

BAUXITE RESOURCES LIMITED
ACN 119 699 982

NOTICE OF SHAREHOLDERS MEETING
EXPLANATORY MEMORANDUM
AND
PROXY FORM

Date of Meeting
26 October 2009

Time of Meeting
9.30am

Place of Meeting
3/159 ADELAIDE TERRACE
EAST PERTH WA 6004

BAUXITE RESOURCES LIMITED
ACN 119 699 982
NOTICE OF SHAREHOLDER MEETING

Notice is hereby given that a Meeting of shareholders of Bauxite Resources Limited ("**Company**") will be held at 3/159 Adelaide Terrace East Perth WA on 26 October 2009 at 9:30am for the purpose of transacting the following Business ("**Meeting**").

ORDINARY BUSINESS

Resolution 1 – Election of Meng Xiangsan as a Director

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

"That Meng Xiangsan, a Director of the Company appointed by the Board to fill a casual vacancy since the previous General Meeting and is eligible for re-election be re-elected as a Director of the Company."

Note:

Pursuant to the Company's Constitution, a Director appointed by the Board to fill a casual vacancy holds office until the next General Meeting of the Company following the Director's appointment and is eligible to be re-elected.

Resolution 2 – Ratification of Placement of Shares to HD Mining and Investment Pty Ltd

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

"That, for the purpose of Listing Rule 7.4 and for all other purposes, the Company ratify the allotment and issue of 19,700,000 shares (at an issue price of 50 cents each) on 26 June 2009 to HD Mining & Investment Pty Ltd on the terms and conditions set out in the Explanatory Memorandum."

The Company will disregard any votes cast on Resolution 2 by any person who participated in the issue the subject of Resolution 2 and any person associated with those persons. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 3 – Approval of Placement of Shares to Yankuang Group Corporation Limited

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the Directors to allot and issue 19,700,000 Shares at an issue price of not less than \$0.50 per Share to Yankuang Group Corporation Limited on the terms and conditions in the Explanatory Statement."

The Company will disregard any votes cast on Resolution 3 by any person who participated in the issue the subject of Resolution 3 and any person associated with those persons. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 4 – Approval of Issue of Shares pursuant to Placement

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the Directors to allot and issue up to 60,000,000 Shares on the terms and conditions in the Explanatory Statement.”

The Company will disregard any votes cast on Resolution 4 by any person who will benefit in the issue the subject of Resolution 4 and any person associated with those persons. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 5 – Approval of grant of options to Robert Nash

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

“That for the purpose of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and all other purposes, the issue of 1,000,000 Nash Options on the terms and conditions outlined the Explanatory Statement to Robert Nash or his nominee for nil consideration be and is hereby approved.”

If approval is given under ASX Listing Rule 10.11, approval is not required under Listing Rule 7.1.

The Company will disregard any votes cast on Resolution 5 by Robert Nash and any associates of Robert Nash. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on a proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 6 – Approval of grant of options to Daniel Tenardi

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

“That for the purpose of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and all other purposes, the issue of:

(a) 2,000,000 Class A Options; and

(b) 2,000,000 Class B Options,

on the terms and conditions outlined in the Explanatory Statement to Daniel Tenardi or his nominee for nil consideration be and is hereby approved.”

If approval is given under ASX Listing Rule 10.11, approval is not required under Listing Rule 7.1.

The Company will disregard any votes cast on Resolution 6 by Daniel Tenardi and any associates of Daniel Tenardi. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on a proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 7 – Approval of grant of options to Luke Atkins

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

“That for the purpose of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and all other purposes, the issue of:

(a) 2,000,000 Class A Options; and

(b) 2,000,000 Class B Options,

on the terms and conditions outlined in the Explanatory Statement to Luke Atkins or his nominee for nil consideration be and is hereby approved.”

If approval is given under ASX Listing Rule 10.11, approval is not required under Listing Rule 7.1.

The Company will disregard any votes cast on Resolution 7 by Luke Atkins and any associates of Luke Atkins. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on a proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 8 – Approval of grant of options to Neil Lithgow

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

“That for the purpose of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and all other purposes, the issue of:

(a) 500,000 Class A Options; and

(b) 500,000 Class B Options,

on the terms and conditions outlined in the Explanatory Statement to Neil Lithgow or his nominee for nil consideration be and is hereby approved.”

If approval is given under ASX Listing Rule 10.11, approval is not required under Listing Rule 7.1.

