

This document is important and should be read in its entirety. If you are in any doubt about the contents of this document, you should consult an independent financial adviser authorised for the purposes of the Financial Services and Markets Act 2000 (as amended) who specialises in advising on the acquisition of shares and other securities.



(Incorporated in Australia with Australian Business Number 88 125 546 910)

## APPENDIX TO PRE ADMISSION ANNOUNCEMENT FURTHER INFORMATION ON BASE RESOURCES LIMITED IN CONNECTION WITH ITS PROPOSED ADMISSION TO TRADING ON AIM

Nominated Adviser & Broker



Application will be made for the entire issued ordinary share capital of Base Resources Limited ("Base" or the "Company") to be admitted to trading ("Admission") on the AIM market operated by the London Stock Exchange plc ("London Stock Exchange"). It is expected that Admission will become effective and dealings in the ordinary shares of the Company will commence on AIM on 8 January 2013.

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority.**

**A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.**

**Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.**

### ***Directors Declaration***

**The Directors of the Company, whose names appear on page 4 of this document, and the Company, accept responsibility both individually and collectively for the information contained in this document. Having taken all reasonable care to ensure that such is the case, to the best of the knowledge of the Directors and the Company, the information contained in this document is in accordance with the facts and when read in accordance with the Public Record (as defined below) makes no omission likely to affect the import of such information.**

### ***Information in Appendix and Public Record***

This Appendix has been prepared in accordance with Schedule One (and its supplement for quoted applicants) of the AIM Rules for a quoted applicant. It includes, inter alia, all information that is equivalent to that required for an admission document and which is not currently in the Public Record. Information which is in the Public Record includes, without limitation, all information filed with the Australian Securities Exchange (available at [www.asx.com.au](http://www.asx.com.au)) and all information available on the Company's website at [www.baseresources.com.au](http://www.baseresources.com.au). This document, which is dated 29 November 2012, will be available on the Company's website from that date. This Appendix should be read in conjunction with the 20 Day Announcement Form made by the Company and the Public Record. This Appendix and the 20 Day Announcement Form together constitute "the Announcement".

### ***Notice from Nominated Adviser and Broker***

**RFC Ambrian Limited, a company incorporated in Australia ("RFC Ambrian Australia"), is the Company's nominated adviser.** RFC Ambrian Australia's responsibilities as the Company's nominated adviser, including a responsibility to advise and guide the Company on its responsibilities under the AIM Rules, are owed to the London Stock Exchange. RFC Ambrian Australia is not acting for, and will not be responsible to, any other persons for providing protections afforded to customers of RFC Ambrian Australia nor for advising them in relation to the proposed arrangements described in the Announcement.

**RFC Ambrian Limited, a company incorporated in the UK ("RFC Ambrian UK") is the Company's broker and is regulated by the Financial Services Authority.** RFC Ambrian UK is acting for the Company and no one else in connection with the proposed arrangements described in the Announcement. RFC Ambrian UK will not regard any other person as their customer nor be responsible to any other person for providing protections afforded to the clients of RFC Ambrian UK nor for providing advice to any other person in connection with the arrangements described in the Announcement.

RFC Ambrian Australia and RFC Ambrian UK are both wholly owned subsidiaries of RFC Ambrian Group Limited, a company incorporated in Australia. Throughout this document RFC Ambrian Australia and RFC Ambrian UK are collectively referred to as RFC Ambrian. Where the reference is to RFC Ambrian as nominated adviser it refers to RFC Ambrian Australia and where the reference is to RFC Ambrian as broker, it refers to RFC Ambrian UK.

No representation or warranty, express or implied, is made by RFC Ambrian, as broker or nominated adviser to Base, as to the contents of this Announcement and no liability is accepted by RFC Ambrian for the accuracy or opinions contained in, or for the omission of any material information from the Announcement, for which the Company and the Directors are solely responsible.

## DEFINITIONS

"A\$"	Australian Dollars
"Admission"	Admission of the Shares to trading on AIM in accordance with the AIM Rules
"AIM"	The AIM market operated by the London Stock Exchange
"AIM Rules"	The AIM Rules for Companies as published by the London Stock Exchange from time to time
"ASIC"	Australian Securities and Investments Commission
"Associates"	Persons and entities associated with an entity, as defined in sections 10 to 17 of the Australian Corporations Act (in the context of provisions under the Australian Corporations Act), section 6 of the FATA (in the context of provisions under the FATA) and as defined in paragraph (c) of the definition of "related party" in the AIM Rules (in the context of the UK)
"ASX"	The Australian Securities Exchange operated by ASX Limited
"ASX Listing Rules"	The Listing Rules of the ASX and any other rules of ASX which are applicable while the Company is admitted to the official list of the ASX
"Australian Corporations Act"	The Corporations Act 2001 of the Commonwealth of Australia (as amended)
"Australian Registrar"	Computershare Investor Services Pty Ltd, a company incorporated in Australia
"Board" or "Directors"	The directors of the Company whose names are set out on page 4 of this document
"Broker"	RFC Ambrian UK
"CHESS"	The Clearing House Electronic Sub register System, the system used to settle securities traded on the ASX
"City Code"	The UK City Code on Takeovers and Mergers published by the Panel on Takeovers and Mergers
"Company" or "Base"	Base Resources Limited, a company incorporated in Australia with Australian Business Number 88 125 546 910, and where the context allows, including the subsidiaries of the Company
"Constitution"	The constitution of the Company at the date of this document
"CREST"	The system for paperless settlement of trades and holdings of uncertificated securities administered by Euroclear UK & Ireland Limited in the UK
"Depositary"	The UK Registrar, or its nominee
"Depositary Interests"	The depositary interests representing Shares which may be traded through CREST in uncertificated form, details of which are set out in Section 5 of this Appendix
"FATA"	The Foreign Acquisitions and Takeovers Act 1975 of the Commonwealth of Australia (as amended)
"Group"	Includes Base and its subsidiary companies
"Kwale Project"	The Kwale Mineral Sands Project in Kenya, East Africa being developed by the Company
"Kwale Project Debt Facilities"	The debt facilities to be provided to the Company for the development of the Kwale Project, on the key terms and by the banking syndicate as announced on the ASX on 27 July 2011 and 23 November 2011
"London Stock Exchange"	London Stock Exchange plc
"Nomad"	Nominated Adviser as defined in the AIM Rules (being RFC Ambrian Australia)
"Options"	Options to subscribe for Shares
"Pacific Road Resources Fund II"	Pacific Road Resources Fund II is comprised of Pacific Road Capital Management GP II Limited (a Cayman Islands company) as general partner of Pacific Road Resources Fund II L.P. and Pacific Road Capital II Pty Limited (an Australian company) as trustee of Pacific Road Resources Fund II
"Public Record"	Without limitation, all disclosures made by the Company to the ASX (available at <a href="http://www.asx.com.au">www.asx.com.au</a> ) and all information available on the Company's website at <a href="http://www.baseresources.com.au">www.baseresources.com.au</a> as at the date of this document
"RFC Ambrian"	RFC Ambrian Limited, a company incorporated in the UK (RFC Ambrian UK) acting as Broker to the Company or, a company incorporated in Australia (RFC Ambrian Australia)

	acting as Nomad to the Company, or both as the context applies
“Shareholders”	Holders of Shares from time to time
“Shares”	Fully paid ordinary shares of no par value in the capital of the Company
“Significant Shareholder”	As defined in the AIM Rules, includes a person who holds any legal or beneficial interest directly or indirectly in 3% or more of the Shares
“Substantial Shareholder”	As defined in the AIM Rules, includes a person who holds any legal or beneficial interest directly or indirectly in 10% or more of the Shares
“TZMI”	TZ Minerals International Pty Ltd, who have prepared a competent person’s report on the Company’s material assets
“UK”	The United Kingdom of Great Britain and Northern Ireland
“UK Registrar”	Computershare Investor Services plc, a company incorporated in England and Wales
“£”	UK Pounds

