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2 August 2011

Dear Option Holder

Rights Issue – Notice to Option Holders

We are writing to you in relation to your option holding in Base Resources Ltd ABN 88 125 546 910 (**Base**).

On 1 August 2011, Base announced to ASX that it would be undertaking a conditionally underwritten pro-rata renounceable entitlement offer (**Rights Issue**) of one new fully paid ordinary share in Base (**New Share**) for every three ordinary fully paid shares (**Shares**) held by Eligible Shareholders (defined below) at an issue price of A\$0.55 per Share to raise approximately A\$30.3 million.

Base is also undertaking a placement of approximately 254 million Shares at an issue price of A\$0.55 per Share to raise approximately A\$139.7 million (**Placement**). Subject to limited exceptions, the placement is only to sophisticated and professional investors in Australia.

Purpose and use of funds raised

Base intends to apply the funds raised from the Rights Issue and the Placement primarily towards funding the equity component of the development of Base's mineral sands Kwale project, located in Kenya, East Africa.

Basis of participation

Pursuant to the terms of your options, you are not entitled to participate in the Rights Issue unless you exercise the options you hold and Shares are issued to you in respect of those options before the record date for the Rights Issue, which is set for 5.00pm (Perth time) on 10 August 2011 (Record Date).

This is because the Rights Issue is being extended to Eligible Shareholders only. Eligible Shareholders are those shareholders who:

- a. are the registered holder of Shares as at 5:00pm (Perth time) on the Record Date;
- b. have a registered address in Australia or New Zealand;
- c. subject to certain limited exceptions, are not in the United States or a US Person or acting for the account or benefit of a US Person (to that extent); and
- d. are eligible under all applicable securities laws to receive an offer under the Rights Issue,

or, in Base's absolute discretion, they are persons resident in any other country who are reasonably able to demonstrate to Base that they are otherwise eligible to participate in the Rights Issue relying on a

relevant exemption from, or are not otherwise subject to, the lodgement, filing, registration or other requirements of any applicable securities laws in the jurisdiction in which they are resident or have a registered address.

This means if you would like to participate in the Rights Issue in respect of Shares to be issued upon exercise of your options, you should exercise your options by delivering a notice of exercise together with payment of the exercise price to Base's share registry, Security Transfer Registrars Pty Ltd (**STR**), at least three business days prior to 10 August 2011. This should enable STR to process your notice of exercise and issue you Shares before the Record Date. You cannot otherwise participate in the Rights Issue in respect of your options.

A prospectus in relation to the Rights Issue (**Prospectus**) was lodged with the Australian Securities and Investments Commission on 1 August 2011 and is also available from the ASX website, www.asx.com.au and Base's website, www.baseresources.com.au. The Prospectus sets out the details of the Rights Issue.

A copy of the Prospectus will be despatched to Eligible Shareholders on or about 11 August 2011. Eligible Shareholders wanting to acquire securities pursuant to the Rights Issue should consider the Prospectus in deciding whether to do so. Eligible Shareholders who want to acquire securities under the Rights Issue will need to complete the Entitlement and Acceptance form that will accompany the Prospectus.

If you have any questions in relation to any of the above matters and this letter, please seek professional advice.

On behalf of the directors of Base, I thank you for your continued support of Base.

Yours faithfully



Winton Willesee
Director and Company Secretary
BASE RESOURCES LTD

These written materials are 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 US Securities Act of 1933 (Securities Act). Base has not registered and does not intend to register any of the Rights or the New Shares under the Securities Act. Neither the Rights nor the New Shares will be offered or sold to the public in the United States. There will be no public offer in the United States or in any country where such an offer would contravene local securities laws. Further, Base is not registered as an "investment company" under the U.S. Investment Company Act of 1940, as amended (1940 Act) in reliance on an exemption therefrom.