Positioning for Growth

Investor Presentation – Entitlement Offer

29 February 2016

BASE RESOURCES

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Investment Rationale

Shareholders have the opportunity to participate in a A$10m renounceable entitlement issue, to provide corporate funding certainty, progress strategic initiatives and capitalise on achievements to date.

- A track record of project development and operational delivery:
  - Successful Kwale project development execution and operationalisation
  - Rapid ramp up to design production output rates, and beyond for ilmenite and rutile
  - Tight control of costs
- A strong, settled Board and management team and demonstrated successful business model.
- The Kwale Project is generating solid cashflows with current revenue to cash operating cost ratio of 2.1:1 (6 months to December 2015), placing the operation in the first quartile of global producers.
- While currently challenging, the longer term mineral sand market fundamentals are intact.
- The company has a clear strategy and plan for shareholder value creation.
- Current commodity price environment, combined with corporate structure and debt financing arrangements, restrict parent company access to operational cashflow.
- To provide continuity and certainty of corporate funding and allow progression of the strategic plan on a timeline to capitalise on windows of opportunity, additional funding at the corporate level is required.
- A$10 million entitlement offer is considered the most appropriate solution and is expected to provide funding certainty for continuity of corporate services and progression of the strategic plan into 2017.
- The entitlement offer is underwritten to A$7 million and enjoys significant major shareholder support.

A corporate snapshot

- **100% of the Kwale Mineral Sands Mine in Kenya.**
- **Revenue to cash operating cost ratio of 2.1:1** (6 months to December 2015).
- **FY16 Production guidance:**[1]
  - Rutile – 80,000 to 84,000 tonnes
  - Ilmenite – 430,000 to 450,000 tonnes
  - Zircon – 27,000 to 30,000 tonnes
- **US$210 million in drawn debt facilities.**
  - US$25 million paid down since June 2015
- **US$26.7 million cash** (at 31 December 2015).
- **Strong, settled Board and Management team.**
- **Positioned to capitalise on growth opportunities.**

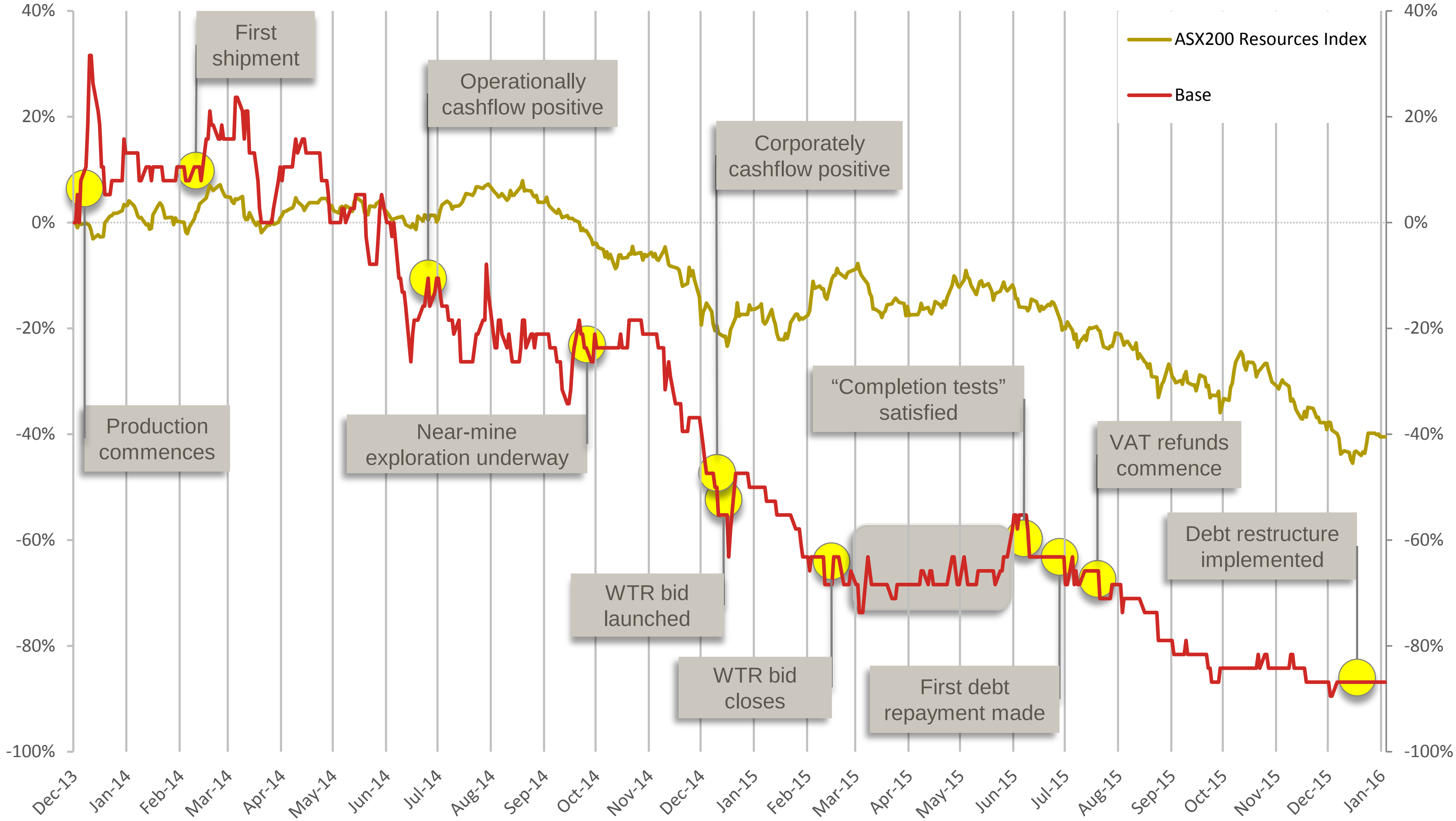
- Based in Perth, Australia.
- Market listings - ASX & AIM - code BSE.
- Tightly held with Top 10 holding ~85%.
- Limited liquidity at current prices. Product price recovery and strategic execution the key catalysts.
- A$46million market capitalisation @ $0.082/share.