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	Mr Andrew John King Mr Timothy James Carstens Mr Colin Neil Stewart Bwye Mr Samuel John Corbin Willis Mr Winton William Willesee Mr Trevor Stanley Schultz Mr Michael Richard Anderson Mr Michael Henry Stirzaker	<i>Non-Executive Chairman</i> <i>Managing Director</i> <i>Executive Director</i> <i>Non-Executive Director</i> <i>Non-Executive Director</i> <i>Non-Executive Director</i> <i>Non-Executive Director</i> <i>Alternate Non-Executive Director to Trevor Schultz</i>
<b>Company Secretary</b>	Mr Winton Willesee	
<b>Registered Office &amp; Principal Place of Business</b>	Level 1, 50 Kings Park Road West Perth WA 6005 Australia Ph: +61 (0) 8 9413 7400	
<b>Company Website</b>	<a href="http://www.baseresources.com.au">www.baseresources.com.au</a>	
<b>Ticker Codes</b>	BSE (AIM), BSE (ASX)	
<b>Nominated Adviser</b>	RFC Ambrian Limited Level 15, QV1 Building 250 St George's Terrace Perth WA 6000 Australia	<i>and</i> Level 14 19-31 Pitt Street Sydney NSW 2000 Australia
<b>Broker</b>	RFC Ambrian Limited Condor House 10 St Paul's Churchyard London EC4M 8AL United Kingdom	
<b>Solicitors to the Company</b>	<i>In Australia</i> Ashurst Level 32, Exchange Plaza 2 The Esplanade Perth WA 6000 Australia	<i>In the UK</i> Watson, Farley & Williams LLP 15 Appold Street London EC2A 2HB United Kingdom
<b>Kenyan Title Opinion Lawyers</b>	Coulson Harney Advocates Unit A, Nairobi Business Park Ngong Road Nairobi Kenya	
<b>Competent Person</b>	TZ Minerals International Pty Ltd Level 2, 75 Canning Hwy Victoria Park WA 6100 Australia	
<b>Auditors</b>	KPMG 235 St George's Terrace Perth WA 6000 Australia	
<b>Share Registry</b>	<i>In Australia</i> Computershare Investor Services Pty Ltd Level 2, 45 St Georges Terrace Perth WA 6000 Australia	<i>In the UK</i> Computershare Investor Services plc The Pavilions Bridgwater Road Bristol BS99 6ZZ United Kingdom

## 1. DESCRIPTION OF THE COMPANY'S BUSINESS

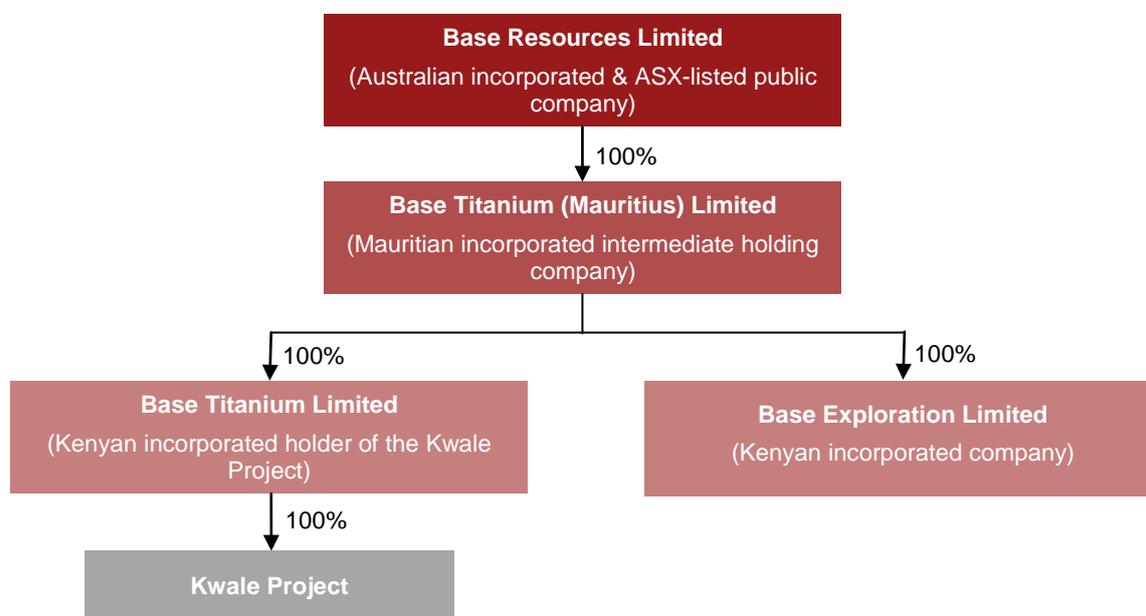
Base Resources Limited ("Base" or "the Company") is an ASX listed company developing the Kwale Minerals Sands Project ("Kwale Project") in Kenya, East Africa. The current expectation is that the Kwale Project will be in production in late 2013.

The Company's activities and assets are more fully described in announcements and documents available on the Company's website, on the ASX's website (available at [www.asx.com.au](http://www.asx.com.au)), and in a competent person's report prepared by TZMI on the Company's material assets, available on the Company's website.

## 2. INCORPORATION

The Company is domiciled in Australia and was incorporated and registered in Australia as an Australian public company limited by shares on 23 May 2007. The Company's Australian Business Number is 88 125 546 910. Base was formed and operates under the Australian Corporations Act and is headquartered in Perth, Western Australia.

The corporate structure of the Group is as follows:



Base has the following subsidiaries:

Subsidiary	Country of Registration	Base's Ownership and Voting Interest
Base Titanium (Mauritius) Limited	Mauritius	100%
Base Titanium Limited	Kenya	100%
Base Exploration Limited	Kenya	100%

## 3. AUSTRALIAN CORPORATIONS ACT

Below is a general description of the relevant corporate laws and policies in Australia. The law, policies and practice are subject to change from time to time and the description below should not be relied upon by Shareholders or any other person. It does not purport to be a comprehensive analysis of all the consequences resulting from holding, acquiring or disposing of Shares or interests in Shares. If you are in any doubt as to your own legal position, you should seek independent advice without delay.

The Company is obliged to comply with the Australian Corporations Act and also with specific obligations arising from other laws that relate to its activities.

The ASIC is responsible for administering and enforcing the Australian Corporations Act.

## **A. Takeovers**

The Company is incorporated in, is resident in and has its head office and central place of management in Australia. Accordingly, transactions in Shares will not be subject to the provisions of the City Code. There are, however, provisions under Australian law and regulations applicable to the Company, particularly Chapter 6 of the Australian Corporations Act, that are, in part, similar or analogous to certain provisions of the City Code.

As an Australian public listed company, a takeover of the Company is governed by the Australian Corporations Act. The Australian Corporations Act contains a general rule that a person must not acquire a 'relevant interest' in issued voting shares of such a company as a result of a transaction in relation to securities entered into by or on behalf of the person if, because of the transaction, a person's voting power in the company:

- increases from 20 per cent or below to more than 20 per cent; or
- increases from a starting point which is above 20 per cent but less than 90 per cent.

Under the Australian Corporations Act, a person's "voting power" is defined in broad terms and includes any relevant interest in shares held by a person and their Associates.

Certain acquisitions of relevant interests are exempt from the above rule including, among others, acquisitions under takeover bids, acquisitions approved by Shareholders, acquisitions that do not result in the person having voting power more than 3 per cent higher than that person had 6 months before the acquisition (so long as the person maintained voting power of at least 19 per cent during that 6 month period), and acquisitions that result from rights issues, dividend reinvestment schemes and underwritings.

If a person wishes to acquire more than 20 per cent of a company, or increase a holding which is already beyond 20 per cent (but less than 90 per cent), the person must do so under one of the exemptions (as noted above), which includes undertaking a takeover bid in accordance with the Australian Corporations Act.

A person who holds 90 per cent or more of the shares in a company may conduct a compulsory acquisition of all remaining shares under the Australian Corporations Act. This ability to compulsorily acquire all remaining shares can arise following a takeover bid (if at least 75 per cent of the shares the subject of that takeover bid were accepted into the bid) or from a general compulsory acquisition power under the Australian Corporations Act. Separate from the concept of conducting a compulsory acquisition, if a person reaches this 90 per cent (or more) shareholding as a result of a takeover bid, then that person must make an offer to all minority shareholders to acquire their shares (giving them the option to accept that offer). The Australian Corporations Act also provides for circumstances in which other securities of a company (eg convertible securities) may be compulsorily acquired.

While not specifically related to takeovers, the Australian Corporations Act also provides protection to minority shareholders where the conduct of the company's affairs or an act or omission (including a resolution of members or a class of members) by a company is contrary to the interests of the members as a whole, or oppressive to, unfairly prejudicial to, or unfairly discriminatory against a member or group of members.

No person has made a public takeover bid for the Company's issued share capital since the Company was admitted to the official list of the ASX.

## **B. Substantial Shareholdings**

Under the Australian Corporations Act, in relation to a company, a person has a "substantial holding" if that person and that person's Associates have a relevant interest in 5 per cent or more of voting shares in the company or where the person has made a takeover bid for voting shares in the company and the bid period has started but not yet ended.

A person who:

- begins to or ceases to have a substantial holding in a listed company; or
- has a substantial holding in a listed company and there is movement by at least 1 per cent in their holding,

must give notice to the company and to the ASX. The contents of the notice are prescribed in the Australian Corporations Act, sections 671B(3) and (4).

As the Company is not incorporated in the UK, it is not subject to part 5 of the Disclosure and Transparency Rules that apply to UK incorporated companies which require shareholders to make various notifications when they hold over 3 per cent of a company's issued shares. However, AIM companies not subject to the Disclosure and Transparency Rules are required to use all reasonable endeavours to comply with AIM Rule 17 which advises such companies to adhere to rules of disclosure similar to the Disclosure and Transparency Rules. In addition to the substantial shareholding notification requirements (as detailed above), the Australian Corporations Act also contains provisions giving companies the power to ask any registered holder(s), including nominee holders, to provide details of the identity of their underlying beneficial holders.

