
BASE RESOURCES LIMITED**ACN 125 546 910****NOTICE OF GENERAL MEETING**

TIME: 4.00pm (WST)

DATE: 24 January 2011

PLACE: Base Resources Limited
Level 1
46-50 Kings Park Road
West Perth WA 6005

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary, Mr Winton Willesee, on (+61 3) 9602 4133.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The general meeting of the Shareholders to which this Notice of Meeting relates will be held at 4.00pm (WST) on 24 January 2011 at:

Base Resources Limited
Level 1
46-50 Kings Park Road
West Perth WA 6005

YOUR VOTE IS IMPORTANT

The business of the General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

NOTICE OF GENERAL MEETING

Notice is given that the general meeting of Shareholders will be held at 4.00pm (WST) on 24 January 2011 at Base Resources Limited, Level 1, 46-50 Kings Park Road, West Perth, Western Australia.

The Explanatory Statement provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders of the Company at 4.00pm (WST) on 22 January 2011.

Terms and abbreviations used in this Notice of Meeting are defined in the Glossary.

AGENDA

1. RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE – SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the allotment and issue of 18,000,000 Shares on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. RESOLUTION 2 – PLACEMENT – SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to allot and issue up to 9,000,000 Shares on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

3. RESOLUTION 3 – AMENDMENT TO THE TERMS OF DIRECTOR OPTIONS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of ASX Listing Rule 6.23.4 and for all other purposes, approval is given for an amendment to the terms of Director Options as set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who holds an option that is the subject of the approval. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

DATED: 10 DECEMBER 2010

BY ORDER OF THE BOARD



**WINTON WILLESEE
DIRECTOR AND COMPANY SECRETARY**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the General Meeting to be held at 4.00pm (WST) on 24 January 2011 at Base Resources Limited, Level 1, 46-50 Kings Park Road, West Perth, Western Australia.

This purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

1. RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE – SHARES

1.1 General

On 3 December 2010, the Company issued 18,000,000 Shares at an issue price of 30 cents per Share raising \$5,400,000 through a placement to sophisticated and professional investors.

The subscribers pursuant to this issue were not related parties of the Company.

Resolution 1 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares (**Share Ratification**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

1.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Share Ratification:

- (a) 18,000,000 Shares were allotted on 30 November 2010;
- (b) the issue price was \$0.30 per Share;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares were allotted and issued to sophisticated and professional investors, none of whom were related parties of the Company; and

- (e) the funds raised from this issue are to be used in progressing the enhanced definitive feasibility study on the Company's Kwale project in Kenya, Africa, to accelerate some project implementation activities and for working capital purposes.

2. RESOLUTION 2 – PLACEMENT - SHARES

2.1 General

Resolution 2 seeks Shareholder approval for the allotment and issue of up to 9,000,000 Shares at an issue price of \$0.30 per Share to raise up to \$2,700,000 (**Share Placement**).

None of the subscribers pursuant to this issue will be related parties of the Company.

A summary of ASX Listing Rule 7.1 is set out in Section 1.1 above.

The effect of Resolution 2 will be to allow the Directors to issue the Shares pursuant to the Share Placement during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

2.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Share Placement:

- (a) the maximum number of Shares to be issued is 9,000,000;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;
- (c) the issue price will be \$0.30 per Share;
- (d) the Shares will be allotted and issued to sophisticated and professional investors, none of whom will be related parties of the Company;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the Company intends to use the funds raised from the Share Placement towards progressing the enhanced definitive feasibility study on the Company's Kwale project in Kenya, Africa, to accelerate some project implementation activities and for working capital purposes.

3. **RESOLUTION 3 – AMENDMENT TO THE TERMS OF DIRECTOR OPTIONS**

Resolution 3 seeks Shareholder approval pursuant to ASX Listing Rule 6.23.4 to amend the terms of existing Director Options to provide that the Options will vest, in accordance with a new part C(iii), immediately upon a change in control of the Company (**Proposed Amendment**). The terms of the Director Options incorporating the Proposed Amendment is set out in Schedule 1.

