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3 August 2011

Dear Shareholder

Rights Issue – Notice to Shareholders

We are writing to you in relation to your shareholding 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 the Base's mineral sands Kwale project, located in Kenya, East Africa.

Basis of participation

Under the Rights Issue, Eligible Shareholders will be entitled to apply for one New Share at a price of A\$0.55 per New Share for every three Shares held by them at 5.00pm (Perth time) on 10 August 2011 (**Record Date**) subject to the terms of the Rights Issue (**Rights**).

The full terms of the Rights Issue are outlined in the prospectus (**Prospectus**) lodged with the Australian Securities and Investments Commission, and released to the ASX, on 1 August 2011. The Prospectus will also be mailed to Eligible Shareholders on 11 August 2011.

The Rights are renounceable. This means that Eligible Shareholders who do not wish to take up all or some of their Rights may sell or transfer some or all of their Rights.

Trading of Rights will commence on ASX on 4 August 2011 and will cease on close of trading on 7 September 2011. Rights to which Eligible Shareholders are entitled may be sold on ASX between these dates should they choose not to take up their Rights in full.

In calculating entitlements of Eligible Shareholders under the Rights Issue, any fractional entitlements will be rounded up to the nearest whole number.

Eligible Shareholders

The Rights Issue is being extended to Eligible Shareholders only. Eligible Shareholders are shareholders who:

- a. are registered holders 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.

Shareholders who are not eligible (**Ineligible Shareholders**) will not be able to participate in the Rights Issue and will not receive a copy of the Prospectus. However, Base has appointed Euroz Securities Limited (Euroz) as a nominee to arrange for the sale of the Rights which would otherwise have been granted to those Ineligible Shareholders.

Underwriting

The Rights Issue is being managed and conditionally underwritten by RFC Corporate Finance Limited ABN 59 009 153 888 (**RFC**) pursuant to an underwriting agreement between RFC and Base dated 26 July 2011 (**Underwriting Agreement**). The Underwriting Agreement includes terms that are customary in an agreement of this nature, including permitting RFC to terminate the agreement on the occurrence of certain events and Base providing RFC with a number of indemnities, representations and warranties.

Shareholder approval is not required for the Rights Issue.

Timetable

Rights Issue announced	1 August 2011
Prospectus lodged with ASIC and ASX	1 August 2011
Notice of Rights Issue sent to Shareholders	3 August 2011
Shares commence trading on ASX on an ex-rights basis	4 August 2011
Rights trading on ASX commences	4 August 2011
Record Date for determining Rights under the Rights Issue	10 August 2011
Rights Issue opens and despatch of Prospectus and Entitlement and Acceptance Forms	11 August 2011

Rights trading on ASX ends	7 September 2011
Deferred Settlement Trading of New Shares commences	8 September 2011
Closing time for renunciations, acceptances and payment in full of Rights	14 September 2011
Notification to ASX by Base of under-subscriptions	16 September 2011
New Shares commence trading on ASX	20 September 2011

The above timetable is indicative only and is subject to change. Base reserves the right, subject to the Corporations Act, ASX Listing Rules and other applicable laws to vary the times and dates of the Rights Issue, including extending the Rights Issue or accepting late applications, either generally or in particular cases, without notice. Base will announce all changes through ASX. You cannot, in most circumstances, withdraw your application once it has been accepted.

Entitlement and Acceptance Forms must be delivered in accordance with the instructions on that form by 5pm (Perth time) on 14 September 2011, or payment by BPay® (for Eligible Shareholders with Australian bank accounts) received by 4pm (Perth time) on 14 September 2011.

Offer document and continuous disclosure

Eligible Shareholders should carefully read the Prospectus and have regard to all publicly available information on Base, including all announcements made by Base to ASX (which are available from its website www.baseresources.com.au or from ASX's website www.asx.com.au) in deciding whether to acquire New Shares. Eligible Shareholders who want to acquire New Shares will need to complete the Entitlement and Acceptance Form that will accompany the Prospectus.

Capital structure

The following table sets out the capital structure of Base as at the date of this announcement and on completion of the Rights Issue.

Shares on issue	Rights Issue outcome	
	Maximum	Minimum 1
On issue as at the date of this announcement	165,341,114	165,341,114
To be issued under the Rights Issue	55,113,705	22,727,273
Total on issue immediately following completion of the Rights Issue (assuming no other issues of Shares) occur before that time	220,454,819	188,068,387

Note:

1. The minimum subscription under the Rights Issue is based on the assumption that the conditional underwriting of \$12.5 million becomes unconditional.

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.