



ABN 88 125 546 910

## **NOTICE OF GENERAL MEETING**

**TIME:** 4.00pm (Perth time)  
**DATE:** 31 August 2011  
**PLACE:** The Celtic Club  
48 Ord Street  
West Perth, Western Australia

**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 prior to the General Meeting please contact the Company Secretary on (+61 8) 9413 4700.**

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**TIME AND PLACE OF MEETING AND HOW TO VOTE****1. VENUE**

The General Meeting will be held at 4.00pm (Perth time) on 31 August 2011 at:

The Celtic Club  
48 Ord Street  
West Perth, Western Australia

**2. YOUR VOTE IS IMPORTANT**

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

A Shareholder who is entitled to attend and vote may vote in person or by proxy or attorney. A Shareholder which is a corporation may appoint an individual as a representative.

**3. VOTING IN PERSON**

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

**4. VOTING BY PROXY**

A Shareholder may appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the Shareholder's voting rights. If a Shareholder 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 Shareholder.

To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

- (a) post to Base Resources Ltd, PO Box 928, West Perth BC, WA 6872;
- (b) hand delivery to the Company's registered office at Level 1, 50 Kings Park Road, West Perth WA 6005;
- (c) facsimile to the Company on facsimile number (+61 8) 9322 8912; or
- (d) email to the Company at: [wwillesee@baseresources.com.au](mailto:wwillesee@baseresources.com.au),

so that it is received not later than 4.00pm (Perth time) on 29 August 2011.

**Proxy Forms received after this time will be invalid.**

**5. VOTING BY CORPORATE REPRESENTATIVE**

A body corporate which is a Shareholder, or which has been appointed as a proxy, may appoint an individual to act as its representative at the General Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the General Meeting, evidence of appointment, including any authority under which it is signed, unless it has previously been given to the Company.

**6. VOTING BY ATTORNEY**

A Shareholder may appoint an attorney to vote on their behalf. For an appointment to be effective for the General Meeting, the instrument effecting the appointment (or a certified copy of it) must be received by the Company in one of the methods listed above for the receipt of Proxy Forms, so that it is received not later than 4.00pm (Perth time) on 29 August 2011.

## NOTICE OF GENERAL MEETING

Notice is given that a General Meeting will be held at 4.00pm (Perth time) on 31 August 2011 at The Celtic Club, 48 Ord Street, West Perth, Western Australia.

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

The Directors have determined that the persons eligible to vote at the General Meeting are those people who are registered as Shareholders of the Company at 5.00pm (Perth time) on 29 August 2011.

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

### 1. RESOLUTION 1 – APPROVAL OF ISSUE OF SHARES PURSUANT TO THE FIRST TRANCHE SHARE PLACEMENT

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To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

*"That for the purpose of ASX Listing Rule 7.4 and for all other purposes, the issue of up to 24,800,000 Shares on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting be approved."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who participated in the issue 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 General 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 – APPROVAL FOR ISSUE OF SHARES PURSUANT TO THE SECOND TRANCHE SHARE PLACEMENT

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To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That for the purpose of ASX Listing Rule 7.1 and for all other purposes, the issue of such number of Shares which, together with the Shares issued pursuant to the placement referred to in Resolution 1 of this Notice of Meeting, does not exceed 253,990,909 Shares in aggregate, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting be approved."*

**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 General 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:** 1 August 2011

**BY ORDER OF THE BOARD**

A handwritten signature in black ink, appearing to read 'W. Willesee', is positioned above the printed name.

**WINTON WILLESEE  
DIRECTOR AND COMPANY SECRETARY**

## EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for Shareholders in connection with the business to be conducted at the General Meeting to be held at 4.00pm (Perth time) on 31 August 2011 at The Celtic Club, 48 Ord Street, West Perth, Western Australia.

The Explanatory Memorandum provides information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions contained in the Notice of Meeting.

### 1. INTRODUCTION

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#### 1.1 General

As announced to ASX on 1 August 2011, the Company is seeking to raise a total of approximately \$170 million, comprising:

- (a) \$30.3 million pursuant to the issue of approximately 55.1 million Shares at an issue price of 55 cents per Share under a pro rata renounceable rights issue of one Share in the Company for every three Shares held by existing Shareholders (**Rights Issue**); and
- (b) \$139.7 million pursuant to a placement of approximately 254.0 million Shares at an issue price of 55 cents per Share (**Share Placement**).