### **C. Foreign Investment**

In Australia, foreign investment in, and ownership of, companies and property is regulated by the *Foreign Acquisitions and Takeovers Act 1975* (Cth) ("FATA"), which is administered by The Treasury of the Australian federal government with assistance from the Foreign Investment Review Board ("FIRB"). FIRB's functions are advisory only, and responsibility for making decisions on proposals rests with the Treasurer of the Australian federal government ("Treasurer").

FATA provides for, among other things, a notification and approval process for proposed investments in Australia by "foreign persons" (individuals, corporations or trusts), which may result in foreign control or ownership of Australian businesses or companies. Generally, small proposals are exempt from notification (subject to some exceptions), and larger proposals which require notification are approved unless determined to be contrary to the Australian national interest. Under the FATA (and under the Australian government's broader foreign investment policy) the threshold requirements for notification vary according to the nature of the foreign investor (e.g. whether the foreign investor is privately or state owned), the nature and value of the business to be acquired and the aggregate Australian land holding of that business.

FATA generally provides that where:

- the Treasurer is satisfied a person proposes to acquire shares in a corporation which carries on an Australian business;
- the acquisition would result in the corporation being controlled by a foreign person; and
- the result would be contrary to the national interest,

the Treasurer may make an order prohibiting the acquisition. Existing Australian corporations or businesses that are valued at less than A\$244 million are not obliged to notify the Treasurer of a proposed acquisition.

A proposed acquisition of shares (unless an exempt dealing under FATA) will have the effect of a foreign person acquiring a controlling interest in an Australian corporation if one of the following applies:

- that person alone, or together with their Associates, directly or indirectly acquires 15 per cent or more of the shares or controls 15 per cent or more of the voting power (or potential voting power) in an Australian corporation; or
- that person, together with other foreign persons and each of their Associates, directly or indirectly acquires 40 per cent or more of the shares or controls 40 per cent or more of the voting power (or potential voting power) in an Australian corporation.

If a foreign person must give notice of a proposed acquisition to the Treasurer under FATA it must either await the decision of the Treasurer or allow for a prescribed period following notification to the Treasurer to lapse before entering into a binding agreement to acquire shares which will result in a foreign person acquiring a controlling interest in a corporation.

#### D. ASX Listing Rules

As a company admitted to the official list of the ASX, the Company is bound to comply with the ASX Listing Rules, as amended from time to time. The ASX Listing Rules address such matters as Admission to listing, quotation of securities, continuous disclosure, periodic disclosure, certain requirements for terms of securities, issues of new capital, transfers of securities, disclosure of corporate governance practices, mining and exploration reporting requirements, escrow (lock-in) arrangements, transactions with related/controlling parties, significant transactions, shareholder meetings, trading halts and suspensions and fees payable. The ASX also publishes guidance notes regarding the interpretation of parts of the ASX Listing Rules.

The ASX Listing Rules and guidance notes can be found at [www.asx.com.au](http://www.asx.com.au).

#### 4. SHARE CAPITAL

All Shares are currently admitted to quotation on the ASX and trade under the ASX ticker "BSE". The Shares have been traded on the ASX since 2 October 2008 and are uncertificated.

The International Securities Identification Number (ISIN) Code for the Shares is AU000000BSE5.

The Company, as at the date of this document, has in issue 560,440,029 Shares and a total of 18,000,000 Options. The Shares were issued in A\$, have no par value and are recorded in the accounts of the Company at their issue price less expenses associated with their issue. Shareholders have no further liability in respect of their Shares.

The Company intends to make an application for all of its Shares to be admitted to trading on AIM. The Shares and Options that the Company expects to have on issue as at Admission are set out in the table below.

Shares	Number
Listed ordinary fully paid Shares	560,440,029

Options	Number
Unlisted Options exercisable at A\$0.25 on or before 9 July 2015	8,500,000
Unlisted Options exercisable at A\$0.09 on or before 9 July 2015	8,500,000
Unlisted Options exercisable at A\$0.25 on or before 30 July 2015	1,000,000
<b>Total Number of Options</b>	<b>18,000,000</b>

No application is to be made for the unlisted Options to be listed on the ASX or any other market and no application is to be made for the unlisted Options to be admitted to trading on AIM. However, application will be made for any Share issued on exercise of any Option to be listed on the ASX and admitted to trading on AIM.

#### A. Potential and/or Contingent Share and Option Issues

In addition to the Shares and Options tabled above, the Company has introduced a Long Term Incentive Plan which enables the Company to offer performance rights to eligible executives. Details of these performance rights including their performance conditions are detailed in the Company's Annual Report for the year ended 30 June 2012. Apart from the above, the Company has not (i) entered into any other agreements under which it has agreed, or (ii) is not otherwise considering plans, to issue any further securities as at the date of this Admission Document.

#### B. Future Share Issue Restrictions

The Company does not have an authorised share capital. There is generally no limit in the Australian Corporations Act or the Constitution on the power of the Directors to issue shares. In particular, the general concept under English law that existing Shareholders have a statutory right (subject to certain exceptions) to be offered newly issued shares in a company for cash only before such shares can be offered to new investors does not apply to Australian companies unless it is specifically included in

their constitution, which is not the case in respect of the Company. However, subject to certain exceptions (including those in respect of pro rata issues and issues under employee schemes):

- (a) ASX Listing Rule 7.1 prohibits a company which is listed on the ASX from issuing or agreeing to issue securities (including shares or options) representing more than 15 per cent of its issued capital in any 12 month period without shareholder approval unless one of the exceptions set out in ASX Listing Rule 7.2 apply. Such shareholder approval requires an ordinary resolution passed by a simple majority;
- (b) As explained in Section 3 above, save in relation to certain exempt acquisitions, Chapter 6 of the Australian Corporations Act prohibits the acquisition of a "relevant interest" in voting shares in a company (whether by transfer or issue) if, as a result of the acquisition, the "voting power" of the acquirer (or any other person) would increase:
  - (i) from 20 per cent or below to more than 20 per cent; or
  - (ii) at all from a starting point which is above 20 per cent but less than 90 per cent; and
- (c) the Australian Corporations Act contains provisions governing the disclosure obligations of a company making an offer/issue of securities. The general rule is that an offer of securities must be accompanied by disclosure to potential investors in a prescribed document (either a prospectus, a short form prospectus, a profile statement or an offer information statement) unless the type of offer falls within an exemption. Types of offers which do not require disclosure include offers to sophisticated investors and professional investors, offers to people associated with the company, certain offers to existing holders of securities and issues for no consideration.

Unless otherwise disclosed in this document or in the Public Record:

- (a) no Share of the Company has been issued or is now proposed to be issued, fully or partly paid, either for cash or for a consideration other than cash;
- (b) no Share of the Company is under option or is agreed conditionally or unconditionally to be put under option;
- (c) no commission, discount, brokerage or other special term has been granted by the Company or is now proposed in connection with the issue or sale of any part of the share capital of the Company;
- (d) no founder, management or deferred shares have been issued by the Company; and
- (e) no amount or benefit has been paid or is to be paid or given to any promoter of the Company.

## **5. ADMISSION, SETTLEMENT (CREST) AND DEALINGS**

To be traded on AIM, securities must be capable of transfer and settlement through the CREST system, a UK computerised paperless share transfer and settlement system, which allows shares and other securities, including depositary interests, to be held and transferred in electronic form rather than in paper form. The Australian equivalent of this system is called CHESS. Shares of non-UK companies cannot be held and transferred directly into the CREST system. For such foreign securities, in this case the Shares, to be effectively transferred and settled through CREST they need to be in the form of depositary interests.

The Company, through its UK Registrar, is establishing a facility whereby (pursuant to a depositary deed poll executed by the UK Registrar) "Depositary Interests" will be issued by the UK Registrar (or its nominee), acting as "Depositary", to persons who wish to hold the Shares in electronic form within the CREST system. It is intended that the Company will apply for the Depositary Interests, to be settled in CREST with effect from Admission. Accordingly, settlement of transactions in Depositary Interests following Admission may take place within the CREST system if the relevant Shareholders so wish.

The Depositary Interests will be independent securities constituted under English law that may be held and transferred through CREST. Depositary Interests will have the same security code (ISIN) as the underlying Shares. The Depositary Interests will be created and issued pursuant to a deed poll with the Depositary, which will govern the relationship between the Depositary and the holders of the Depositary Interests.

Shares represented by Depositary Interests will be held on bare trust for the holders of the Depositary Interests. Each Depositary Interest will be treated as one Share for the purposes of determining

eligibility for dividends, issues of bonus stock and voting entitlements. In respect of any cash dividends, the Company will put the Depositary in funds for the dividend and the Depositary will transfer the money to the holders of the Depositary Interests. In respect of any bonus stock, the Company will allot any bonus stock to the Depositary who will issue such bonus stock to the holder of the Depositary Interest (or as such holder may have directed) in registered form.

In respect of voting, the Depositary will cast votes in respect of the Shares as directed by the holders of the Depositary Interests which represent the relevant Shares.