The Company will disregard any votes cast on Resolution 8 by Neil Lithgow and any associates of Neil Lithgow. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on a proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 9 – Approval of grant of options to Meng Xiangsan

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

“That for the purpose of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and all other purposes, the issue of:

(a) 500,000 Class A Options; and

(b) 500,000 Class B Options,

on the terms and conditions outlined in the Explanatory Statement to Meng Xiangsan or his nominee for nil consideration be and is hereby approved.”

If approval is given under ASX Listing Rule 10.11, approval is not required under Listing Rule 7.1.

The Company will disregard any votes cast on Resolution 9 by Meng Xiangsan and any associates of Meng Xiangsan. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on a proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

A Proxy Form is attached.

To be valid, properly completed proxy forms must be received by the Company:

By post to:

Bauxite Resources Ltd
PO Box 6664
East Perth WA 6892

By facsimile on +61 8 9221 4385

By no later than 9:30am (WDST) on 24 October 2009

By order of the Board

Paul Fromson
Secretary
Date: 18 September 2009

BAUXITE RESOURCES LIMITED
ACN 119 699 982

EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide shareholders in Bauxite Resources Limited ACN 119 699 982 ("**Company**" or "**BRL**") with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of Shareholders Meeting of the Company.

The Directors recommend that shareholders read this Explanatory Memorandum in full before making any decision in relation to the Resolutions.

The following information should be noted in respect of the various matters contained in the accompanying Notice of Shareholders Meeting:

RESOLUTION 1 – ELECTION OF MENG XIANGSAN AS A DIRECTOR

Meng Xiangsan has a Bachelor of Engineering and is the General Manager of No 1 Geo-Minerals Exploration Institute of Shandong Province, the entity which through an affiliated company recently took a placement of 19,700,000 shares in BRL. Mr Meng is a senior executive with extensive experience in geology and minerals and the Board of BRL is pleased to have a person of his calibre as an addition to the Board of Directors.

RESOLUTION 2 – RATIFICATION OF PLACEMENT OF SHARES TO HD MINING & INVESTMENT PTY LTD

On 26 June 2009 the Company allotted and issued 19,700,000 ordinary fully paid shares to HD Mining & Investment Pty Ltd, an entity controlled by the Shandong Provincial Bureau of Geology and Mineral Resources ("SDGM"). The placement was at a premium to the prevailing share price at the time and reinforced SDGM's confidence in BRL's ability to develop its extensive Darling Range land holdings into a profitable long-term bauxite production and export business. The cash injection will allow BRL to aggressively pursue its bauxite exploration program as well as its Stage 1 Direct Shipping Ore operation.

The placement was undertaken within the Company's 15% capacity to issue shares without shareholder approval pursuant to ASX Listing Rule 7.1.

ASX Listing Rule 7.4 permits the ratification of previous issues of securities made without shareholder approval, provided the issue did not breach the 15% threshold in ASX Listing Rule 7.1. The effect of such ratification is to restore a company's maximum discretionary power to issue further shares up to 15% of the issued capital of the company without requiring shareholder approval.

Pursuant to Resolution 2, the Directors are seeking ratification under ASX Listing Rule 7.4 of the issue of 19,700,000 shares that was made on 26 June 2009 in order to restore the right of the Company to issue further shares within the 15% limit during the next 12 months.

The following information in relation to the shares is provided to shareholders for the purposes of ASX Listing Rule 7.5:

- a) 19,700,000 shares were allotted and issued;
- b) The shares were issued at an issue price of 50 cents each;
- c) The shares issued were fully paid ordinary shares in the capital of the Company and rank equally in all respects with the existing fully paid shares on issue;
- d) The shares were issued to HD Mining & Investment Pty Ltd, an unrelated party of the Company; and

- e) Funds raised from the issue will be used for the Company's exploration program, its Stage 1 Direct Shipping Ore operation and for ongoing working capital requirements.

RESOLUTION 3 – APPROVAL FOR ISSUE OF SHARES TO YANKUANG GROUP CORPORATION LIMITED

Resolution 3 seeks Shareholder approval for the allotment and issue of 19,700,000 Shares (“Yankuang Shares”) to Yankuang Group Corporation Limited (“Yankuang”).

The placement of the Shares to Yankuang is in accordance with a non-binding memorandum of understanding between the Company and Yankuang as announced to ASX on 26 June 2009 which proposes significant developments for the Company, including an alumina refinery joint venture in the south west of Western Australia (“**Memorandum of Understanding**”).