Substantial Shareholders	Interest
Pacific Road Capital	20.3%
Taurus Funds Management	18.6%
Hunter Hall	15.0%
Sustainable Capital	13.9%
Aterra Investments	7.7%

Note: (1) Production targets are based on the following key assumptions for the remaining six months of FY2016: Mining of 4.5Mt at an average heavy mineral grade of 8.81%, all from Ore Reserves; mineral separation plant (**MSP**) feed rate at a minimum 84tph, consistent with the rate achieved this quarter; and MSP product recoveries of at least 103% for ilmenite and 98% for rutile, and ramping up to 78% for zircon.

A busy 24 months…

Characterised by strong operational achievement, a very challenging market and positioning for growth.



Kwale Mineral Sands Operation

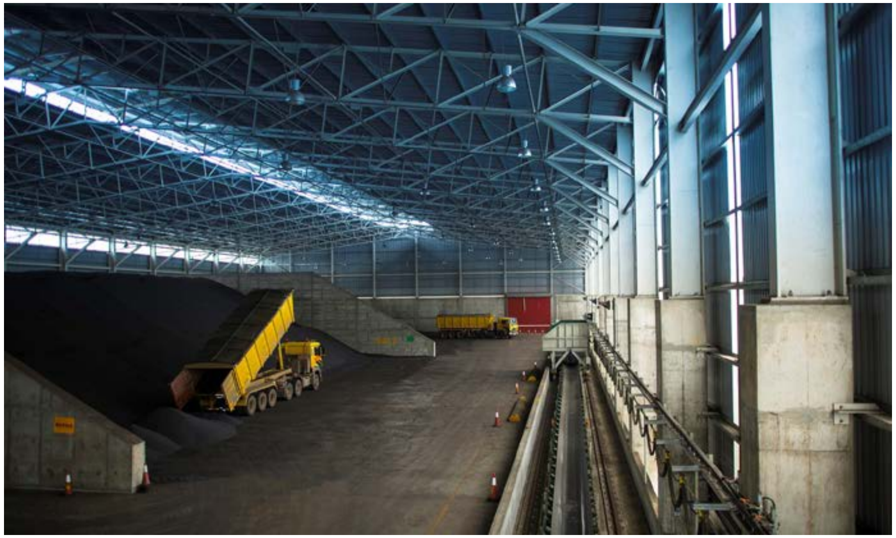
Kwale is large scale with a high value mineral assemblage and supported by well developed physical and social infrastructure.

Mining the Central Dune

Mukurumudzi Dam & Tailings Facility

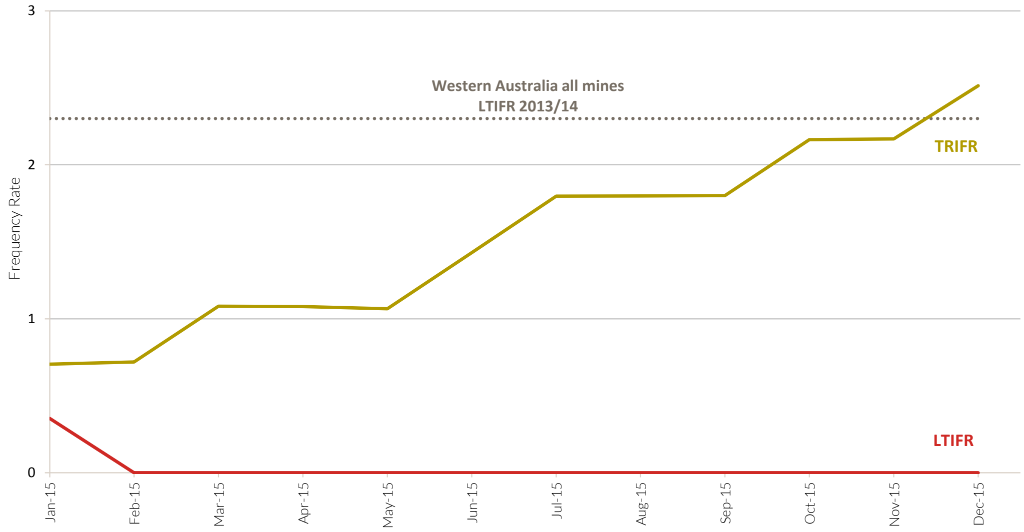
Processing facilities

Likoni marine terminal



Built, commissioned and operating safely

Establishing our required safety culture has been one of the key challenges. While our early success has been pleasing, the challenge continues and evolves as the workforce matures.



- 14.0 million man hours (mmh) worked.
- In construction:
  - 2 LTI's for entire project (6.5 mmh LTI free)
  - 2,400 people on site at peak with 1,000 people recruited from local community.
- In operations:
  - 1 LTI in February 2014 (5.4 mmh LTI free)
  - 26,000 hours of operational readiness training prior to start up.