ASX Listing Rule 6.23.4 provides that a company must obtain Shareholder approval to make a change to the terms of options which is not prohibited under ASX Listing Rule 6.23.3.

ASX Listing Rule 6.23.3 prohibits a change to the terms of options which has the effect of reducing the exercise price, increasing the period for exercise or increasing the number of securities received on exercise.

The Proposed Amendment is not prohibited under ASX Listing Rule 6.23.3.

The effect of Resolution 3 will be to allow the Proposed Amendment to the terms of the Director Options.

The Company is seeking to make the Proposed Amendment to the Director Options in order to ensure that the interests of the board are appropriately aligned with those of shareholders in the event of a takeover bid. This action follows advice from the company's corporate advisors in relation to a possible perceived misalignment of these interests.

4. **ENQUIRIES**

Shareholders are requested to contact the Company Secretary, Mr Winton Willesee, on (+ 61 3) 9602 4133 if they have any queries in respect of the matters set out in these documents.

GLOSSARY

\$ means Australian dollars.

ASX means ASX Limited.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Company means Base Resources Limited (ACN 125 546 910).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Director Option means an Option held by a Director as approved by shareholders on 30 June 2010 and granted on 9 July 2010.

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice of Meeting.

General Meeting or **Meeting** means the meeting convened by the Notice.

Notice or **Notice of Meeting** or **Notice of General Meeting** means this notice of general meeting including the Explanatory Statement and the Proxy Form.

Option means an option to acquire a Share.

Optionholder means a holder of an Option or Director Option as the context requires.

Proxy Form means the proxy form accompanying the Notice.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE – TERMS AND CONDITIONS OF DIRECTOR OPTIONS

The Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Subject to these terms, the Options are exercisable at any time after the relevant vesting date until the date that is 5 years from the date of issue (**Expiry Date**). Options not exercised on or before the Expiry Date will automatically lapse.
- (b) The Options are divided into 2 tranches:
 - (i) Tranche 1 comprising exactly one half of the Options issued to a Director are exercisable at \$0.09 per Option (**Exercise price**); and
 - (ii) Tranche 2 comprising the remaining Options issued to a Director and are exercisable at \$0.25 per Option (**Exercise price**).
- (c) The Options vest as follows:
 - (i) 50% of each tranche upon the Company making a decision to commence construction at the Kwale Project providing the Company has the required development financing in place;
 - (ii) 50% of each tranche upon first production from the Kwale Project; and
 - (iii) notwithstanding (i) and (ii) above, 100% of the Options will vest immediately upon:
 - (A) the receipt of Court approval to a scheme of arrangement between the Company and its creditors or members or any class thereof pursuant to section 411 of the Corporations Act which as a consequence thereof would lead to a party acquiring a relevant interest in more than 50% of the shares in the Company;
 - (B) a takeover bid being made for the Company's ordinary shares, the bidder acquiring a relevant interest in more than 50% of the shares and the takeover bid being declared unconditional; or
 - (C) the date upon which a person or a group of associated persons becomes entitled, subsequent to the date of grant of the Option, to sufficient Shares to give it or them the ability, in general meeting, to replace all or allow a majority of the Board in circumstances where such ability was not already held by a person associated with such person or group of associated persons.
- (d) The Options are forfeited if the Option holder's employment with the Company ceases prior to the Options vesting.
- (e) The following restrictions apply to the Options once vested:
 - (i) the Options cannot be exercised until the 30 day VWAP (**VWAP Hurdle**) for the Company's shares is:
 - (A) \$0.15 in respect of Tranche 1 Options; and
 - (B) \$0.35 in respect of Tranche 2 Options; and

- (ii) Once the VWAP Hurdle has been achieved, the Options may not be exercised and the shares sold until any share trading blackout period (as per Company policy) then applying has expired.
- (f) The Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (g) An Optionholder may exercise their Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised;

(Exercise Notice).