The issue of the Yankuang Shares is subject to Yankuang obtaining the approval of the Foreign Investment Review Board and is also subject to BRL and Yankuang entering into a Heads of Agreement which will provide more detail to the arrangements entered into through the Memorandum of Understanding referred to above.

The effect of Resolution 3 will be to allow the Directors to issue the Yankuang Shares during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's annual 15% placement capacity.

The following information is provided in relation to the issue of the Yankuang Shares pursuant to and in accordance with Listing Rule 7.3:

- a) the maximum number of Shares to be issued is 19,700,000;
- b) the Yankuang Shares will be issued at \$0.50 each;
- c) the Yankuang Shares will be allotted to Yankuang Group Corporation Limited;
- d) the Shares will rank equally with the Company's current issued Shares;
- e) the Shares will be issued no later than three (3) months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;
- f) the Shares are fully paid ordinary shares in the capital of the Company and will rank equally with the Company's current issued Shares; and
- g) the Company intends to use the raised from the issue of the Yankuang Shares for the general working capital purposes.

RESOLUTION 4 – APPROVAL FOR ISSUE OF SHARES PURSUANT TO PLACEMENT

Resolution 4 seeks Shareholder approval for the allotment and issue of 60,000,000 Shares pursuant to a Placement (“Placement”) to professional and sophisticated investors to be introduced by Petra Capital and BGF Equities to raise up to \$57,000,000.

The effect of Resolution 4 will be to allow the Directors to issue the Shares pursuant to the Placement during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's annual 15% placement capacity.

The following information is provided in relation to the Placement pursuant to and in accordance with Listing Rule 7.3:

- a) the maximum number of Shares to be issued is 60,000,000;

- b) the Shares will be issued at 95 cents each;
- c) the Shares will be issued no later than three (3) months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;
- d) the Shares will be issued to professional and sophisticated investors introduced by Petra Capital and BGF Equities but these persons will not be related parties of the Company;
- e) the Shares are fully paid ordinary shares in the capital of the Company and will rank equally with the Company's current issued Shares; and
- f) the Company intends to use the funds raised from the Placement for capital items to reduce Direct Shipping Ore cash operating costs, improve product quality, increase shipping capacity through improvements to rail and port infrastructure and to fund a refinery bankable feasibility study.

RESOLUTION 5 - ISSUE OF OPTIONS TO ROBERT NASH

Resolution 5 seeks shareholder approval pursuant to Section 208 of the Corporations Act and ASX Listing Rule 10.11 for the grant of 1,000,000 options exercisable at 50 cents on or before 30 November 2013 to Robert Nash or his nominees, for nil consideration ("**Nash Options**").

ASX Listing Rule 10.11

If Resolution 5 is passed, securities will be issued to Robert Nash. Robert Nash is a related party of the Company by virtue of the fact that he is a director of the Company. For this reason, Shareholder approval under Listing Rule 10.11 is required prior to issuing the Nash Options to Robert Nash.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Nash Options as approval is being obtained under Listing Rule 10.11. Shareholders should note that the issue of options to Robert Nash will not be included in the 15% calculation for the purposes of Listing Rule 7.1.

For the purposes of Listing Rule 10.13, the following information is provided in relation to the issue of the Nash Options:

- a) the maximum number of options to be issued by the Company is 1,000,000 Nash Options;
- b) the allottee of the options will be Mr Robert Nash;
- c) the terms of the Nash Options are set out in Annexure A of this Explanatory Statement;
- d) the Nash Options will be issued for free as consideration for performance of work, both previously and into the future, by Robert Nash for the Company and to secure the ongoing commitment of Robert Nash to the continued growth of the Company. The Board considers that the issue of the Nash Options to Mr Nash constitutes valid consideration for work performed for the Company. The total value of the Nash Options is \$583,390 based on the valuation outlined in Table 2 of this Notice below. The Company acknowledges that the grant of the Nash Options to Robert Nash is contrary to recommendation 9.3 of the ASX Good Corporate Governance and Best Practice Recommendations. However the Board considers the grant of the Nash Options to be reasonable in the circumstances, given the necessity to attract the highest calibre of professionals to the Company, whilst maintaining the Company's cash reserves;
- e) the Nash Options will be issued not later than 1 month after the date of this meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules) and it is anticipated that the Nash Options will be issued on one date; and

- f) no funds will be raised from the issue of the Nash Options.

Section 208 of the Corporations Act

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
- b) prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, Directors are considered to be a related party of the Company.