A rapid and smooth ramp up

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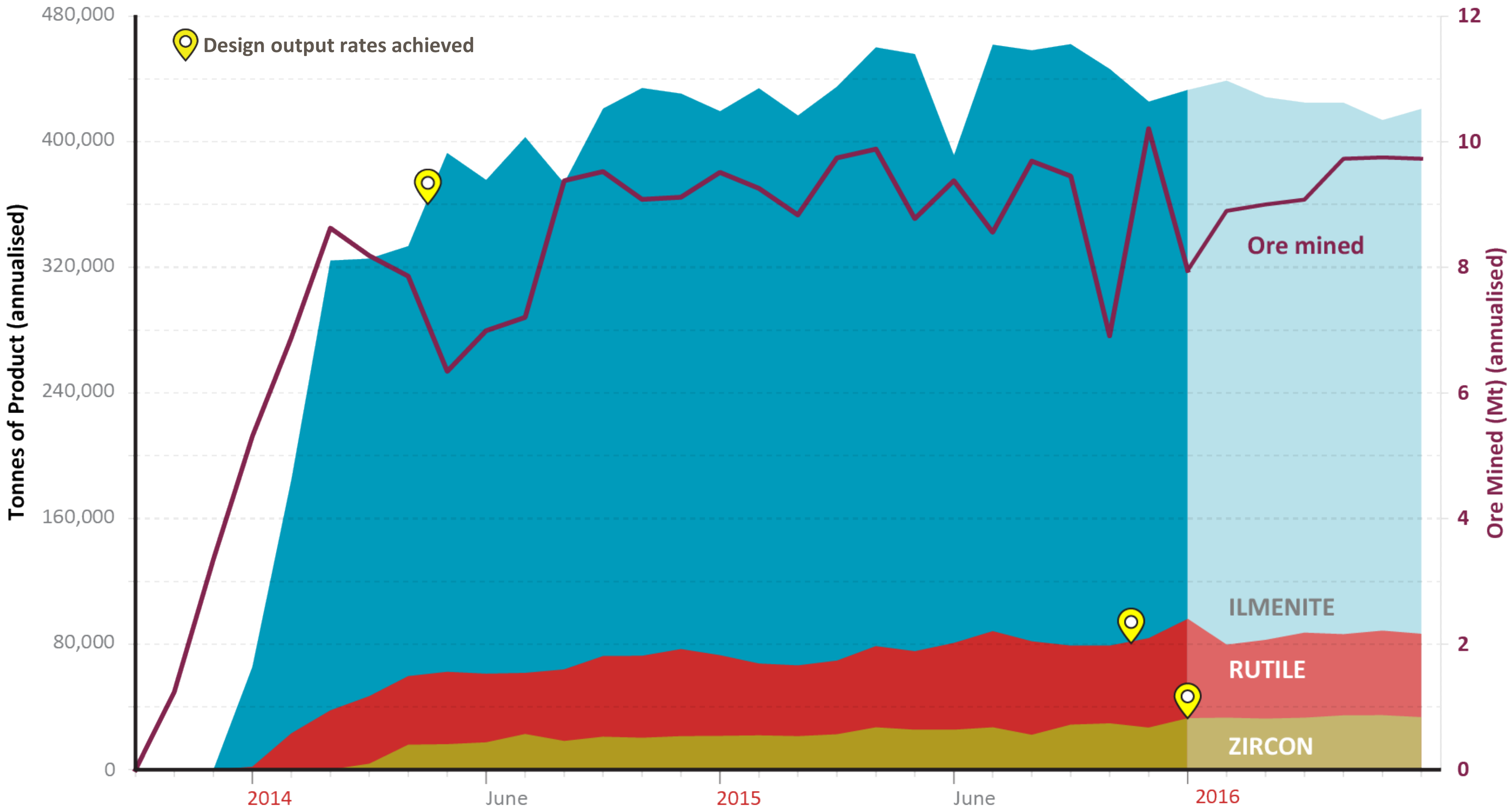
With all products now at or above design output rates, the focus is now on both short and longer term throughput maximisation to optimise the operation.

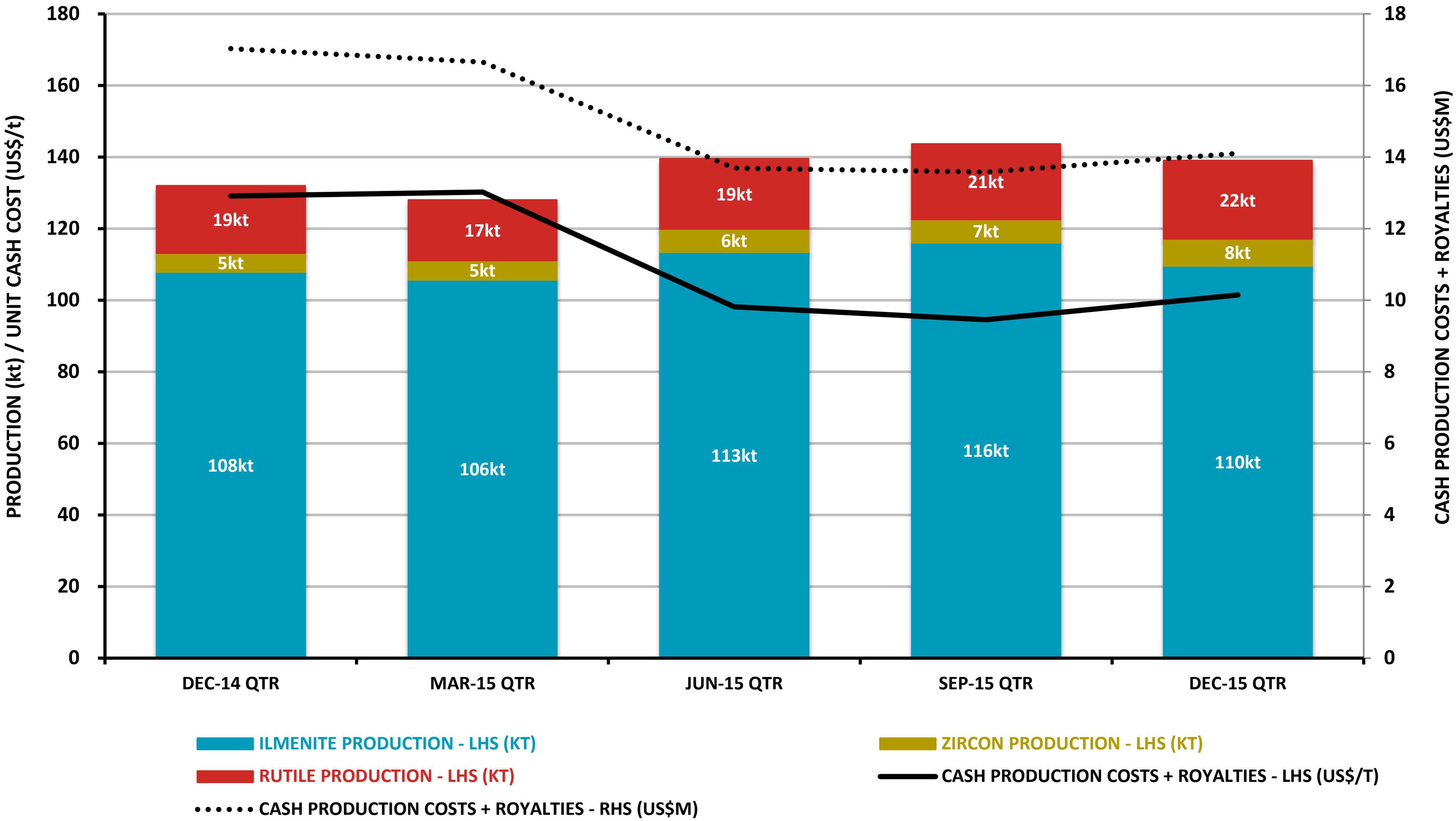


Note: See note (1) on slide 4 which sets out the key assumptions for achieving the production target for the remaining six months of FY2016.