Further information regarding the depositary arrangement and the holding of Shares in the form of Depositary Interests is available from the Depositary. The Depositary may be contacted at The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ, United Kingdom or by telephone on 0870 702 0003 (ext.1075).

The Shares will remain listed and traded on the ASX, with trades settled electronically on the Australian register through CHESS.

Shares held on the Australian register cannot be used to settle trades on AIM and similarly, Depositary Interests held on the UK Registrar's register cannot be used to settle trades on the ASX. However, subject to the relevant regulations, Shares held through CHESS on the Australian register may be transferred into Depositary Interests held through CREST on the UK Registrar's register and vice versa.

Shareholders wishing to undertake such a transfer will generally need to contact their broker and allow a reasonable time for the transfer to be effected. Furthermore, Shareholders will need to establish an account with a broker in the market to which they are transferring their Shares in order to trade their Shares on that market.

## **6. LOCK-IN ARRANGEMENTS**

All Directors, whose interests in Shares and Options are detailed in Section 10, have undertaken to RFC Ambrian and the Company, in accordance with Rule 7 of the AIM Rules, not to dispose of any interest that they have in the Company's securities (including any securities which they may subsequently acquire within 12 months of Admission) for a period of 12 months from Admission except in the very limited circumstances allowed by the AIM Rules and as set out below.

It should be noted that Company Directors Tim Carstens, Colin Bwye, Andrew King, Winton Willesee and Sam Willis have Option positions in the Company, which, as a result of 50% of the Options vesting on 22 November 2011, now pose cash flow implications to said Directors as their vesting triggered Australian income tax liabilities. Accordingly, under the terms of the lock-in arrangements said Directors are permitted to sell only the minimum number of Shares needed to realise sufficient proceeds in order to meet these existing income tax liabilities that arose from the Options vesting and also to cover the cost of exercising said Options.

## **7. DIVIDEND POLICY**

The Directors anticipate that the Company will be focused on development of the Kwale Project during the 12 month period following Admission. Accordingly, the Company does not expect to declare any dividends during that period. Thereafter, it is the Directors' intention to pay dividends when profit, available cash flow and capital requirements allow and in accordance with the Company's strategy for growth. However, the Directors can give no assurance as to the payment of future dividends.

## **8. RISK FACTORS**

There are a number of risks which may have a material and adverse impact on the future operating and financial performance of Base and the value of Base securities, and, if any such risks materialise, an investor could lose all or part of its investment. These include risks that are general risks associated with any form of business and specific risks associated with Base's business and its Kwale Project in Kenya. Whilst many of these risk factors are largely beyond the control of Base and its Directors, the Company will seek to mitigate these risks to the extent that the Directors consider appropriate for a company of the size and nature of Base, where possible.

The Directors believe the following risks to be the most relevant and material to the Company. However, the list below is not an exhaustive list, nor is it an explanation of all the risk factors involved in investing in the Company and nor are the risks set out in any order of priority (save that those risks that the Directors believe to be specific to the Company are set out ahead of those risks they consider to be general). Further risks which are not presently known to the Directors, or that the Directors currently deem immaterial, may also have a material adverse effect on the business, financial condition, prospects and share price of the Company.

#### **A. Specific Risks Relating to Base's Business Activities**

##### **i. Legislative changes, government policy and approvals**

Changes in government regulations and policies in Australia and in Kenya may adversely affect the financial performance of the Company. For example, the Company's capacity to explore and mine, and in particular the Company's ability to explore and mine any Ore Reserves, may be affected by changes in government policy which are beyond the control of the Company.

##### **ii. Mine development, construction and commissioning**

There is a risk that the development and construction of the Kwale Project is not completed on schedule, or that construction cost exceeds budget, or that significant problems in constructing the Kwale Project may arise.

Furthermore, the Company will depend on third party contractors to undertake construction, equipment supply, installation, commission and operation. There is a risk that one or more of these third party contractors will not perform its contractual obligations.

##### **iii. Operating history**

The Company is developing its Kwale Project but has not to date conducted mining production operations. There can be no assurance that it can bring its project into production or operate it profitably. While the Company aims to generate working capital through future mineral sands mining operations, there is no assurance that the Company will be capable of producing positive cash flow on a consistent basis or that any such funds will be available for further exploration and development programs.

##### **iv. Project finance**

The Company has executed loan documentation for provision of the Kwale Project Debt Facilities, with financial close and first drawdown of US\$52 million occurring in November 2012. Under the terms of the Kwale Project Debt Facilities subsequent drawdowns will be made quarterly, with the next scheduled for February 2013. As such Base now has access to the full funding required to complete development of the Kwale Project and bring it into positive cash flow.

##### **v. Product sales agreements**

The Company has entered into a number of contracts with various counterparties with respect to the sale of product from the Kwale Project. The Company is also in the process of negotiating additional contracts with further parties, however, no binding agreement has been entered into with respect to these additional contracts. There is no guarantee that the Company will be able to reach agreement on terms satisfactory to it. If it cannot reach agreement on satisfactory terms, this may have an adverse effect on the Company's future revenues.

#### **vi. Resource and 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, Mineral Resource and Ore 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 the Company's future operations.

There can be no guarantee, and Shareholders should not assume, that:

- anticipated tonnages and grades of ore will be achieved during production or, even if they could be, 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.

#### **vii. Operating risks**

The current and future operations of the Company, including exploration, appraisal and possible production activities 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;
- 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; and
- inability to obtain necessary consents or approvals.

#### **viii. Contractor and partner risks**

The development of the Kwale Project by the Company depends significantly on the maintenance of good relationships with, the solvency of, and performance of its obligations by, its key consultants and contractors. It also relies on the maintenance of good relationships with regulatory and governmental departments. Failure to maintain these relationships may adversely impact the Company's performance.

#### **ix. Future capital requirements**

The Company may be adversely affected in a material way if, for any reason, access to capital is not available to fund its future development and exploration objectives. There can be no assurance that additional funds will be available when and if required or, if available, on reasonable terms.

#### **x. Dependence on key executives and personnel**

The Company's prospects depend in part on the ability of its executive officers, senior management and key consultants to operate effectively, both independently and as a group. To manage its growth, the Company must attract and retain additional highly qualified management, technical, sales and marketing personnel and continue to implement and improve operational, financial and management information systems. Investors must be willing to rely to a significant extent on management's discretion and judgement, as well as the expertise and competence of outside contractors.

## **B. General Risks Relating to Kenya and Australia**

### **i. Kenya**

The Company'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, the Company's future 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 interests 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, restrictions on the transfer / repatriation of funds and monetary policies;
- although the government and economy of Kenya has been relatively stable in recent years, property ownership (including rights of access) in a foreign country is generally subject to the 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, and social and religious conflict.

The likelihood of any of these risks eventuating, and their possible effects, if any, cannot be determined by the Company with any clarity at the present time, but they may include disruption, increased costs and, in some cases, total inability to establish or to continue to operate its current and future mineral sands exploration, development and production activities.

Base announced on 26 October 2012 that the Kenyan Minister of Environment & Mineral Resources had passed a regulation under the Mining Act that seeks to mandate a 35% minimum Kenyan equity participation in mining licenses (the "Regulation"). The Regulation is silent as to its application to existing mining leases, any transitional provisions and how, or on what terms, the equity interest is to be implemented. Base has received legal advice from three leading Kenyan law firms that the Regulations do not apply to the Special Mining Lease No. 23 ("the SML") covering the Kwale Project and that any application of the Regulations to the SML would most likely be unconstitutional. The advice also suggests that such application would be considered to be a breach of the investment agreement (the "Investment Agreement") that Base has with the Government of Kenya. Further, the Investment Agreement also provides that in the event of the Government taking action tantamount to expropriation or nationalization, Base is entitled to compensation for the full market value of all property thus taken. The Company is pursuing discussions with Government to understand their position and intent with respect to the Regulations and are assessing the potential implications for the Kwale Project.

With the new Mining Act still in the drafting and review process, and not yet law, any further potential impacts from it are uncertain.

### **ii. Australia**

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

## **C. General Resource Company Business Risks Relating to the Company**

### **i. 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 the Company has or may, upon exercise of options to acquire, have an interest in will be subject to renewal. If any of the mineral properties are not renewed for any reason, the Company may suffer damage through loss of opportunity to develop.

#### **ii. Environmental risks and regulations**

The Company's projects are subject to laws and regulations regarding environmental matters and the discharge of hazardous wastes and materials. As with all mining projects, these projects would be expected to have a variety of environmental impacts should development proceed.

The Company's policy is to conduct its activities in an environmentally responsible manner and in accordance with applicable laws and industry standards. Areas disturbed by the Company's activities will be rehabilitated as required. However, there is always a risk of environmental damage arising from the Company's operations, including through accident, which may give rise to liabilities and costs for the Company, including through the imposition of fines and the potential for operations to be delayed, suspended or shut down.

#### **iii. Uninsured risks**

Insurance against all risks associated with mine development and operation is not always available or affordable. The Company intends to maintain insurance where it is considered appropriate for its needs. However, it will not be 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.