Resolution 5 provides for the grant of options to related parties which is a financial benefit which requires shareholder approval.

For the purpose of Chapter 2E of the Corporations Act the following information is provided:

- a) The options will be issued to Mr Robert Nash or his nominees within one month of the passing of this Resolution.
- b) Mr Robert Nash is a related party of the Company by virtue of being a director of the Company.
- c) The proposed financial benefit is the grant to Mr Nash or his nominees, for no issue price, 1,000,000 options.
- d) Each Nash Option will be exercisable at 50 cents on or before 30 November 2013. The details and valuation of the Nash Options are contained in Table 2 of this Notice.
- e) The terms and conditions of the Nash Options are contained in Annexure A. No funds will be raised from the issue of the Nash Options;
- f) Mr Robert Nash currently has an interest in the following securities in the Company:

Shares	Options
224,900	1,000,000

- g) In the 12 months before the date of this Notice the highest, lowest and latest trading price of Shares on ASX are as set out below:

Highest	\$1.17 on 14 September 2009
Lowest	9.5 cents on 13 October 2008
Last	99.5 cents on 15 September 2009

- h) If shareholders approve the issue of the Nash Options, and all Nash Options are exercised, a total of 1,000,000 Shares would be allotted and issued to Robert Nash. The effect will be to dilute the shareholding of existing Shareholders by approximately 0.67%. The market price for Shares during the term of the Nash Options would normally determine whether or not the Nash Options are exercised. If, at any time the Shares are trading on ASX at a price that is higher than the exercise price of the Nash Options, there may be a perceived cost to the Company;
- i) The Directors and the Company's adviser's have valued the Nash Options in accordance with the Black - Scholes valuation method, outlined in Table 1;

- j) Under the Company's current circumstances, the Directors consider that the incentive to Mr Nash which would be represented by the options would be a cost-effective and efficient reward for the Company as opposed to alternative forms of incentives.
- k) The Directors do not consider that from an economic and commercial point of view, there are any costs or detriments, including opportunity costs or taxation consequences for the Company or benefits foregone by the Company in issuing the options to Directors pursuant to Resolution 5;
- l) Mr Nash is entitled to directors fees of \$40,000 pa plus 9% statutory superannuation.
- m) Robert Nash declines to make a recommendation to shareholders in relation to Resolution 5 due to his material personal interest in the outcome of the Resolution. Neither the Directors nor the Company are aware of any other information that would be reasonably required by shareholders to make a decision in relation to the financial benefits contemplated by Resolution 5.
- n) The other Directors, who do not have a material interest in the outcomes of Resolution 5, recommend that shareholders grant approval to Resolution 5.

RESOLUTIONS 6, 7, 8 AND 9 - ISSUE OF OPTIONS TO DIRECTORS

Resolutions 6, 7, 8 and 9 seek shareholder approval pursuant to Section 208 of the Corporations Act and ASX Listing Rule 10.11 for the grant of:

- a) 2,000,000 Class A Options and 2,000,000 Class B Options to Daniel Tenardi ("**Tenardi Options**");
 - b) 2,000,000 Class A Options and 2,000,000 Class B Options to Luke Atkins ("**Atkins Options**");
 - c) 500,000 Class A Options and 500,000 Class B Options to Neil Lithgow ("**Lithgow Options**"); and
 - d) 500,000 Class A Options and 500,000 Class B Options to Meng Xiangsan ("**Xiangsan Options**"),
- (together "**Director Options**").

ASX Listing Rule 10.11

If Resolutions 6, 7, 8 and 9 are passed, the Director Options above will be issued to Daniel Tenardi, Luke Atkins, Neil Lithgow and Meng Xiangsan ("**Directors**"). The Directors are related parties of the Company by virtue of the fact that they are directors of the Company. For this reason, Shareholder approval under Listing Rule 10.11 is required prior to issuing the Director Options to the Directors.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Director Options as approval is being obtained under Listing Rule 10.11. Shareholders should note that the issue of the Director Options will not be included in the 15% calculation for the purposes of Listing Rule 7.1.