Driving production and a sharp cost focus

BASE RESOURCES

A strong "cost and value" culture has been established and operational stability has allowed cost reduction initiatives to be implemented and benefits sustained.



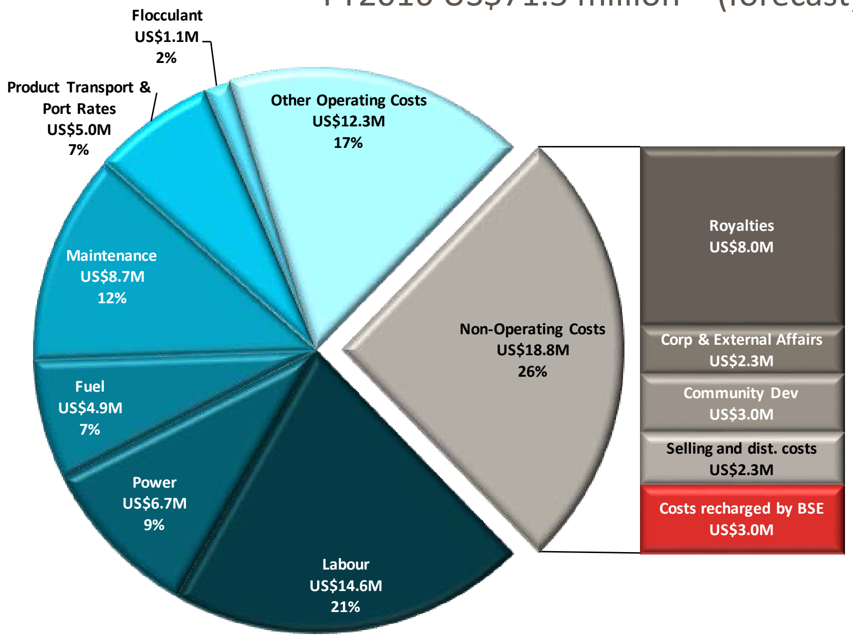
Production and cost outlook

A strong "cost and value" culture has been established and operational stability has allowed cost reduction initiatives to be implemented and benefits sustained.

- **Full year production guidance for FY 2016:[1]**
  - Rutile – 80,000 to 84,000 tonnes
  - Ilmenite – 430,000 to 450,000 tonnes
  - Zircon – 27,000 to 30,000 tonnes
- **December 2015 half-year averages:**
  - Revenue: US$207 per tonne
  - Operating costs (inc. royalties): US$98 per tonne
  - Operating margin: 52%

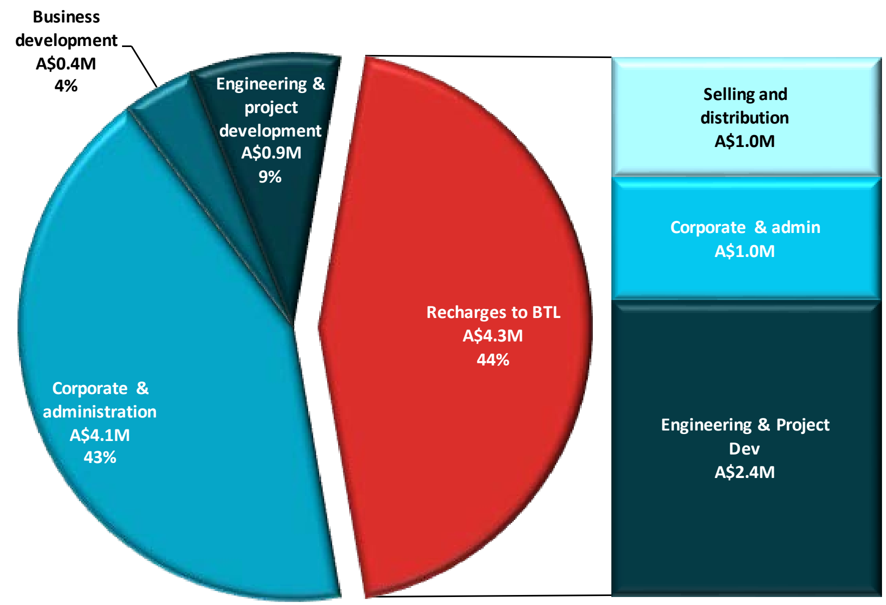
Base Titanium Cost Structure

FY2016 US$71.5 million[2] (forecast)



Base Resources Cost Structure

FY2016 A$5.4 million (forecast)



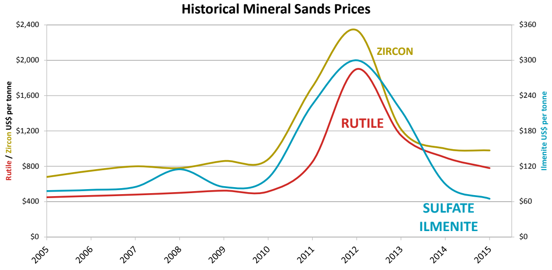
Note: **(1)** See note (1) on slide 4 which sets out the key assumptions for achieving the production target for the remaining six months of FY2016. **(2)**: Base is in ongoing discussions with the Government of Kenya with respect to the royalty rate payable in the context of resolution of a number of outstanding issues, including receipt of the US$17 million VAT refund. Royalty costs are presented in this slide on the basis of a 5% royalty payable to the Government of Kenya.

Positive longer term sector outlook

While a difficult market now, a needed supply response is emerging and the longer term demand fundamentals are intact. It’s time to develop options.

Immediate dynamics are challenging...

- Significant new supply entered the market over last 2 years, including Base.
- Very **steep decline in prices**.
- Significant proportion of TiO2 feedstock **sector is loss making** – Base estimates in excess of 50% for traditional supply to the Chinese market at current prices.
- Feedstock **supply response is emerging** with recent closures in China and Russia.
- Evidence of major producers seeking to **manage supply to demand** with Rio Tinto reducing output at Richards Bay and Iluka suspending mining at Jacinth Ambrosia.



Longer term themes present opportunities...