The Share Placement will be conducted in two tranches:

- 1. Tranche 1 will raise up to approximately \$13.6 million through the issue of up to 24.8 million Shares expected to be issued on or about 11 August 2011 (**First Tranche Share Placement**); and
- 2. Tranche 2 will raise that amount, which, together with the funds raised pursuant to the First Tranche Share Placement, will equate to approximately \$139.7 million, through the issue of that number of Shares which, together with the Shares issued pursuant to the First Tranche Share Placement, will equate to 253,990,909 Shares, and which are expected to be issued on or about 1 September 2011 (**Second Tranche Share Placement**), subject to obtaining Shareholder approval at this General Meeting.

The Company will seek quotation on ASX of the Shares to be issued under each of the Rights Issue and the Share Placement.

Resolution 1 seeks Shareholder approval to approve the issue of Shares under the First Tranche Share Placement, which is expected to have occurred prior to the date of the General Meeting.

Resolution 2 seeks Shareholder approval for the issue of Shares under the Second Tranche Share Placement.

Further details about each of the Company and its projects, the Rights Issue and the Share Placement are also set out in the Prospectus released to the ASX on 1 August 2011, which is expected to be sent to eligible Shareholders on 11 August 2011.

You should be aware that due to regulatory restrictions in the United States, if you are located in the United States or are a U.S. person (as defined in Rule 902(k) of the U.S. Securities Act of 1933, as amended) (the **Securities Act**) we may not be permitted to send the Prospectus to you. Accordingly any action you may take in connection with the General Meeting and/or the return of your Proxy Form should be based on the information in this Notice of Meeting only.

This Notice of Meeting is not an offer of securities for sale in the United States. Securities may not be offered or sold in the United States absent registration under, or an exemption from, the

Securities Act. The Company has not registered and does not intend to register the Shares to be issued by the Company in connection with the Rights Issue and the Share Placement under the Securities Act. There will be no public offer of the securities in the United States. Further, the Company is not registered as an “investment company” under the U.S. Investment Company Act of 1940, as amended in reliance on an exemption therefrom.

## 1.2 Purpose of the Share issues

The Company intends to apply the funds raised from the Rights Issue and the Share Placement primarily towards funding the equity component of the development of the Company's Kwale Project in Kenya, East Africa. See section 1.3 below for further details.

The Company has also secured credit approved commitments for a US\$170 million debt package, which will be applied, together with the funds raised by from the Rights Issue and the Share Placement, to the development of the Kwale Project. This debt package is subject to agreeing definitive documentation, further details of which are provided in the Prospectus.

## 1.3 Use of funds

The Rights Issue and the Share Placement are intended to raise up to \$170 million, which is intended to be used as set out below:

Funds raised from Share issues	Rights Issue outcome	
	Max - \$m	Min - \$m <sup>1</sup>
Approximately US\$140 million equity contribution to develop the Kwale Project (assumed exchange rate of US\$1.10 = A\$1.00)	127.3	127.3
Corporate costs of the Company until positive cash flows are available from the Kwale Project	10.3	10.3
Funds for advancing the Company's exploration projects and for general corporate purposes	24.6	7.0
Variable costs of the Rights Issue and Share Placement	7.8	7.6
<b>Total funds raised</b>	<b>170.0</b>	<b>152.2</b>

### Notes:

1. The minimum subscription under the Rights Issue is based on the assumption that the conditional underwriting of \$12.5 million becomes unconditional. Refer to Section 1.4 of this Notice of Meeting for an outline of the terms and conditions of the underwriting.

The above table sets out the Company's current intentions as at the date of this Notice of Meeting. As with any budget, intervening events and new circumstances have the potential to affect the ultimate way funds will be applied. The Company reserves the right to alter the intended use of funds on this basis.

## 1.4 Underwriting Arrangements

The Rights Issue is conditionally underwritten for \$12.5 million (being the first \$12.5 million of any shortfall under the Rights Issue). This amount is the minimum level of capital required by

the Company to fund the proposed activities set out above (and principally, the development of the Kwale Project).

If Shareholders do not approve the issue of Shares under the Second Tranche Share Placement (approval of which is the subject of Resolution 2), the Second Tranche Share Placement and the underwriting of the Rights Issue each will not proceed. The Rights Issue will, however, proceed whether or not Shareholders approve the issue of Shares under the Second Tranche Share Placement.

In these circumstances the Company would not issue the Shares under the Second Tranche Share Placement and, depending on the level of demand from Shareholders, the Company may issue only a small number of Shares under the Rights Issue. This means the Company would only raise up to approximately \$13.6 million from the First Tranche Share Placement, together with any amounts raised under the Rights Issue, which would instead be applied to fund:

- the costs of the Rights Issue;
- costs associated with sourcing alternative funds to develop the Kwale Project;
- the ongoing administration costs of the Company; and
- additional working capital.