For the purposes of Listing Rule 10.13, the following information is provided in relation to the issue of the Director Options:

- a) the maximum number of options to be issued by the Company is 5,000,000 Class A Options and 5,000,000 Class B Options;
- b) the Class A Options will be exercisable at 90 cents on or before 30 November 2013;

- c) the Class B Options will be exercisable at \$1.10 on or before 30 November 2013;
- d) the Class A and Class B Options will vest upon the commencement of shipping for Direct Shipping Ore operations. (“**Vesting Conditions**”);
- e) subject to the Vesting Conditions, the Director Options will be allotted as follows:
 - (i) 2,000,000 Class A Options and 2,000,000 Class B Options to Daniel Tenardi;
 - (ii) 2,000,000 Class A Options and 2,000,000 Class B Options to Luke Atkins;
 - (iii) 500,000 Class A Options and 500,000 Class B Options to Neil Lithgow; and
 - (iv) 500,000 Class A Options and 500,000 Class B Options to Meng Xiangsan.
- f) the terms of the Director Options are set out in Annexure B of this Explanatory Statement;
- g) the Director Options will be issued for free as consideration for performance of work, both previously and into the future, by the Directors for the Company and to secure the ongoing commitment of the Directors to the continued growth of the Company. The Board considers that the issue of the Director Options to the Directors constitute valid consideration for work performed for the Company. The Company acknowledges that the grant of the Lithgow Options and Xiangsan Options is contrary to recommendation 9.3 of the ASX Good Corporate Governance and Best Practice Recommendations. However the Board considers the grant of the Lithgow Options and Xiangsan Options is reasonable in the circumstances, given the necessity to attract the highest calibre of professionals to the Company, whilst maintaining the Company’s cash reserves;
- h) the details and valuation of the Tenardi Options, Atkins Options, Lithgow Options and Xiangsan Options are contained in Table 2;
- i) the Director Options will be issued within one month of the passing of this Resolution.; and
- j) no funds will be raised from the issue of the Director Options.

Section 208 of the Corporations Act

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
- b) prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, the Directors are considered to be related parties of the Company.

Resolutions 6, 7, 8 and 9 provide for the grant of options to related parties, which is a financial benefit which requires shareholder approval.

For the purpose of Chapter 2E of the Corporations Act the following information is provided:

- a) the proposed financial benefit is the grant to the Directors, for no issue price, the Director Options as follows:
 - (i) 2,000,000 Class A Options and 2,000,000 Class B Options to Daniel Tenardi;
 - (ii) 2,000,000 Class A Options and 2,000,000 Class B Options to Luke Atkins;

- (iii) 500,000 Class A Options and 500,000 Class B Options to Neil Lithgow; and
 - (iv) 500,000 Class A Options and 500,000 Class B Options to Meng Xiangsan.
- b) Messers Daniel Tenardi, Luke Atkins, Neil Lithgow and Meng Xiangsan are related parties of the Company by virtue of being directors of the Company;
 - c) the Class A Options will be exercisable at 90 cents on or before 30 November 2013;
 - d) the Class B Options will be exercisable at \$1.10 on or before 30 November 2013;
 - e) the Class A and Class B Options will vest upon the commencement of shipping for Direct Shipping Ore operations.
 - f) the Director Options will be issued within one month of the passing of this Resolution.
 - g) the Directors and the Company's adviser's have valued the Class A Options in accordance with the Black - Scholes valuation method, outlined in Table 3;
 - h) the Directors and the Company's adviser's have valued the Class B Options in accordance with the Black - Scholes valuation method, outlined in Table 4;
 - i) the details and valuation of the Tenardi Options, Atkins Options, Lithgow Options and Xiangsan Options are contained in Table 2;
 - j) the terms and conditions of the Director Options are contained in Annexure B. No funds will be raised from the issue of the Director Options;
 - k) The Directors currently have interests in the following securities in the Company:

Director	Shares	Options
Daniel Tenardi	1,000,000	2,000,000
Luke Atkins	17,041,667	2,000,000
Neil Lithgow	19,366,666	3,000,000
Meng Xiangsan	Nil	Nil

Notes:

- 1. This consists of 666,666 options exercisable at 55 cents on or before 30 November 2013, 666,666 options exercisable at 45 cents on or before 30 November 2013 and 666,668 options exercisable at 35 cents on or before 30 November 2013.
- l) In the 12 months before the date of this Notice the highest, lowest and latest trading price of Shares on ASX are as set out below:

Highest	\$1.17 on 14 September 2009
Lowest	9.5 cents on 13 October 2008
Last	99.5 cents on 15 September 2009

- m) If shareholders approve the issue of the Director Options, the Vesting Conditions are satisfied and all Director Options are exercised, a total of 10,000,000 Shares would be allotted and issued to the Directors. The effect will be to dilute the shareholding of existing Shareholders by approximately 6.2% (this calculation does not take into account the issue of Shares pursuant to Resolutions 2, 3 and 4). The market price for Shares during the term of the Director Options would normally determine whether or not the Director Options are exercised. If, at any time the Shares are trading on ASX at a price that is higher than the exercise price of the Director Options, there may be a perceived cost to the Company;