- End use **applications are ubiquitous** in everyday life, with limited technological threats.
- **Demand historically tightly tied to global GDP**, with some macro trends that can be expected to positively impact this relationship:
  - Increased intensity of consumption with wealth
  - Urbanisation
  - Consumerism
  - New applications
- **Maturing orebody profile** globally – new investment will be required.
- Average new project VHM **grade and assemblage is in decline**.
- **Higher prices** will be required to support new supply.

Plan for value creation

BASE RESOURCES

Base is actively pursuing both medium and long term growth options to capitalise on our capabilities, market position and the mineral sands outlook to create shareholder value.

1. Enhance the value of the Kwale operations

- "Kwale Phase 2" Project
  - Focused on delivering an optimised combination of Central and South dune mining sequence and method and increased mineral processing throughput.
  - Core objectives: Accelerated throughput and production, maximised ore volumes and significant cost efficiency through shorter mine life.
  - Currently progressing through pre-feasibility study phase with encouraging indications.
  - Targeting full implementation in early 2018.
- Near-mine exploration for extended operational life
  - Regional airborne geophysics program completed in 2015.
  - Areas of interest identified.
  - Exploration license applications to expand Kwale project footprint lodged and progressing.

2. Secure the "right" mineral sands development asset

- Screening process for global undeveloped mineral sands projects was completed over 2015.
  - Database system and project ranking methodology developed.
  - Critical success factors and economic triggers for new project development established.
- Projects of interest identified and transaction relative value envelopes modelled.
- Progression planned in 2016.

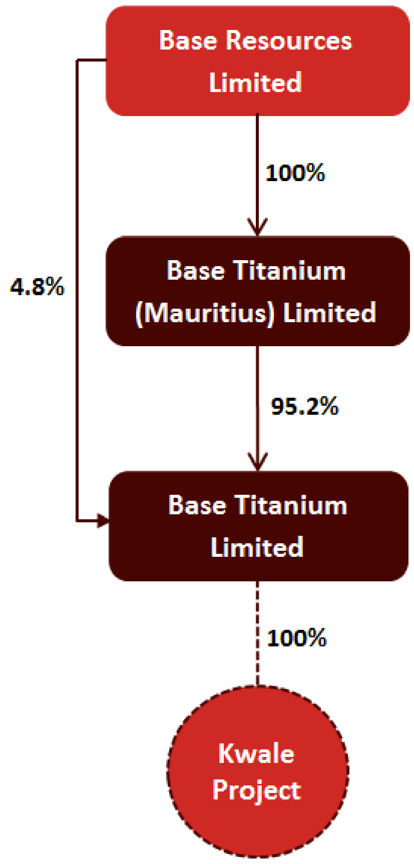
3. Consider value creating consolidation opportunities in the sector

- A cost curve under pressure from prevailing product prices inevitably creates opportunities.

A need for additional corporate funding

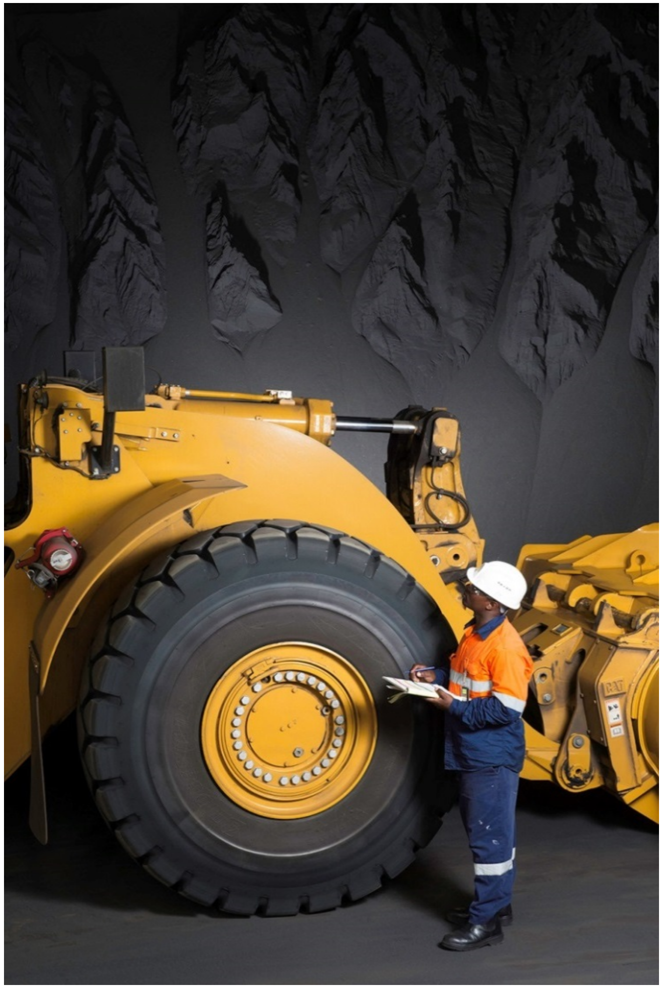
To provide continuity and certainty of funding and allow progression of the strategic plan on a timeline to capitalise on window of opportunity, additional funding at the corporate level is required.

- The corporate structure
  - Base Resources Limited (**BSE**) is the listed parent entity.
  - Base Titanium Limited (**BTL**) is a 100% owned subsidiary of BSE, incorporated in Kenya.
  - BTL is the operating company and borrower under the Kwale project finance facility.
  - Corporate services and strategic plan implementation is provided by and funded from BSE. BSE is the borrower under the US$20 million Taurus facility.
- BSE access to any surplus funds from BTL is currently limited by the terms of the debt facilities in place:
  - The recent debt reschedule (Dec 2015) has established a repayment profile more appropriate to current market conditions.
  - Notwithstanding, there is limited surplus cash available in BTL after debt service obligations, with a requirement to leave a minimum US$10 million cash balance.
  - BSE can only withdraw from BTL 50% of any surplus cash, with the balance going to mandatory early repayment of the project finance facility. Of the cash withdrawn to BSE, 50% goes to mandatory early repayment of the Taurus facility.
  - The terms of the project finance facility also limit BSE's ability to charge BTL for corporate services (refer to slide 14).
- Cash balances at 31 January 2016:
  - BTL US$8.4 million unrestricted, US$17.7 million in a debt service reserve account.
  - BSE A$3.9 million.