The Company would, therefore, need to raise the required capital through other means to proceed with development of the Kwale Project. There can be no guarantee that the Company could raise this capital.

## **2. RESOLUTION 1 – APPROVAL OF ISSUE OF SHARES PURSUANT TO THE FIRST TRANCHE SHARE PLACEMENT**

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### **2.1 Introduction**

ASX Listing Rule 7.1 imposes a limit on the number of equity securities (including ordinary shares) that a company can issue or agree to issue without shareholder approval. Generally a company may not, without shareholder approval, issue in any 12 month period, a number of equity securities which is more than 15% of the number of fully paid ordinary shares on issue 12 months before the issue.

The number of equity securities that may be issued by a company under ASX Listing Rule 7.1 without shareholder approval is not impacted by equity securities which are issued under an exception contained in ASX Listing Rule 7.2 or which have received shareholder approval.

ASX Listing Rule 7.4 permits the approval of previous issues of securities made without prior shareholder approval, provided that the issue did not breach the 15% threshold set by ASX Listing Rule 7.1, with the effect being that the issue is treated as having been made with approval.

Resolution 1 is required to be approved in accordance with ASX Listing Rule 7.4 to ratify the issue of Shares under the First Tranche Share Placement, which is expected to have occurred by the time of the General Meeting. The issue of Shares, the subject of Resolution 1, did not breach ASX Listing Rule 7.1.

The reason for an approval under ASX Listing Rule 7.4 is to reinstate the capacity of the Company to issue up to 15% of its securities without the approval of its Shareholders, so that the Company has the maximum flexibility to undertake equity raisings. The requirement to obtain Shareholder approval for an issue, at the time of issue, could limit the Company's ability to take advantage of opportunities that may arise to raise equity capital.



It should also be noted that, notwithstanding an approval by Shareholders of Resolution 1, any future equity raisings remain subject to the 15% limit set out in ASX Listing Rule 7.1.

## **2.2 Information required by ASX Listing Rule 7.5**

Listing Rule 7.5 contains certain requirements as to the contents of a notice sent to Shareholders for the purposes of Listing Rule 7.4. The following information is included in this Explanatory Memorandum for that purpose:

- (a) up to 24,800,000 Shares will have been issued by the Company as at the date of the General Meeting;
- (b) the issue price is to be 55 cents per Share;
- (c) the Shares will have been issued on the same terms and conditions as the Company's existing Shares and rank equally with the then existing Shares;
- (d) the Shares are to be issued to sophisticated and professional investors in Australia and overseas, who are not related parties of the Company or associates of related parties of the Company; and
- (e) the Company intends to use the approximate \$13.6 million raised from the First Tranche Share Placement to primarily fund the development of the Kwale Project as described in paragraphs 1.2 and 1.3 above.

The Board believes that Resolution 1 is in the best interests of the Company and its Shareholders and recommends that Shareholders vote in favour of the Resolution.

## **3. RESOLUTION 2 – APPROVAL FOR ISSUE OF SHARES PURSUANT TO THE SECOND TRANCHE SHARE PLACEMENT**

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### **3.1 Introduction**

As set out under paragraph 2.1 above, ASX Listing Rule 7.1 imposes a limit on the number of equity securities that a company can issue or agree to issue without shareholder approval. Generally a company may not, without shareholder approval, issue in any 12 month period, a number of equity securities which is more than 15% of the number of fully paid ordinary shares on issue 12 months before the issue.

The number of equity securities that may be issued by a company under ASX Listing Rule 7.1 without shareholder approval is not impacted by equity securities which are issued under an exception contained in ASX Listing Rule 7.2 or which have received shareholder approval.

This means that if Resolution 2 is approved by Shareholders, each of the Second Tranche Share Placement and underwriting of the Rights Issue will proceed, and the Shares under the Second Tranche Share Placement can be issued without using the Company's 15% annual placement capacity.

### **3.2 Information required by ASX Listing Rule 7.3**

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

- (a) the maximum number of Shares to be issued is 253,990,909, less that number of Shares issued pursuant to the First Tranche Share Placement;
- (b) the Shares will be issued no later than three months after the date of the General 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 55 cents per Share;
- (d) the Shares are to be issued to sophisticated and professional investors in Australia and overseas, who are not related parties of the Company or associates of related parties of the Company;
- (e) the Shares will be issued on the same terms and conditions as the Company's existing Shares and rank equally with the existing Shares; and
- (f) the Company intends to use the funds raised from the Second Tranche Share Placement to primarily fund the development of the Company's Kwale Project as described in paragraphs 1.2 and 1.3 above.

The Board believes that Resolution 2 is in the best interests of the Company and its Shareholders and recommends that Shareholders vote in favour of the Resolution.