- n) Under the Company's current circumstances, the Directors consider that the incentive to the Directors which would be represented by the Director Options would be a cost-effective and efficient reward for the Company as opposed to alternative forms of incentives. The Board does not consider that from an economic and commercial point of view, there are any costs or detriments, including opportunity costs or taxation consequences for the Company or benefits foregone by the Company in issuing the options to Directors pursuant to Resolutions 6, 7, 8 and 9;
- o) The Directors are entitled to remuneration as follows:

Director	Remuneration
Daniel Tenardi	\$350,000 annual salary package plus one off performance bonus of \$750,000
Luke Atkins	\$286,000 annual consultancy fee
Neil Lithgow	\$40,000 director's fees plus super.
Meng Xiangsan	\$40,000 directors fees

- p) Daniel Tenardi declines to make a recommendation to shareholders in relation to Resolution 6 due to his material personal interest in the outcome of the Resolution. Neither the Directors nor the Company are aware of any other information that would be reasonably required by shareholders to make a decision in relation to the financial benefits contemplated by Resolution 6. The other Directors, who do not have a material interest in the outcome of Resolution 6, recommend that shareholders grant approval to Resolution 6;
- q) Luke Atkins declines to make a recommendation to shareholders in relation to Resolution 7 due to his material personal interest in the outcome of the Resolution. Neither the Directors nor the Company are aware of any other information that would be reasonably required by shareholders to make a decision in relation to the financial benefits contemplated by Resolution 7. The other Directors, who do not have a material interest in the outcome of Resolution 7, recommend that shareholders grant approval to Resolution 7;
- r) Neil Lithgow declines to make a recommendation to shareholders in relation to Resolution 8 due to his material personal interest in the outcome of the Resolution. Neither the Directors nor the Company are aware of any other information that would be reasonably required by shareholders to make a decision in relation to the financial benefits contemplated by Resolution 8. The other Directors, who do not have a material interest in the outcome of Resolution 8, recommend that shareholders grant approval to Resolution 8;
- s) Meng Xiangsan declines to make a recommendation to shareholders in relation to Resolution 9 due to his material personal interest in the outcome of the Resolution. Neither the Directors nor the Company are aware of any other information that would be reasonably required by shareholders to make a decision in relation to the financial benefits contemplated by Resolution 9. The other Directors, who do not have a material interest in the outcome of Resolution 9, recommend that shareholders grant approval to Resolution 9.

Table 1 - Black Scholes Valuation of the Nash Options

Details	Input
Share price	99.5 cents
Exercise Price	50 cents
Risk Free Rate (Official RBA Cash Rate)	3%
Volatility (Annualised)	35%
Time (years) to expiry	4.21
Start Date	18 September 2009

Table 2 – Details and Valuation of Options

Director	Number of options	Exercise price	Expiry date	Vesting	Indicative value as determined by Black-Scholes valuation \$
Robert Nash	1,000,000	50 cents	30 Nov 2013	Immediate	583,390
Daniel Tenardi	2,000,000	90 cents	30 Nov 2013	Upon commencement of DSO shipping	726,343
Daniel Tenardi	2,000,000	\$1.10	30 Nov 2013	Upon commencement of DSO shipping	576,201
Luke Atkins	2,000,000	90 cents	30 Nov 2013	Upon commencement of DSO shipping	726,343
Luke Atkins	2,000,000	\$1.10	30 Nov 2013	Upon commencement of DSO shipping	576,201
Neil Lithgow	500,000	90 cents	30 Nov 2013	Upon commencement of DSO shipping	181,580
Neil Lithgow	500,000	\$1.10	30 Nov 2013	Upon commencement of DSO shipping	144,050
Meng Ziangsan	500,000	90 cents	30 Nov 2013	Upon commencement of DSO shipping	181,580
Meng Ziangsan	500,000	\$1.10	30 Nov 2013	Upon commencement of DSO shipping	144,580

Table 3 - Black Scholes Valuation of the Class A Options

Details	Input
Share price	99.5 cents
Exercise Price	90.0 cents
Risk Free Rate (Official RBA Cash Rate)	3%
Volatility (Annualised)	35%
Time (years) to expiry	4.20
Start Date	18 September 2009