Proposed entitlement offer

An A$10 million entitlement offer is considered the most appropriate solution and is expected to provide funding certainty for continuity of corporate services and progression of the strategic plan into 2017.



- Independent of any distributions of surplus cash from BTL, and addressing the repayment of the Taurus facility separately (refer below), the proposed raising will provide sufficient funding for corporate services until at least mid-2017. This includes evaluation and study activities associated with strategic plan execution.
- Any implementation of strategic initiatives considered sufficiently attractive for shareholders could be expected to require a further share issue at some point in the future.
- Currently, the US$ 20 million Taurus facility is due for repayment by 31 December 2016. A number, and possible combination, of options for meeting this obligation are possible and will be progressed over the course of 2016, including:
  - Permitted distributions of operational cashflow from BTL.
  - Refinancing with Taurus.
  - Replacement with a longer dated facility with another lender.
  - A further equity raising, if the preferred options prove unviable or insufficient.
- The entitlement offer is substantially sub-underwritten by Pacific Road Capital and with binding commitments in place from other major shareholders, the entitlement offer enjoys strong support.(1)

Note: (1) See slides 19 and 20 for further details in relation to the underwriting arrangements.

Entitlement offer structure

Proposed raising of up to A$10 million at 6 cents per share by way of a partially underwritten 1 for 3.35 renounceable entitlement offer.

Entitlement Offer size	1 for 3.35 accelerated pro rata renounceable entitlement offer to raise gross proceeds of up to A$10 million.
Entitlement Offer price	6 cents per new share, being a discount of: • 6.2% to the 10 day VWAP(1) of Base's shares traded on ASX; • 24.6% to the 5 day VWAP of Base's shares traded on ASX; and • 26.8% to the last closing share price on Friday, 26 February 2016.
Institutional Entitlement Offer	A$8.3 million Entitlement Offer to existing eligible institutional shareholders.
Retail Entitlement Offer	• A$1.7 million Entitlement Offer to existing eligible retail shareholders. • Retail entitlements trade on ASX market from Thursday, 3 March 2016.
Bookbuild	• Institutional entitlements not taken up placed into an institutional shortfall bookbuild(2) • Retail entitlements not taken up, and entitlements of ineligible shareholders, that are not otherwise sold on the ASX market will be placed into the retail shortfall bookbuild(2) • If the amount per new share realised in the bookbuilds exceeds the offer price of 6 cents per new share, the excess (less any applicable withholdings) will be paid to shareholders who did not accept their entitlement in full (with respect to that part of the entitlement they did not accept only) and to ineligible shareholders
Underwriting	Entitlement Offer underwritten for up to A$7 million by RFC Ambrian. Pacific Road has committed to take up its full entitlement (A$2 million) and sub-underwrite the remaining A$5 million of RFC Ambrian's commitment.
New shares	New shares issued under the Entitlement Offer will rank equally in all respects with existing shares from the date of allotment.
Record Date	7.00pm (Sydney time) on Thursday, 3 March 2016.

Note: **(1)** Volume weighted average price to 26 February 2016; **(2)** Placement of the shortfall pursuant to the shortfall bookbuild is subject to Board discretion.

Entitlement offer structure (cont)

Proposed raising of up to A$10 million at 6 cents per share by way of a partially underwritten 1 for 3.35 renounceable entitlement offer.

Existing shares on issue	~563.9 million
New shares to be issued under the Entitlement Offer(1)	~ 168.3 million, representing approximately 30% of existing undiluted share capital.
Total shares on issue following the Entitlement Offer(1)	~732.2 million
Key terms of underwriting and sub-underwrite	• Maximum underwritten amount by RFC Ambrian of A$7 million. Pacific Road has committed to take up its full entitlement (A$2 million) and sub-underwrite the remaining A$5 million of RFC Ambrian's commitment. • Offer management and underwriting fees of A$0.5 million. • Subject to typical termination events.
Pacific Road's existing holding	20.34%, prior to the Entitlement Offer
Pacific Road's maximum potential holding	~32%, assuming Pacific Road takes up its full entitlements and is required to sub-underwrite the Entitlement Offer to the maximum of A$5 million.
Potential control effect of entitlement offer and sub-underwriting	• Base does not consider Pacific Road will control the company, even if it were to reach its maximum potential holding of 32% • Base has a number of unrelated shareholders with significant holdings, including Taurus (18.6%), Hunter Hall (15%) and Sustainable Capital (13.9%), which would act to limit the level of influence of Pacific Road.

Note: (1) Assuming all entitlements are subscribed for under the entitlement offer or pursuant to the shortfall facility or pursuant to the underwriting arrangements.

Pro-forma Balance Sheet

	31 December 2015[1] $000s	Entitlement Offer[2]	Pro forma Balance Sheet
Current assets			
Cash and cash equivalents	12,446	9,450	21,896
Restricted cash	24,239		24,239
Trade and other receivables	54,960		54,960
Inventories	33,720		33,720
Other current assets	5,917		5,917
Total current assets	**131,282**	**9,450**	**140,732**
Non-current assets			
Capitalised exploration and evaluation	1,510		1,510
Property, plant and equipment	418,556		418,556
Total non-current assets	**420,066**	**-**	**420,066**
Total assets	**551,348**	**9,450**	**560,798**
Current liabilities			
Trade and other payables	21,404		21,404
Borrowings	58,880		58,880
Provisions	1,210		1,210
Deferred revenue	1,270		1,270
Other liability	221		221
Total current liabilities	**82,985**	**-**	**82,985**
Non-current liabilities			
Borrowings	214,671		214,671
Provisions	29,026		29,026
Deferred revenue	4,860		4,860
Total non-current liabilities	**248,557**	**-**	**248,557**
Total liabilities	**331,542**	**-**	**331,542**
Net assets	**219,806**	**9,450**	**229,256**
Equity			
Issued capital	214,131	9,450	223,581
Reserves	58,532		58,532
Accumulated losses	(52,857)		(52,857)
Total equity	**219,806**	**9,450**	**229,256**

Key assumptions on which the pro-forma balance sheet is based and material accounting transactions reflected in the pro-forma balance sheet are as follows:

1. **31 December 2015 balance sheet**
Base's most recent publicly reported financial statements from 31 December 2015, which have been reviewed by the Company's auditor, are the basis for the pro-forma balance sheet.

