Base Resources Limited

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Base Resources throws dividend into the minerals sands mix

- Minerals sands miner in Kenya
- Working on a new project in Madagascar on similar size to Kenya deposit
- Ilmenite used as a whitener in paint and toothpaste

What it owns

Kwale

In Kenya, during Kwale’s 13-year mine life, Base expects to mine and process 140mt of ore and produce 4.6mt of the final product for sale.

Toliara

In Madagascar, Toliara’s Ranobe deposit has 586mln tonnes (Mt) of ore with an average heavy mineral grade of 6.5%, giving some 38mln tonnes of in-situ minerals.

Samples taken from the 2019 drill programme are now being processed, and, subsequently the company aims to upgrade both resources and reserves estimates further in due course.

Its net present value (measured at a 10% discount rate) was put at US$671mln, while the investment required to build a 13Mt a year operation was calculated to be US$439mln.

How it’s doing?

Base booked revenue of US$208mln during the year ended June 30, 2020, and declared a maiden dividend of A$0.035 per share.

The company said its mineral sands mining operation at Kwale in Kenya maintained operational continuity during the coronavirus crisis and achieved the upper end of production guidance.

Ongoing firm demand supported price improvement for ilmenite and rutile and helped deliver overall net profits after tax of US$39.6mln.

The company also continued working on its Toliara development project in Madagascar.

What the boss says: Tim Carstens, managing director

"Kwale Operations has continued to perform strongly throughout the year resulting in Base Resources achieving the upper end of our production guidance, a particularly pleasing result in what was our first year of operations on the South Dune."

"As the current engine of our business, extending mine life at Kwale is a priority and commencement of a pre-feasibility
study for mining the North Dune, which should be completed in early 2021, was significant in these efforts."

**Video**

**Inflexion points**

- Kwale Mine Life extension
- Further analysis at Toliara
- Strong demand currently for titanium feedstocks

**What the broker says**

Base Resources Limited (LON:BSE) surprised the market by announcing a maiden dividend with its 2020 results, says Berenberg.

A consensus view on Base was that all funds generated by its Kwale mine in Kenya would be directed to its treasury to provide cash reserves for the eventual commencement of the Toliara project in Madagascar.

The maiden dividend of A$0.035 per share, however, implies a yield of c14%.

Berenberg says this adds a new dimension to the investment case through a portion of Kwale cash flow that can be paid out as dividends at a compelling yield.
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