Table 4 - Black Scholes Valuation of the Class B Options

Details	Input
Share price	99.5 cents
Exercise Price	110.0 cents
Risk Free Rate (Official RBA Cash Rate)	3%
Volatility (Annualised)	35%
Time (years) to expiry	4.20
Start Date	18 September 2009

Annexure A

BAUXITE RESOURCES LIMITED

Terms and Conditions of Nash Options

- a) Each Nash Option entitles the holder to one ordinary fully paid share on exercise of the Nash Option.
- b) The Nash Options may be exercised immediately.
- c) The Nash Options shall expire at 5:00pm WST on 30 November 2013 (the Expiry Date).
- d) the Nash Options shall be exercisable at any time up to and including the Expiry Date by completing the Option Exercise Form and provide payment for the number of Shares in respect of which the Options are exercised to the registered office of the Company.
- e) The exercise price of the Nash Options is \$0.50 per Option.
- f) The Nash Options are not transferable except to an associate of the Option holder and application will not be made to the ASX for Official Quotation of the Nash Options.
- g) All ordinary fully paid shares issued upon exercise of Nash Options will rank pari passu in any respects with the Company's then issued ordinary fully paid shares. The Company will apply for Official Quotation by the ASX of all shares issued upon exercise of Nash Options.
- h) There are no participating rights and entitlements inherent in the Nash Options and Option holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Options without exercising their Options. However, the Company will ensure that Option holders will be allowed 10 business days notice to convert their Options to Shares to participate in an entitlement issue on the same basis as ordinary shareholders.
- i) In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the Expiry Date, the number of Options or the exercise price of the Options or both shall be reconstructed in accordance with the Listing Rules.
- j) Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu of, or in satisfaction of, dividends or by way of dividend reinvestment):

- i) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Option holder would have received if the Option holder had exercised the Option before the record date for the bonus issue; and
 - ii) no change will be made to the exercise price.
- k) Adjustment for rights issue

If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu of in satisfaction of dividends or by way of dividend reinvestment) the exercise price of an Option will be reduced according to the following formula:

$$\text{New exercise price} = O - \frac{E [P - (S + D)]}{N + 1}$$

O = the old Exercise Price of the Option.

E = the number of underlying Shares into which one Option is exercisable.

P = average market price per Share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.

S = the subscription price of a Share under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).

N = the number of Shares with rights or entitlements that must be held to receive a right to one new share.

- l) If the Option holder or their associate ceases to be a Director of the Company, the Nash Options may be exercised by the Option holder within 60 days of the cessation, provided they are still eligible to be exercised under Clauses (b) and (c).

Annexure B

BAUXITE RESOURCES LIMITED

Terms and Conditions of Director Options

- a) Each Director Option entitles the holder to one ordinary fully paid share on exercise of the Director Option.
- b) The Director Options shall expire at 5:00pm WST on 30 November 2013 (the Expiry Date).
- c) The Director Options shall be exercisable at any time after the satisfaction of the relevant Vesting Condition and prior to and including the Expiry Date by completing the Option Exercise Form and provide payment for the number of Shares in respect of which the Options are exercised to the registered office of the Company.
- d) The exercise price of the Class A Options is \$0.90 per Option.
- e) The exercise price of the Class B Options is \$1.10 per Option.
- f) The Class A Options will vest upon the Company commencing DSO shipping.
- g) The Class B Options will vest upon the Company commencing DSO shipping.
- h) The Director Options are not transferable except to an associate of the Option holder and application will not be made to the ASX for Official Quotation of the Director Options.
- i) All ordinary fully paid shares issued upon exercise of the Director Options will rank pari passu in any respects with the Company's then issued ordinary fully paid shares. The Company will apply for Official Quotation by the ASX of all shares issued upon exercise of Options.
- j) There are no participating rights and entitlements inherent in the Director Options and Option holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Options without exercising their Options. However, the Company will ensure that Option holders will be allowed 10 business days notice to convert their Options to Shares to participate in an entitlement issue on the same basis as ordinary shareholders.
- k) In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the Expiry Date, the number of Director Options or the exercise price of the Director Options or both shall be reconstructed in accordance with the Listing Rules.
- l) Adjustment for bonus issues of Shares
If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu of, or in satisfaction of, dividends or by way of dividend reinvestment):
 - i) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Option holder would have received if the Option holder had exercised the Option before the record date for the bonus issue; and
 - ii) no change will be made to the exercise price.
- m) Adjustment for rights issue
If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu of in satisfaction of dividends or by way of dividend reinvestment) the exercise price of an Option will be reduced according to the following formula:
$$\text{New exercise price} = O - \frac{E [P - (S + D)]}{N + 1}$$

O = the old Exercise Price of the Option.
E = the number of underlying Shares into which one Option is exercisable.
P = average market price per Share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.
S = the subscription price of a Share under the pro rata issue.
D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).
N = the number of Shares with rights or entitlements that must be held to receive a right to one new share.
- n) If the Option holder or their associate ceases to be a Director of the Company, the Director Options may be exercised by the Option holder within 60 days of the cessation, provided they are still eligible to be exercised under Clauses (b) and (c).