#### **iv. Risks associated with the need to maintain an effective system of internal controls**

There can be no assurance that the Company will be able to effectively manage its proposed growth plans, or that the Company's current personnel, systems, procedures and internal controls will be adequate to support the Company's future developments. Any failure of the Board to manage effectively the Company's growth and development could have a material adverse effect on its business, financial condition and results of operations. There is no certainty that all or, indeed, any of the elements of the Board's strategy will develop as anticipated.

#### **v. Litigation**

Whilst the Company currently has no outstanding material litigation, there can be no guarantee that the current or future actions of the Company will not result in litigation since the mining industry, as all industries, is subject to claims, both with and without merit. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Owing to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material effect on the Company's financial position or results of operations.

#### **vi. Volatility of mineral prices**

The mining industry is competitive and there is no assurance that a profitable market for the sale of the products from the Kwale Project will be sustained.

Mineral prices are subject to volatile price changes from a variety of factors including international economic trends, expectations of inflation, global and regional demand, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods or increased exploration.

#### **vii. Foreign exchange risk**

The Company's revenues, majority of costs (both capital and operating) and debt funding are all denominated in United States dollars. As 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. However, there is nevertheless a risk that foreign exchange losses may occur.

### **D. Share Ownership and Investment Risks**

#### **i. Share price volatility and share market risks**

Prospective investors should be aware that the value of an investment in the Shares may go down as well as up and that the market price of the Shares may not reflect the operating performance and

underlying value of the Company. Investors may therefore realise less than, or lose all of, their investment.

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 the Company and its operations and some of which may affect quoted companies generally. These factors include, without limitation:

- the operating performance of the Company 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 the Company.

Such factors also impact on the ability of the Company to raise further funds by the issue of further Shares or other securities in the Company. Neither Base nor its Directors warrant the future performance of Base or any return on investment in Base.

#### **ii. Share trading liquidity and future sales of Shares**

Although the Shares are already listed on the ASX and are to be admitted to trading on AIM, there is no guarantee that there will be a liquid market in the Shares on either AIM or the ASX in the future or that the price of Shares will increase. There may be relatively few buyers or sellers of Shares on the ASX or AIM at any given time. It may therefore be difficult, in certain circumstances, to achieve the prevailing market price for sales of Shares or to sell Shares at all, and to realise a return on investment in the Shares.

Although the Shares are to be admitted to trading on AIM, they will not be listed on the Official List of the London Stock Exchange (the "Official List"). An investment in securities traded on AIM may carry a higher degree of risk than securities quoted on the Official List.

### **9. RIGHTS ATTACHING TO SHARES AND POWERS OF THE COMPANY**

A shareholding in the Company is held subject to the Company's Constitution, which can be accessed on the Company's website at [www.baseresources.com.au](http://www.baseresources.com.au).

The Constitution contains provisions in relation to voting rights, dividends, issues of new securities, the transfer of Shares, meetings and notices, election of directors, the indemnification of directors and rights on winding up.

It should also be noted that as an ASX listed company, the requirements of the ASX Listing Rules override what may be contained in the Constitution. However, the Company is not aware of any areas of its Constitution which are inconsistent with the requirements under the ASX Listing Rules.

### **10. DIRECTORS' INTERESTS IN SHARE CAPITAL**

As at the date of this document and as expected at Admission, the Directors and entities in which the Directors have a substantial interest hold 3,608,063 fully paid ordinary Shares and a total of 17,000,000 Options in the capital of the Company representing 3.6% of the Company's fully diluted share capital. The percentage of Shares not held in public hands as at the date of this document and as expected at Admission is 34.1%, comprising the interests of Directors and Substantial Shareholders Pacific Road Resources Fund II and Taurus SM Holdings Pty Ltd.

As at the date of this document, the holdings of the Directors and any other applicable employee of the Company (as defined in the AIM Rules), and their spouses, civil partner or children under the age of eighteen years, in the share capital of the Company or a related financial product referenced to the Shares: (i) which would be required to be notified by the Company pursuant to Rule 17 of the AIM Rules; or (ii) are holdings of a person connected (within the meaning of sections 252 to 254 of the UK Companies Act 2006 (as amended)) with a Director which would, if the connected person were a Director, be required to be disclosed under (i) above and the existence of which is known to, or could with reasonable due diligence be ascertained by, the Directors are as follows:

Director	Number of Shares Held	Number of Options Held
Mr Andrew King	820,000 <sup>(1)</sup>	800,000 <sup>(2)</sup>
Mr Tim Carstens	1,148,334 <sup>(3)</sup>	5,000,000 <sup>(4)</sup>
Mr Colin Bwye	843,895 <sup>(5)</sup>	10,000,000 <sup>(6)</sup>
Mr Winton Willesee	595,834 <sup>(7)</sup>	600,000 <sup>(8)</sup>
Mr Sam Willis	200,000 <sup>(9)</sup>	600,000 <sup>(10)</sup>
Mr Trevor Schultz	0	0
Mr Michael Anderson <sup>(11)</sup>	0	0
Mr Michael Stirzaker <sup>(12)</sup>	0	0
<b>Total (all Directors)</b>	<b>3,608,063</b>	<b>17,000,000</b>

- The Shares held by Mr King are held indirectly through the Lyandji Super Fund of which Mr King is a member.
- The Options held by Mr King are held directly. 400,000 Options are unlisted and exercisable at A\$0.09 on or before 9 July 2015. 400,000 Options are unlisted and exercisable at A\$0.25 on or before 9 July 2015.
- Of the Shares held by Mr Carstens, 1,015,000 are held directly and 133,334 are held indirectly through SUMO Superannuation Fund of which Mr Carstens is a beneficiary.
- The Options held by Mr Carstens are held directly. 2,500,000 Options are unlisted and exercisable at A\$0.09 on or before 9 July 2015. 2,500,000 Options are unlisted and exercisable at A\$0.25 on or before 9 July 2015.
- Of the Shares held by Mr Bwye, 362,414 are held indirectly through Mr Bwye's spouse Annette Bwye and 481,481 are held indirectly through Bwye Superannuation Fund of which Mr Bwye is a trustee and beneficiary.
- The Options held by Mr Bwye are held directly. 5,000,000 Options are unlisted and exercisable at A\$0.09 on or before 9 July 2015. 5,000,000 Options are unlisted and exercisable at A\$0.25 on or before 9 July 2015.
- The Shares held by Mr Willesee are held indirectly through Azalea Family Holdings Pty Ltd as trustee for the Britt & Winton Family Trust. Mr Willesee is a director of Azalea Family Holdings Pty Ltd and a beneficiary of the trust.
- The Options held by Mr Willesee are held indirectly through Azalea Family Holdings Pty Ltd. 300,000 Options are unlisted and exercisable at A\$0.09 on or before 9 July 2015. 300,000 Options are unlisted and exercisable at A\$0.25 on or before 9 July 2015.
- The Shares held by Mr Willis are held indirectly through the Willis Family Superannuation Fund of which Mr Willis is a trustee and beneficiary.
- The Options held by Mr Willis are held indirectly through Carossa Holdings Pty Ltd as trustee for Globetrotter Investment Trust of which Mr Willis is a beneficiary. 300,000 Options are unlisted and exercisable at A\$0.09 on or before 9 July 2015. 300,000 Options are unlisted and exercisable at A\$0.25 on or before 9 July 2015.
- Mr Anderson is a director of Taurus SM Holdings Pty Ltd, a Substantial Shareholder in Base.
- Mr Stirzaker is a director of Pacific Road Capital II Pty Ltd, a related party of a Pacific Road Resources Fund II, a Substantial Shareholder in Base.

## 11. ADDITIONAL INFORMATION ON THE DIRECTORS

Details of the Directors and their backgrounds can be found in the Company's Public Record.

The directorships and partnerships of the Directors, other than of the Company and the Company's subsidiaries, held at present and within the five years preceding the date of this document are provided in the table below.