- (h) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (i) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (j) The Company will not apply for quotation of the Options on ASX. The Options are not transferrable.
- (k) All shares issued upon exercise of the Options will rank pari passu in all respects with the Company's then existing fully paid ordinary shares.
- (l) There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will send a notice to each holder of Options at least five business days before the record date. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (m) If from time to time on or prior to the Expiry Date the Company makes an issue of Shares to the holders of ordinary Shares in the Company by way of capitalisation of profits or reserves (a bonus issue), then upon exercise of his Options an Option holder will be entitled to have issued to him (in addition to the Shares which would otherwise be issued to him upon such exercise) the number of Shares of the class which would have been issued to him under that bonus issue (bonus Shares) if on the record date for the bonus issue he had been registered as the holder of the number of Shares of which he would have been registered as holder if, immediately prior to that date, he had duly exercised his Options and the Shares the subject of such exercise had been duly allotted and issued to him. The bonus Shares will be paid by the Company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the bonus issue and upon issue will rank pari passu in all respects with the other Shares allotted upon exercise of the Options.
- (n) In the event of any reorganisation of the issued capital of the Company on or prior to the Expiry Date, the rights of an Option holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules in force at the time of the reorganisation.

PROXY FORM

**APPOINTMENT OF PROXY
BASE RESOURCES LIMITED
ACN 125 546 910**

GENERAL MEETING

I/We

of

being a member of Base Resources Limited entitled to attend and vote at the General Meeting, hereby

Appoint

Name of proxy

OR

☐

the Chair of the General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, as the proxy sees fit, at the General Meeting to be held at 4.00pm (WST), on 24 January 2011 at Level 1, 46-50 Kings Park Road, West Perth, Western Australia, and at any adjournment thereof.

If no directions are given, the Chair will vote in favour of all the Resolutions.

☐

If the Chair of the General Meeting is appointed as your proxy, or may be appointed by default, and you do **not** wish to direct your proxy how to vote as your proxy in respect of **Resolution 3** please place a mark in this box.

By marking this box, you acknowledge that the Chair of the General Meeting may exercise your proxy even if he has an interest in the outcome of Resolution 3 and that votes cast by the Chair of the General Meeting for Resolution 3 other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on Resolution 3 and your votes will not be counted in calculating the required majority if a poll is called on Resolution 3.

OR

Voting on Business of the General Meeting

Resolution 1 – Ratification of Prior Issue – Shares
Resolution 2 – Placement – Shares
Resolution 3 – Amendment to the terms of Director Options

FOR	AGAINST	ABSTAIN
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is _____ %

Signature of Member(s):

Date: _____

Individual or Member 1

Sole Director/Company Secretary

Member 2

Director

Member 3

Director/Company Secretary

Contact Name: _____ **Contact Ph (daytime):** _____

BASE RESOURCES LIMITED
ACN 125 546 910

Instructions for Completing 'Appointment of Proxy' Form

1. **(Appointing a Proxy):** A member entitled to attend and vote at the General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a member of the Company.
2. **(Direction to Vote):** A member may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked the proxy may vote as they choose. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing Instructions):**
 - **(Individual):** Where the holding is in one name, the member must sign.
 - **(Joint Holding):** Where the holding is in more than one name, all of the members should sign.
 - **(Power of Attorney):** If you have not already provided the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual members from attending the General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the General Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (a) post to Base Iron Limited, PO Box 928, West Perth, WA 6872;
 - (b) hand deliver to the Company's registered office at Level 1 46-50, Kings Park Road, West Perth, Western Australia;
 - (c) facsimile to the Company on facsimile number +61 8 9322 8912; or
 - (d) email to the Company at winton@baseresources.com.au.

so that it is received not less than 48 hours prior to commencement of the Meeting.

Proxy forms received later than this time will be invalid.