2. **Proceeds of capital raising**
Cash proceeds, less estimated costs of $0.65m, from the proposed equity issue.

Timetable

Timetable for the accelerated renounceable entitlement offer.

Event	Date[1]
Trading halt and announcement of Entitlement Offer	Monday, 29 February 2016
Institutional Entitlement Offer opens	Monday, 29 February 2016
Institutional Entitlement Offer closes	Tuesday, 1 March 2016
Institutional shortfall bookbuild	Wednesday, 2 March 2016
Retail entitlements commence trading on deferred settlement basis	Thursday, 3 March 2016
Record date	7.00pm (Sydney) on Thursday, 3 March 2016
Despatch of retail offer booklet and entitlement and acceptance form	Wednesday, 9 March 2016
Retail Entitlement Offer opens	Thursday, 10 March 2016
Settlement of the institutional Entitlement Offer and institutional shortfall bookbuild	Thursday, 10 March 2016
Allotment of new shares issued under the institutional Entitlement Offer and institutional shortfall bookbuild, and commencement of trading on ASX	Friday, 11 March 2016
Retail entitlement trading ends	Thursday, 17 March 2016
Retail Entitlement Offer closes	Thursday, 24 March 2016
Retail shortfall bookbuild	Wednesday, 30 March 2016
Settlement of the retail Entitlement Offer and retail shortfall bookbuild	Wednesday, 6 April 2016
Allotment of new shares issued under the retail Entitlement Offer & retail shortfall bookbuild	Thursday, 7 April 2016
New Shares issued under the retail Entitlement Offer and retail shortfall bookbuild commence of trading on the ASX	Friday, 8 April 2016
Despatch of holding statements	Monday, 11 April 2016

Note: (1) Dates and times are indicative only and subject to change

Key Risks

Notice: There are a number of risks, both specific to Base and of a general nature, which may, either individually or in combination, affect the future operational and financial performance of Base, and the industries in which Base operates. The following list of risk factors should not to be taken as an exhaustive list of the risks faced by Base or by investors in Base. The factors set out below, and others not specifically set out below, may in the future materially affect the financial performance of Base and the value of its shares. Base's shares carry no guarantee with respect to the payment of dividends, returns of capital or future market value.

A: Specific Risks

Legislative changes, government policy and approvals
Changes in government regulations and policies in Australia and in Kenya may adversely affect the financial performance of Base.

Foreign exchange risk
Base's revenues, majority of costs (both capital and operating) and debt funding are all denominated in US dollars. Because the majority of costs and revenues are both denominated in the same currency, a natural hedge will exist in terms of operating foreign exchange risk. Investments in Base's shares are made in Australian dollars, however, and therefore shareholder returns will, in Australian currency terms, be subject to risks associated with the exchange rate of US dollars to Australian dollars.

Price risk
Base's revenues and cash flows are derived from the sale of ilmenite, rutile and zircon. Its financial performance is therefore exposed to fluctuations in the prices for those minerals, which have been particularly volatile in recent times. Mineral sands prices are influenced by numerous factors and events that are beyond the control of Base, including increased global supply, decreased demand, currency exchange rates, general economic conditions, regulatory changes and other factors. Base cannot provide any assurance as to the prices it will achieve for ilmenite, rutile or zircon. Changes in commodity prices may have a positive or negative effect on Base's Kwale Project and other activities.

Operating risks
The current and future operations of Base may be affected by a range of factors including: adverse geological conditions; limitations on activities due to seasonal weather patterns and cyclone activity; unanticipated operational and technical difficulties encountered in geophysical surveys, drilling and production activities; unanticipated metallurgical problems that may affect production volumes or extraction costs; mechanical failure of operating plant and equipment; industrial and environmental accidents, industrial disputes and other force majeure events; unexpected shortages or increases in the costs of labour, consumables, spare parts, plant and equipment; inability to obtain necessary consents or approvals; and health and safety risks.

Project finance facility, US$ 20 million Taurus facility, capital needs and potential additional funding requirements
In the ordinary course of operations, Base is required to issue financial assurances, particularly with regard to its project finance facilities, insurances and bond guarantee instruments, to secure statutory and environmental performance undertakings and commercial arrangements. Base's ability to provide such assurances is subject to external financial and credit market assessments, and its own financial position. While Base anticipates it will be able to meet its debt repayments when they fall due and stay within applicable financial covenants, deteriorating economic or project specific events, or significant delays in receipt of Base's US$17 million VAT refund from the Government of Kenya, may cause this to change, leading to adverse consequences. The US$ 20 million Taurus facility is due for repayment by 31 December 2016. While a number, and potential combination, of options for meeting this obligation are possible and will be progressed by Base over the course of 2016 (refer slide 18), if Base is unable to secure alternate financing at all or on reasonable terms prior to the date for repayment of the Taurus facility this may lead to adverse consequences. In addition, Base may require additional financing for its mineral sands business interests and there can be no guarantee that such funding will be obtained at all or on acceptable terms. If Base seeks to obtain any additional funding by way of an equity raising, this is likely to be dilutive to existing Base shareholders.

Key risks (continued)

Kenya

Base's Kwale Project is located in Kenya, Africa. Whilst Kenya is, at present, a stable democracy, in recent history it has experienced greater economic, social and political volatility than developed Western countries and there is therefore a higher degree of geo-political risk associated with doing business there. As a result, Base's operations in Kenya may be impacted by: potential difficulties in enforcing agreements and collecting receivables through the local legal and regulatory systems; potential difficulties in protecting/enforcing rights and interest in assets, including changes in laws relating to foreign ownership and government or local partner participation rules; changes in government policies and procedures, including restrictive governmental actions, such as imposition of trade quotas, tariffs and other taxes; changes in applicable royalty rates; restrictions on the transfer / repatriation of funds and monetary policies; risk of expropriation or nationalisation with inadequate compensation; currency fluctuations, high inflation and deteriorating economic conditions; and civil unrest and industrial action, personal security issues, disease outbreaks, social and religious conflict and acts of terrorism.

Australia

Legal, tax and regulatory changes in Australia, where Base is incorporated, may also impose additional financial obligations on the company or otherwise adversely affect the value of Base's assets and the financial position and performance of Base.