BAUXITE RESOURCES LIMITED

**ACN 119 699 982
PROXY FORM**

The Company Secretary
Bauxite Resources Limited
PO Box 6664
EAST PERTH WA 6892

Facsimile: +61 8 9221 4385

I/We (name of shareholder)
of (address)
being a member/members of Bauxite Resources Limited HEREBY APPOINT
(name)
of (address)
and/or failing them (name)
of (address)

or failing that person then the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the General Meeting of the Company to be held on 26 October 2009 and at any adjournment of the meeting.

PROXY INSTRUCTIONS

If you wish to instruct your proxy how to vote, insert "X" in the appropriate column against the item of business set out below.
If the Chair of the Meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote please place a mark in the box. By marking this box, you acknowledge that the Chair may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as a proxy holder will be disregarded because of that interest.
If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution.
The Chair has advised that his intention is to vote in favour of all resolutions.



Should you so desire to direct the Proxy how to vote, you should place a cross in the appropriate box(es) below:

I/We direct my/our Proxy to vote in the following manner:

	FOR	AGAINST	ABSTAIN
Resolution 1 – Election of Meng Xiangsan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Ratification of share issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Approval of Placement of shares to Yankuang Group Corporation Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Approval of issue of shares pursuant to Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 – Issue of options to Robert Nash	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 – Issue of options to Daniel Tenardi	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 – Issue of options to Luke Atkins	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8 – Issue of options to Neil Lithgow	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9 – Issue of options to Meng Xiangsan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If no directions are given my proxy may vote as the proxy thinks fit or may abstain.

***This Proxy is appointed to represent _____ % of my voting right, or if 2 proxies are appointed
Proxy 1 represents _____ % and Proxy 2 represents _____ % of my total votes
My total voting right is _____ shares***

Dated: _____

If the shareholder is an individual/s:

If the shareholder is a company:

Signature: _____

Director/Sole Director and Secretary

Print name: _____

Print name _____

Signature: _____

Director/Secretary: _____

Print name: _____

Print name: _____

INSTRUCTIONS FOR APPOINTMENT OF PROXY

1. A shareholder entitled to attend and vote is entitled to appoint no more than two proxies to attend and vote at this Annual General Meeting as the shareholder's proxy. A proxy need not be a shareholder of the Company.
2. Where more than one proxy is appointed, each proxy must be appointed to represent a specific proportion of the shareholder's voting rights. If such appointment is not made then each proxy may exercise half of the shareholder's voting rights. Fractions shall be disregarded.
3. The proxy form must be signed personally by the shareholder or his attorney, duly authorised in writing. If a proxy is given by a corporation, the proxy must be executed in accordance with its constitution or its duly authorised attorney. In the case of joint shareholders, this proxy must be signed by each of the joint shareholders, personally or by a duly authorised attorney.
4. If a proxy is executed by an attorney of a shareholder, then the original of the relevant power of attorney or a certified copy of the relevant power of attorney, if it has not already been noted by the Company, must accompany the proxy form.
5. To be effective, forms to appoint proxies must be received by the Company no later than 48 hours before the time appointed for the holding of this Annual General Meeting **that is by 9:30am WST on 24 October 2009** by post or facsimile to:

By Post: Bauxite Resources Limited
PO Box 6664
EAST PERTH WA 6892

By Fax: +61 8 9221 4385

6. If the proxy form specifies a way in which the proxy is to vote on any of the resolutions stated above, then the following applies:
 - a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way; and
 - b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
 - c) if the proxy is the Chairperson, the proxy must vote on a poll and must vote that way, and
 - d) if the proxy is not the Chairperson, the proxy need not vote on a poll, but if the proxy does so, the proxy must vote that way.

If a proxy is also a shareholder, the proxy can cast any votes the proxy holds as a shareholder in any way that the proxy sees fit