**

Certain statements in or in connection with this announcement contain or comprise forward looking statements. Such statements may include, but are not limited to, statements with regard to future production and grades, capital cost, capacity, sales projections and financial performance and may be (but are not necessarily) identified by the use of phrases such as “will”, “expect”, “anticipate”, “believe” and “envisage”. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future and may be outside Base Resources' control. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes in the regulatory environment and other government actions, fluctuations in product prices and exchange rates and business and operational risk management. Subject to any continuing obligations under applicable law or relevant stock exchange listing rules, Base Resources undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events.

---

<sup>6</sup> Vested performance rights have a nil cash exercise price. Unless exercised beforehand, these rights expire five years after vesting.

## For further information contact:

### Australian Investor and Media queries

Morrow Sodali

Cameron Gilenko and Michael Weir

Tel: +61 (8) 6160 4900

### UK Media Relations

Tavistock Communications

Jos Simson and Gareth Tredway

Tel: +44 (0) 207 920 3150

This release has been authorised by the Board of Base Resources.

### About Base Resources

Base Resources is an Australian based, African focused, mineral sands producer and developer with a track record of project delivery and operational performance. The Company operates the established Kwale Operations in Kenya and is developing the Toliara Project in Madagascar. Base Resources is an ASX and AIM listed company. Further details about Base Resources are available at [www.baseresources.com.au](http://www.baseresources.com.au).