Title risk

Minerals licences are granted subject to various conditions. Failure to comply with conditions may lead to forfeiture. All of the mineral properties in which Base has or may have an interest will be subject to renewal. If any of the mineral properties are not renewed for any reason, Base may suffer damage through loss of opportunity to develop.

Environmental risks and regulation

There is always a risk of environmental damage arising from Base's operations, including through accident, which may give rise to liabilities and costs for Base, including through the imposition of fines and the potential for operations to be delayed, suspended or shut down.

Product sales agreements

Base has contracts with various counterparties with respect to the sale of product from the Kwale Project. These contracts do not cover all product expected to be produced from the Kwale Project and there is no guarantee that Base will be able to reach agreement on terms satisfactory to it for the sale of product not presently contracted. If it cannot reach agreement on satisfactory terms, this may have an adverse effect on Base's future revenues. The financial performance of Base is also potentially exposed to failure by counterparties to its product sales agreements and there can be no guarantee that Base would be able to recover the full amount of any loss through legal action.

Mineral Resource and Ore Reserve estimates

Mineral Resource and Ore Reserve estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource and reserve estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect Base's operations.

Mining and production

There can be no guarantee, and Base shareholders should not assume, that: anticipated tonnages and grades of ore will always be achieved during mining and production or, even if they are, that they will be sufficient to sustain a profitable mining operation; or there will not be significant increases in costs in contractors, labour, plant, materials or utility charges (or the availability of any of these) in a manner that will adversely impact on anticipated capital, development or operating costs.

Key risks (continued)

Mineral sands exploration interests

Exploration activities are speculative by nature and therefore are often unsuccessful. Such activities also require substantial expenditure and can take several years before it is known whether they will result in additional mines being developed. Accordingly, if exploration activities undertaken by Base do not result in additional reserves, there may be an adverse effect on Base's financial performance. In addition, the exploitation of successful discoveries involves obtaining the necessary licences or clearances from relevant authorities that may require conditions to be satisfied and the exercise of discretions by such authorities. The success of Base in progressing projects not already in production will also depend upon Base having access to sufficient development capital, being able to maintain title to its mineral properties and obtaining all required approvals for its activities. In the event that exploration programs prove to be unsuccessful this could lead to a diminution in the value of the mineral properties, a reduction in the cash reserves of the Base group and possible relinquishment of the mineral properties.

Insurance

Insurance against all risks associated with mining operations are not always available or affordable. Base intends to maintain insurance where it is considered appropriate for Base's needs. However, Base is not insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive in the circumstances.

Dilution

Given the size of the Entitlement Offer, Eligible Shareholders who do not take up their entitlements and ineligible shareholders will be diluted by the offer.

B: General risks

General

The value of Base shares and prices at which they trade in the market are affected by a number of general factors which are beyond the control of Base and its directors. Factors such as inflation, currency fluctuation, interest rates, supply and demand and industrial disruption have an impact on operating costs, commodity prices, local and international economic conditions and general investor sentiment. The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities and in particular, resources stocks. Neither Base nor its directors warrant the future performance of Base or any return on an investment in Base. Furthermore, access to additional equity sources in the future may be impacted by adverse market conditions.

Economic

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on Base's exploration and future production activities, as well as on its ability to fund those activities.

Securities investments

Investors and potential investors should be aware that there are risks associated with any securities investment. Securities listed on a stock market, and in particular securities of mining and exploration companies, have experienced extreme price and volume fluctuations that have often been unrelated to the operating performances of such companies. These factors may materially affect the market price of the securities regardless of Base's performance. Mining operations, as well as Base's customers, can be hampered by force majeure circumstances and cost overruns for unforeseen events which may have a negative impact on Base.

Key executives and personnel

Base's prospects depend in part on its ability to attract and retain its executive officers, senior management and key consultants and for these personnel to operate effectively.

Key risks (continued)

Share price volatility and share market risks
The share prices of quoted companies, in particular mining and exploration companies, can be highly volatile and shareholdings may be illiquid. The price at which the shares are quoted and the price which investors may realise for their shares may be influenced by a large number of factors, some of which are specific to Base and its operations and some of which may affect quoted companies generally. These factors include, without limitation: the operating performance of Base and market expectations of future performance; changes in general economic conditions and outlook, including interest rates, inflation rates, exchange rates, commodity prices and the demand for, and supply of, capital; natural disasters, terrorism events and other hostilities and conflicts; changes in government policies, taxation and other laws; large purchases or sales of shares by other investors; changes in investor sentiment towards particular market sectors and the equity markets in general; and other factors which are outside of the control of Base.

Liquidity risk
There can be no guarantee that there will always be an active market for Base's shares or that the price of Base shares will increase. There may be relatively few buyers or sellers of shares on the ASX and/or AIM at any given time. This may affect the volatility of the market price of shares. It may also affect the prevailing market price at which Base shareholders are able to sell their Base shares. This may result in Base shareholders receiving a market price for their Base shares that is less or more than the price paid pursuant to the Entitlements Offer.

Environmental risk
The operations and activities of Base are subject to the environmental laws and regulations of Kenya. As with all mining operations and exploration projects, Base's operations and activities are expected to have an impact on the environment. Base is unable to predict the effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would materially increase Base's cost of doing business or affect its operations in any area. Further, there can be no assurances that new environmental laws, regulations or stricter enforcement policies, once implemented, will not oblige Base to incur significant expenses and undertake significant investments which could have material adverse effect on Base's business, financial condition and performance.

Counterparty risk
The financial performance of Base is potentially exposed to failure by counterparties to agreements, including product sales agreements. This may also lead to adverse financial consequences for Base and there can be no guarantee that Base would be able to recover the full amount of any loss through legal action.

Competition
Base competes with other mineral sands production companies internationally. Some of these companies have greater financial and other resources than Base and, as a result, may be in a better position to compete for future business opportunities. There can be no assurance that Base will be able to compete effectively with these companies.

Discretion in use of capital
The Base Board and management have discretion concerning the use of Base's capital resources as well as the timing of expenditures. Capital resources may be used in ways not previously anticipated or disclosed. The results and the effectiveness of the application of capital resources are uncertain. If they are not applied effectively, Base's financial and/or operational performance may suffer.

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- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

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International offer restrictions (cont.)

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