Name	Current Directorships/Partnerships	Past Directorships/Partnerships (within past 5 years)
Mr Andrew King (Aged 59)	Alcyone Resources Ltd Moonshadow Holdings Pty Ltd O.L. Marriott Pty Ltd Texas Silver Mines Pty Ltd	Alcyone Mining Ltd Goldstar Resources (WA) Pty Ltd Orion Gold NL (formerly Goldstar Resources NL)
Mr Tim Carstens (Aged 45)	Varadero Pty Ltd	ACN 106 537 008 Pty Ltd Noble Mining Corporation Pty Ltd Perilya Broken Hill Ltd Perilya Exploration Pty Ltd Perilya Freehold Mining Pty Ltd Perilya Investments Pty Ltd Perilya Management Pty Ltd Riverpoint Holdings Pty Ltd
Mr Colin Bwye (Aged 48)		Doral Advanced Materials Pty Ltd Doral Fused Materials Pty Ltd Doral Mineral Sands Pty Ltd Doral Pty Ltd Doral Specialty Chemicals Pty Ltd
Mr Winton Willesee (Aged 42)	<p data-bbox="539 947 986 1227"><u>Current listed companies</u> BioProspect Ltd Coretrack Ltd Cove Resources Ltd Mining Group Ltd Newera Resources Ltd Otis Energy Ltd Torrens Energy Ltd</p> <p data-bbox="539 1272 986 1440"><u>Personal affairs</u> Azalea Consulting Pty Ltd Azalea Family Holdings Pty Ltd Azalea Investments Pty Ltd Silverinch Pty Ltd</p> <p data-bbox="539 1485 986 1765"><u>Private investments</u> Anatara Therapeutics Pty Ltd ARMT Pty Ltd Fortitude Security Group Ltd Onesixth Pty Ltd Pixie Energy Inc Sarantis Pty Ltd Stanford Rocks Pty Ltd</p> <p data-bbox="539 1809 986 1899"><u>Subsidiaries</u> Alpha Resource Pty Ltd Otis Energy Inc</p>	Boss Resources Ltd (formerly Boss Energy Ltd) Bow River Diamonds Ltd Cocoparra Services Pty Ltd Future Energy Fund Pty Ltd Hawkley Oil and Gas Ltd (formerly Incitive Ltd) New Standard Energy Ltd (formerly Hawk Resources Ltd) Tungsten Australia Pty Ltd

Name	Current Directorships/Partnerships	Past Directorships/Partnerships (within past 5 years)
Mr Sam Willis (Aged 40)	New Standard Energy Ltd New Standard Onshore Pty Ltd Wilcorp Nominees Pty Ltd	Buru Energy (Acacia) Pty Ltd Cove Resources Ltd Diversified Financial Services Ltd Hawkey Oil and Gas Ltd (formerly Incitive Ltd Northern Energy Corporation Ltd Otis Energy Ltd Pita Management Services Pty Ltd Tungsten Australia Pty Ltd
Mr Trevor Schultz (Aged 70)	2TRMV Pty Ltd Agnes Water Premix Concrete Pty Ltd Centamin Egypt Ltd Centamin plc Mzee Holdings and Developments Pty Ltd Mzee Properties Pty Ltd	Cobar Mines Pty Ltd
Mr Michael Anderson (Aged 45)	Alliance Mining Commodities Ltd Ampella Mining Ltd Hot Chili Ltd MRA Consulting Pty Ltd Taurus SM Holdings Pty Ltd	Black Rock Minerals Pty Ltd Eliza Creek Mines Ltd Exco Operations (SA) Ltd Exco Resources Ltd Exco Resources (QLD) Pty Ltd Exco Resources (SA) Pty Ltd Exco Resources (WA) Pty Ltd Mitchell River Exploration Pty Ltd Toolebuc Resources Pty Ltd
Mr Michael Stirzaker (Aged 53)	Grafton Bond Investments Pty Ltd Pacific Road Capital II Pty Limited Pacific Road Capital A Pty Limited Pacific Road Capital B Pty Limited Pacific Road Capital Management Holdings Pty Limited Pacific Road Capital Management Pty Ltd PRCM Nominees Pty Limited Stith Pty Ltd Mantle Diamonds Ltd	Finders Resources Ltd Tennant Metals Pty Ltd

Mr King was the founding Managing Director of Goldstar Resources NL (“Goldstar”) in 2001 before resigning on 31 August 2008 when the company relocated its headquarters to Melbourne. Goldstar was placed into voluntary administration on 8 January 2009. When Mr King resigned as a director, the company was adequately funded for the foreseeable future. In June 2009 the company raised A\$5.8 million in a share issue and A\$4.6 million in the drawdown of a re-negotiated converting loan agreement. The company also changed its name to Orion Gold NL in June 2009 and underwent management changes. The company subsequently announced that a Deed of Company Arrangement was wholly effectuated and the deed administrators retired on 16 July 2009, with the company then being reinstated to ASX quotation (with new name Orion Gold NL) on 21 July 2009. The company continues to trade as Orion Gold NL.

Mr Willesee was appointed as a director of BioProspect Limited (“BPO”) on 16 September 2011 at the request of a group of major shareholders. On 3 March 2011 (prior to Mr Willesee’s appointment) BPO announced to the ASX an investment in oil and gas company, Frontier Gasfields Pty Ltd (‘Frontier’).

Subsequent to that announcement BPO was served with a notice under *section 30* of the Australian Securities and Investments Commission Act 2001 to produce books and records relating to the announcement with ASIC then subsequently undertaking an investigation into the matter. In February 2012 BPO received an infringement notice from ASIC alleging that in March 2011 (again prior to Mr Willesee's appointment) BPO had contravened *section 674(2)* of the Australian Corporations Act in regard to BPO's continuous disclosure obligations under the Australian Corporations Act and the ASX Listing Rules. BPO complied with the infringement notice by paying the A\$33,000 penalty; however this was not an admission of guilt or liability or to the commission of an offence. BPO has since received further requests for information relating to an announcement made by BPO in January 2012 also relating to its investment in Frontier; however it is not aware of the status of those inquiries. BPO has since agreed terms to divest its holding in Frontier to a Philippines company. Following Mr Willesee's appointment as director of BPO he implemented new corporate governance policies and undertook a review of management.

Other than as set out above, none of the Directors:

- (a) has any unspent convictions in relation to indictable offences; or
- (b) has been bankrupt or the subject of an individual voluntary arrangement, or has had a receiver appointed to the assets of such director; or
- (c) has been a director of any company which, while he was a director or within 12 months after he ceased to be a director, had a receiver appointed or went into compulsory liquidation, creditors voluntary liquidation, administration or company voluntary arrangement, or made any composition or arrangement with its creditors generally or with any class of its creditors; or
- (d) has been a partner of any partnership which, while he was a partner or within 12 months after he ceased to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement, or had a receiver appointed to any partnership asset; or
- (e) has had any public criticism by statutory or regulatory authorities (including recognised professional bodies); or
- (f) has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

## **12. DIRECTORS' SERVICE AGREEMENTS AND REMUNERATION**

Details of the current remuneration arrangements for the Directors and their remuneration for the financial year ending 30 June 2012 are disclosed in the Remuneration Report included in the Company's Annual Report for the year ended 30 June 2012 which is available on the Company's website [www.baseresources.com.au](http://www.baseresources.com.au). The termination notice period for Mr Carstens is up to 3 months and he is entitled to a redundancy payment of 12 months remuneration. The termination notice period for Mr Bwe is up to 3 months and he is entitled to a redundancy payment of 6 months remuneration. There are no termination notice periods or required payments in relation to the employment of the remaining Directors.

As Mr Stirzaker is appointed as an Alternate Director to Mr Schultz, he has not himself entered into a service agreement with the Company.

The Directors are indemnified by the Company in accordance with the Constitution and deeds of indemnity, insurance and access between each Director, individually, and the Company.

### 13. SIGNIFICANT SHAREHOLDERS

Other than as tabled below, the Company is not aware of any holding (within the meaning of the AIM Rules) in its issued Share capital which would, as at the date of this document, represent three (3) per cent or more of the Company's issued Shares:

Shareholder	No. of Ordinary Shares Owned*	% of Fully Paid Ordinary Shares*
Pacific Road Resources Fund II	114,699,886	20.5%
Taurus SM Holdings Pty Ltd	73,033,753	13.0%
L1 Capital Pty Ltd	49,427,855	8.8%
Acorn Capital Ltd	46,104,283	8.2%
BT Investment Management Ltd	34,284,057	6.1%
Aterra Investments Ltd	26,129,425	4.7%
Northcape Capital Pty Ltd	20,829,218	3.7%

\*Note: The above percentage holdings are on an undiluted basis based on the total issued fully paid share capital of 560,440,029 (as tabled in Section 4 of this document) which does not include any of the potential Shares that may be issued upon the exercise of the 18,000,000 Options on issue or any of the potential new issues of Shares as set out in Section 4.

None of the Company's significant Shareholders has voting rights that are different from the other Shareholders.

Save as disclosed in this Appendix or in the Public Record, the Directors are not aware of any person who either, at the date of this Appendix, or immediately following Admission, exercises or could exercise, directly or indirectly, jointly or severally, control over the Company.

The Directors are not aware of any arrangements in place or under negotiation which may, at a subsequent date, result in a change of control of the Company.

### 14. TAXATION IMPLICATIONS FOR AUSTRALIAN AND UK RESIDENTS INVESTING IN BASE

The paragraphs below comment on the general Australian and UK taxation position of individual and corporate resident and non-resident Shareholders in relation to the payment of dividends by the Company and the future disposal of their Shares.

**The following comments are intended as a general guide to the Australian and UK tax implications only. This should not be a substitute for individual advice from an appropriate professional adviser and all Shareholders or prospective Shareholders are strongly advised to obtain their own professional advice on the tax implications of acquiring, owning and disposing of Shares based on their own specific circumstances.**

The comments are based on the law and understanding of the practice of the tax authorities in Australia and the UK at the date of this document.