#### **4. ENQUIRIES**

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Please contact the Company Secretary on (+ 61 8) 9413 7400 if you have any questions in respect of the matters contained in this Notice of Meeting.

## Glossary

**\$** means Australian dollars.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited ACN 008 624 691, or the market operated by it, the Australian Securities Exchange (as the context requires).

**ASX Listing Rules** or **Listing Rules** means the Listing Rules of ASX.

**Board** means the board of directors of the Company as at the date of this Notice of Meeting.

**Company** means Base Resources Ltd ABN 88 125 546 910.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Directors** means the directors of the Company as at the date of this Notice of Meeting.

**Eligible Shareholders** means a shareholder who is eligible to take part in the Rights Issue (as more fully described in the Definitions section of the Prospectus).

**Explanatory Memorandum** means the explanatory memorandum accompanying the Notice of Meeting.

**First Tranche Share Placement** means the placement of up to 24.8 million Shares at 55 cents per Share to raise a total of up to approximately \$13.6 million.

**General Meeting** means the extraordinary general meeting of Shareholders convened by this Notice of Meeting.

**Kwale Project** means the Company's minerals sands project located in Kenya, East Africa, approximately 50 kilometres south of Mombasa.

**Notice of Meeting** means this notice of general meeting including the Explanatory Memorandum.

**Perth time** means standard time in Perth, Western Australia.

**Prospectus** means the prospectus for the Rights Issue, expected to be dispatched to Shareholders on 11 August 2011.

**Rights Issue** means the pro rata renounceable rights issue of one new Share for every three Shares held by Eligible Shareholders at an issue price of 55 cents per Share to raise up to approximately \$30.3 million pursuant to the Prospectus.

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

**Second Tranche Share Placement** means the proposed placement of 253,990,909 Shares, less that number of Shares issued under the First Tranche Share Placement at 55 cents per Share to raise, in combination with those funds raised under the First Tranche Share Placement, a total of approximately \$139.7 million, which is conditional upon Shareholder approval of Resolution 2.

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

**Shareholder** means a holder of a Share.

**Share Placement** means the First Tranche Share Placement together with the Second Tranche Share Placement.

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**PROXY FORM**

**APPOINTMENT OF PROXY  
BASE RESOURCES LTD  
ABN 88 125 546 910**

**GENERAL MEETING**

I/We

of

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

Appoint

Name of Proxy

OR
☐

Chair of the meeting as my 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 (Perth time), on 31 August 2011 at The Celtic Club, 48 Ord Street, West Perth, Western Australia, and at any adjournment of that meeting.

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

**Voting on Business of the General Meeting****FOR****AGAINST****ABSTAIN**

Resolution 1 – Approval of issue of Shares pursuant to the First  
Tranche Share Placement

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Resolution 2 – Approval for issue of Shares pursuant to the  
Second Tranche Share Placement

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☐
☐

**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 to be counted in computing the required majority on a poll.

Signature of Member(s): \_\_\_\_\_

Date: \_\_\_\_\_

**Individual or Member 1****Member 2****Member 3**



**Sole Director / Company Secretary****Director****Director / Company Secretary**

Contact Name: \_\_\_\_\_

Contact Ph (daytime): \_\_\_\_\_

**BASE RESOURCES LTD  
ABN 88 125 546 910**

**Instructions for Completing Proxy Form**

1. **(Appointing a Proxy):** A member entitled to attend and vote on a show of hands and on a poll at a 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. **(Directed Proxies):** New sections 250BB and 250BC of the Corporations Act will take effect on 1 August 2011 and apply to voting by proxy on or after 1 August 2011 (whether or not the proxy was appointed before, on or after that date). Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this General Meeting. Broadly, the changes mean that:
  - if proxy holders vote, they must cast all directed proxies as directed; and
  - any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

More detail on these changes is provided below.

**Proxy vote if appointment specifies way to vote**

Section 250BB will provide that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has two or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

**Transfer of non-chair proxy to chair in certain circumstances**

Section 250BC will provide that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting;
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
  - the proxy is not recorded as attending the meeting;

- the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

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 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 Resources Ltd, PO Box 928, West Perth, WA 6872;
- (b) hand deliver to the Company's registered office at Level 1 50, Kings Park Road West Perth WA 6005;
- (c) facsimile to the Company on facsimile number +61 8 9322 8912; or
- (d) email to the Company at: [wwillesee@baseresources.com.au](mailto:wwillesee@baseresources.com.au),

so that it is received not later than 4.00pm (Perth time) on 29 August 2011.

**Proxy forms received later than this time will be invalid.**

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