#### A. Australian Taxation

##### i. Taxation of future Share disposals

###### a. Australian resident Shareholders – General

Australian resident Shareholders who trade Shares in the ordinary course of their business will hold their Shares as trading stock. These Shareholders will include profits from the disposal of their Shares in their assessable income. These Shareholders may value their trading stock of Shares at the end of an income year at its cost, market selling value or replacement value. The choice as to which valuation method to use varies as the value of closing stock directly affects the calculation of the assessable income of these Shareholders. Any difference between the value of their opening and closing stock of Shares on hand for an income year will be brought to account as either assessable income (in the

case of an increase in the value of their stock of Shares on hand) or as a deduction from their assessable income (in the case of a decrease).

Shareholders who acquire Shares for the purpose of re-sale at a profit (but do not hold those shares as trading stock or as an investment) will hold those Shares on revenue account. Shareholders must include any profits made on the disposal of Shares held on revenue account in their assessable income when the profits are realised. Losses realised by Shareholders who dispose of Shares held as trading stock or on revenue account may be entitled to deduct the loss against their assessable income.

All other Australian resident Shareholders will hold their Shares on capital account. These Australian resident Shareholders must consider the impact of Australian capital gains tax rules on the disposal of their Shares.

A Shareholder derives a capital gain on the disposal of Shares where the consideration received on disposal exceeds the capital gains tax cost base of the Shares.

A Shareholder derives a capital loss on the disposal of Shares where the consideration received on disposal is less than the capital gains tax reduced cost base of the Shares.

All capital gains and losses for the year are added together to produce a net capital gain or loss position. A net capital gain for a financial year is included in the resident taxpayer's assessable income and is subject to taxation in Australia. A net capital loss can only be used to offset other capital gains and cannot be used to offset ordinary income. Capital losses may generally be carried forward to future years to be deducted against future capital gains.

#### ***b. Non-Australian resident Shareholders – General***

Non-Australian resident Shareholders who hold Shares as trading stock or on revenue account may need to include profits from the sale of Shares in their assessable income on the same basis as that described above for Australian resident shareholders. Applicable double taxation agreements may provide relief from Australian taxation.

Non-Australian resident Shareholders who hold Shares on capital account would only be subject to Australian capital gains tax upon disposal of their Shares where the following conditions are met:

- if the non-Australian resident Shareholders (together with their associates) held 10 per cent or more of the Company's issued capital at the time of disposal or for any 12 month period in the 24 months preceding the disposal; and
- at the time of disposal, more than 50 per cent of the market value of the assets of the Company are represented (either directly or indirectly) by real property interests situated in Australia or mining rights in respect of certain resources situated in Australia.

Non-Australian resident Shareholders who are subject to Australian capital gains tax may be able to obtain relief from Australian capital gains tax via the application of any relevant double taxation agreement.

#### ***c. Capital gains tax discount***

Australian resident Shareholders that are individuals, trusts or complying superannuation funds (and in some cases a life insurance company) may be entitled to the capital gains tax discount in relation to capital gains derived from the disposal of Shares, provided that the Shares were held for at least 12 months prior to disposal. If the capital gains tax discount applies, the amount of the taxable capital gain resulting from the disposal will be reduced by 50 per cent (in the case of Shareholders who are individuals or trusts) and 33 1/3 per cent (in the case of complying superannuation funds and, in certain circumstances, life insurance companies). Shareholders that are companies are not eligible for the capital gains tax discount.

Non-Australian resident Shareholders are not entitled to the capital gains tax discount in relation to capital gains derived from the disposal of shares acquired after 8 May 2012.

## **ii. Dividends**

Dividends may be paid to Shareholders from the accounting profits or other reserves of the Company as declared by the Directors. Australian resident Shareholders may receive credits for any corporate tax that has been paid on these profits. These credits are known as “franking credits” and they represent the extent to which a dividend is “franked”. It is possible for a dividend to be either fully or partly franked. Where a dividend is partly franked, the franked portion is treated as fully franked and the remainder as being unfranked.

In order for individual shareholders to be entitled to claim the “tax offset” in relation to franked dividends, the recipient of the dividend must be a “qualified person”. To be a qualified person, the two tests that need to be satisfied are the “holding period rule” (generally referred to as the “45 day rule”) and the “related payments rule”.

Broadly, if individual shareholders have held shares at risk for at least 45 days (excluding the dates of acquisition and disposal), they are able to claim the tax offset for the amount of any franking credits attaching to the dividend.

It should be noted that the definition of dividend for Australian tax purposes is broad and can include certain capital returns and off-market share buy-backs.

### **a. Australian resident Shareholders - Non-corporate**

Resident non-corporate Shareholders will need to include dividends in their assessable income for the period in which they receive the dividends. The amount to be included is the amount of the dividend plus the franking credit attached to it. Resident non-corporate Shareholders who are individuals, trustees who are assessed on a resident beneficiary's share of income, complying superannuation funds, certain exempt institutions and certain life insurance companies will be entitled to receive tax credits for the franking credit attached to dividends. Non-corporate Shareholders might receive a tax refund, if the franking credit attached to the dividend exceeds the tax payable on their taxable income. In the case of certain exempt institutions, a refund of the whole of the franking credit may be obtained. Non-corporate Shareholders will be liable to pay additional tax if the tax payable as a result of receiving the dividend exceeds the franking credits which are attached to the dividend.

### **b. Australian resident Shareholders – Corporate**

Dividends payable to Australian resident corporate Shareholders will be included in their assessable income in the year the dividend is paid. The corporate Shareholder will be entitled to a franking credit to the extent that the dividend is franked. This would result in the dividend being free of further company tax to the extent that it is franked. A fully franked dividend should effectively be free of tax to an Australian resident corporate Shareholder.

Australian resident corporate Shareholders will have excess franking offsets if the total franking credits to which it is entitled for the year exceeds the income tax that it would have to pay for that year. Excess franking offsets of the Australian resident corporate Shareholders can be converted to a tax loss for the income year to prevent loss of the franking credits.

### **c. Quotation of Tax File Number/Australian Business Number**

Australian resident shareholders will be required to provide their Tax File Number or Australian Business Number as applicable. If this requirement is not met, an amount (up to 46.5 per cent) could be withheld from unfranked dividends paid by the Company. The amount withheld will be credited against the Shareholder's Australian income tax liability. No amount should be withheld in respect of the franked part of a dividend.

### **d. Non-Australian resident Shareholders – General**

Unfranked dividends paid to non-Australian resident Shareholders will generally be subject to withholding tax. Withholding tax is imposed at 30 per cent unless a Shareholder is a resident of a country with whom Australia has a double taxation agreement. The double taxation agreement may reduce the withholding tax rate to a range of between 5 per cent and 15 per cent depending on the country of residence of the non-Australian resident Shareholder.

Where the Company pays an unfranked dividend out of certain profits derived from non-Australian sources, the Company may declare a portion of the unfranked dividend to consist of conduit foreign income. Where this is the case, the portion of the unfranked dividend that consists of conduit foreign income will not be subject to Australian withholding tax and will not be subject to further Australian income tax in the hands of non-Australian resident Shareholders.

The franked part of a dividend paid to a non-Australian resident shareholder is not subject to withholding tax and again is not subject to further Australian income tax in the hands of non-Australian resident Shareholders

Non-Australian resident Shareholders may be assessable for tax on any dividends in their country of residence. They should consider the impact of dividends under their domestic tax regime.

### **iii. Goods and Services Tax (GST) and stamp duty**

No Australian GST or stamp duty is payable on the acquisition or disposal of Shares.

## **B. UK Taxation**

### *The Company*

It is expected that the Company will carry on its business activities so that for United Kingdom (UK) corporation tax purposes it will not be regarded as either resident within the UK, nor carrying on a trade through a permanent establishment located in the UK, nor is it expected to receive income "arising in the UK" of such a type that it could fall within the scope of UK taxation regardless of the recipient's residency position (for example, rental income from UK property, or interest income arising in the UK). On this basis the Company should have no liability in respect of UK corporation tax.

### *UK Shareholders*

The following paragraphs broadly outline the taxation position of Shareholders in the Company who are resident (and, if individuals, ordinarily resident and domiciled) in the UK for tax purposes. The statements are based on current UK tax legislation and HM Revenue and Customs common practice. The statements may be subject to change, perhaps with retrospective effect. The statements may also not apply to certain classes of Shareholder such as individuals who acquire the shares in the course of employment, dealers, insurance companies and charities.

**The following paragraphs are intended as a general guide only. Each Shareholder's specific circumstances will impact on their taxation position. All Shareholders are recommended to obtain and to rely on their own taxation advice.**

**In particular, all Shareholders, including UK tax resident Shareholders are advised to consider the potential impact of any relevant double tax agreements on their shareholding.**

The statements apply only to Shareholders who are the beneficial owners of the Shares but are not applicable to all categories of Shareholders, and in particular are not addressed to:

- Shareholders who do not hold their Shares as capital assets;
- special classes of Shareholders such as dealers in securities or currencies, broker-dealers, or investment companies; or
- Shareholders who hold Shares in connection with a trade, profession or vocation carried on in the UK (whether through a branch or agency or otherwise).

Except where indicated, the statements below in respect of the taxation of dividends and distributions and the taxation of chargeable gains only cover the principal UK tax consequences of holding Shares for holders who are resident in the UK for tax purposes although it should be noted that special rules, which are not covered, apply to such holders of Shares who are not domiciled in the UK.

## **i. Taxation of capital gains**

### **a. UK resident Shareholders**

A disposal of Shares by a Shareholder who is (at any time in the relevant UK tax year) resident or ordinarily resident in the UK may give rise to a capital gain or allowable loss for the purpose of UK Capital Gains Tax ("CGT"), or in the case of a UK resident corporate shareholder, the taxation of chargeable gains for Corporation Tax ("CT") purposes.

For the purpose of UK CGT or CT on chargeable gains, the issue of Shares will be regarded as an acquisition of a new holding in the share capital of the Company. The date of issue will be treated as the date of acquisition under the chargeable gains regime.

The amount paid for the Shares should constitute the base cost of a Shareholder's holding. If a Shareholder disposes of all or any of the Shares in the Company, he may incur a liability to tax on chargeable gains depending on the Shareholder's individual circumstances.

For individuals and trustees subject to UK capital gains tax, capital gains are chargeable at a flat rate of 18 per cent or 28 per cent, depending on the individual's total taxable income and gains, subject to certain reliefs and exemptions. For corporations subject to UK corporation tax on chargeable gains, any gain would be taxable at the Shareholder's marginal rate of CT (the full CT rate currently being 24 per cent) subject to the application of certain reliefs and exemptions.

## **ii. Dividends**

The Company will not be required to withhold UK tax from dividends paid on the Shares. Any individual who holds Shares who is resident in the UK, or who carries on a trade, profession or vocation in the UK to which the Shares are attributable, will generally be subject to UK tax on income in respect of any dividends paid on the Shares.

UK resident individual Shareholders who receive a dividend from the Company will generally be entitled to a tax credit, which can be set off against the individual's income tax liability on the dividend received. The rate of tax credit on the dividend paid by the Company will be 10 per cent of the total of the dividend payment and the tax credit (the "gross dividend"), or one ninth of the dividend received.

UK resident individual Shareholders will generally be taxable on the gross dividend, which will be regarded as the top slice of the Shareholder's income. In the case of a UK resident Shareholder who is not liable to income tax at the higher or additional rate (taking account of the gross dividend he or she receives), the tax credit will satisfy in full such Shareholder's liability to income tax on the dividend.

To the extent that a UK resident individual Shareholder's income (including the gross dividend) is subject to 40 per cent income tax (Higher Rate Tax), such Shareholders will be subject to income tax on the gross dividend at the dividend income upper rate of 32.5 per cent but will be able to set the tax credit against this liability. This results in an effective tax rate of 25 per cent on the net dividend received.

UK Shareholders receiving dividends within the 50 per cent band (Additional Rate) will be subject to an income tax rate (the dividend income additional rate) of 42.5 per cent on the gross dividend and an effective rate of approximately 36 per cent on the net dividend received.

It will not be possible for UK resident shareholders to claim repayment of the tax credit in respect of the dividends.

Dividends payable by the company may suffer withholding tax ("WHT") (see Section 14(A)(i)(b) - *Non-Australian resident Shareholders – General*). If the dividend has been subject to Australian dividend withholding tax, the amount of the dividend received plus the WHT will be included in the assessable income of the UK Shareholder (unless the Shareholder elects to be taxed on the net dividend with no tax credit). In these circumstances the Shareholder should be entitled to a credit for the WHT. The credit would be limited to the lesser of the WHT or the UK tax payable on the combined amount of the dividend plus WHT, subject to a maximum of 15 per cent of the gross dividend.

**a. UK resident Company Shareholder**

Any dividends received by a UK resident company Shareholder may be treated as exempt from UK corporation tax, provided the dividend falls into an exempt class. These include distributions from portfolio holdings and controlled companies. If the dividend has been subject to WHT, no further relief will be available thereon.

**iii. Inheritance tax**

The Shares will form part of the estate of a UK domiciled Shareholder for inheritance tax purposes.

Note however that full exemption from UK inheritance tax may be available (Business Property Relief) although shareholders seeking to rely on the relief are advised to seek independent advice.

**iv. UK stamp duty and stamp duty reserve tax**

There is generally no liability to UK stamp duty or stamp duty reserve tax ("SDRT") on the issue of Shares by the Company, or on the creation of the Depositary Interests.

**Any person who is in any doubt as to their tax position or is subject to taxation in a jurisdiction other than Australia or the UK should consult an appropriate professional adviser.**

**15. MATERIAL CONTRACTS**

In addition to the agreements summarised in the Public Record, the following contracts, being either (i) contracts which are included within, or which relate to, the assets and liabilities of the Company or its subsidiaries or (ii) contracts entered into by the Company or its subsidiaries outside the ordinary course of business during the two years immediately preceding the date of this document which, in either case, are, or may be, material as of the date of this document:

**A. Nomad Agreement**

An engagement letter dated 11 April 2012 between the Company and RFC Ambrian Australia, under the terms of which RFC Ambrian Australia has agreed to act as Nomad for the Company in relation to the application for Admission and thereafter on an ongoing basis until terminated by either party providing two months' notice. The engagement letter provides for an upfront fee, a fee on Admission and a quarterly retainer fee to be paid to RFC Ambrian Australia for its services. The engagement letter also contains an indemnity and various undertakings from the Company in respect of the services provided by RFC Ambrian Australia.

**B. Broker Agreement**

An engagement letter dated 11 April 2012 between the Company and RFC Ambrian UK, under the terms of which RFC Ambrian UK has agreed to act as the Company's Broker in relation to the application for Admission and on an ongoing basis thereafter until terminated by either of the parties providing 30 days' written notice. The engagement letter provides for an annual retainer fee to be paid quarterly in advance to RFC Ambrian UK for its services and contains an indemnity and various undertakings from the Company in respect of the services provided by RFC Ambrian UK.

**16. PAYMENTS RELATING TO MINERAL ASSETS**

The schedule of mineral tenements disclosed in the Company's Annual Report for the year ended 30 June 2012 remains correct as the date of this document. With regards to the acquisition of, or maintenance of its assets, Base has made the following payments aggregating to over £10,000 to the Kenyan government or regulatory authorities since the acquisition of the Kwale Project in August 2010:

- £102,788 to the National Environmental Management Authority;
- £46,447 to the Kwale County Council; and
- £11,609 to the Kenya Forest Service.

## 17. LITIGATION

Other than as disclosed in this document or in the Public Record, the Company is not, and has not in the previous 12 months, been involved in any governmental, legal or arbitration proceedings, nor so far as the Directors are aware, are there any legal or arbitration proceedings active, pending or threatened by or against the Company which are having, may have or have had a significant effect on the financial position or profitability of the Company.

## 18. GENERAL

There are no other persons (excluding professional advisers otherwise disclosed in this document or in the Public Record and trade suppliers) who have received, directly or indirectly, from the Company within the 12 months preceding the date of this document or with whom the Company has entered into contractual arrangements (not otherwise disclosed in this document or in the Public Record) to receive, directly or indirectly from the Company on or after Admission, fees or securities in the Company or any other benefit, with a value of £10,000 or more at the date of Admission.

Other than as disclosed in Section 16 above, there are no payments aggregating over £10,000 made to any government or regulatory authority as similar body made by the Company or on behalf of it, with regards to the acquisition of or maintenance of its assets.

The Company's position on corporate governance, including in relation to the prescribed corporate governance regime for ASX listed companies, is set out in the Company's Annual Report for the year ended 30 June 2012, which is available on the Company's website [www.baseresources.com.au](http://www.baseresources.com.au).

The Company, together with its subsidiaries, had a total of 103 employees (including those employed under consultancy and service agreements) as at the date of this document. The estimated total employees of the Company and its subsidiaries as at 30 June 2009, 30 June 2010 and 30 June 2011 was 5, 6 and 36 respectively.

The costs, charges and expenses payable by the Company in connection with or incidental to Admission, including registration and stock exchange fees, legal fees and expenses are estimated to amount to approximately A\$446,000 excluding Goods and Services Tax (in Australia) and Value Added Tax (in the UK).

Information equivalent to that required for an admission document which has not previously been made public (in consequence of the Company having its Shares traded on the ASX) is included in this document.

Copies of this document are available to the public free of charge at the Company's website [www.baseresources.com.au](http://www.baseresources.com.au) and will also be available in hard copy to the public free of charge, during business hours on any day (except Saturdays, Sundays and public holidays) at the London office of RFC Ambrian from the date of this Appendix until at least one month from the date of Admission.

## 19. CONSENTS

RFC Ambrian has given and not withdrawn its consent to the inclusion in this document of references thereto in the form and context in which they appear, but have not made any statements that are included in this document nor are statements identified in this document based on any statements made by those persons.

To the maximum extent permitted by law, RFC Ambrian expressly disclaims and takes no responsibility for any part of the document other than the references to their name.

Dated 29 November 2012