
BAUXITE RESOURCES LIMITED**ACN 119 699 982****NOTICE OF EXTRAORDINARY GENERAL MEETING**

TIME: 10:00am (WST)

DATE: Monday 18 January 2016

PLACE: Conference Room
Garden Office Park
355 Scarborough Beach Road
Osborne Park WA

Free parking is available for 2 hours under the building. Cars enter from Scarborough Beach Road.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9200 8200.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

Notice is given that the Extraordinary General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 10:00am (WST) on 18 January 2016 at:

Conference Room
Garden Office Park
355 Scarborough Beach Road
Osborne Park WA

YOUR VOTE IS IMPORTANT

The business of the Extraordinary General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the Extraordinary General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

- (a) post to Bauxite Resources Limited, PO Box 1315, Osborne Park, DC WA 6916; or
- (b) facsimile to the Company on facsimile number (+61 8) 9200 8299; or
- (c) email to the Company at smiddlemas@bauxiteresources.com.au,

so that it is received not later than 10.00am (WST) on 16 January 2016

Proxy Forms received later than this time will be invalid.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to

exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (ie as directed); and
- 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
- if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (ie as directed); and
- if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (ie as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting; or
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

BUSINESS OF THE EXTRAORDINARY GENERAL MEETING

Notice is given that an Extraordinary General Meeting of Shareholders will be held at 10.00am (WST) on 18 January 2016 at the Conference Room, The Garden Office Park, 355 Scarborough Beach Road, Osborne Park, WA.

The Explanatory Statement provides additional information on matters to be considered at the Extraordinary General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Extraordinary General Meeting are those who are registered Shareholders at 10.00am (WST) on 16 January 2016.

Terms and abbreviations used in this Notice of Meeting are defined in the Glossary.

AGENDA

ORDINARY BUSINESS

1. RESOLUTION 1 – APPROVAL OF CHANGE TO SCALE OF ACTIVITIES – SALE OF ASSETS TO YANKUANG RESOURCES PTY LTD

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

“That, subject to the passing of Resolution 2, for the purpose of ASX Listing Rule 11.1.2 and for all other purposes, Shareholders approve the significant change to the scale of the Company’s activities through the sale by the Company and its wholly-owned subsidiaries of their interest in the Alumina Refinery Joint Venture, the Resource Joint Venture and other related assets to Yankuang Resources Pty Ltd on the terms and conditions set out in the Explanatory Statement.”

| |
|---|
| <p>Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed or any of their Associates. 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 the 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.</p> |
|---|

2. RESOLUTION 2 – SELECTIVE BUY BACK OF YANKUANG SHARES

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

“That, subject to the passing of Resolution 1, for the purposes of Section 257D(1)(a) of the Corporations Act and for all other purposes, approval be given for the Company to conduct a selective share buy-back of 19,700,000 Shares from Yankuang Resources Pty Ltd on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Yankuang and any of its Associates. 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 the 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.

DATED: 4 DECEMBER 2015

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read "Sam Middlemas". The signature is written in a cursive, flowing style.

**MR SAM MIDDLEMAS
COMPANY SECRETARY**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions which are the subject of the business of the Meeting.

RESOLUTION 1 – APPROVAL OF SALE OF MAJOR ASSET TO YANKUANG

Background

The Company, Yankuang Group Company Limited and Yankuang Resources Pty Ltd (**Yankuang**) entered into detailed joint venture agreements on 23 January 2011, namely the Resource Joint Venture Agreement (**RJVA**) and the Alumina Refinery Joint Venture Agreement (**ARJVA**) for the development of bauxite mining and alumina refining capacity in Western Australia. Under the terms of the joint venture agreements Yankuang agreed to fund 90% of the Refinery BFS funding costs and also agreed to fund, if feasible, 91% of the CAPEX in any refinery development with the remaining 9% being funded by the Company. Under the ARJVA operating costs of any refinery development would be shared on a 70/30 basis in line with the bauxite interest of the parties in the RJVA. In return for the favourable funding arrangements the Company provided a substantial tenement package for exploration and remained with a 30% share in bauxite under the RJVA.

As at the date of this notice, limited studies have been undertaken under the RJVA and no feasibility study has commenced under the ARJVA.

As announced to the market on 19 May 2015, the Company issued a notice of dispute to Yankuang pursuant to the terms of the RJVA and the ARJVA in relation to the parties not being able to agree the Annual Program and Budget for 2015/2016.

Following a period of unsuccessful negotiation the parties engaged a mediator to assist them to mediate the issues between both parties. Through the mediation process it became apparent that the parties have fundamental differences as to the performance, timing and scope of their obligations under the joint ventures.

As a junior mining company, the Company's Board considered that given the ongoing financial burden of properly maintaining, protecting and progressing its joint venture project interests, it could only justify the ongoing substantial cash outflows if it could be reasonably satisfied that material progress in the development of the joint venture projects was going to be achieved in the short to medium term. The Board felt it could no longer be satisfied that was the case.

In addition to the above, the Board considered that the economic progression and advancement of the 100% owned Fortuna project was very much tied to being undertaken in tandem with the neighbouring joint venture development of the Felicitas resource, given the substantial overlap in terms of community engagement, common landowner engagement, EPA referrals, access and utilization of rail infrastructure, and other logistical and regulatory requirements.

Subsequent to the mediation, the parties engaged in further negotiations which have led to them reaching an agreement to end their joint venture relationship, through the sale of the Company's interests in the joint ventures and the Company's 100% interest in the Fortuna tenements to Yankuang. The agreement is contained in a number of transaction documents (**Transaction Documents**) the parties have executed which are as follows:

- (a) a Sale and Purchase Agreement dated 30 November 2015 between the Company, Darling Range Pty Ltd (**DRPL**), Darling Range North Pty Ltd

(**DRNPL**), Darling Range South Pty Ltd (**DRSPL**) (each being wholly-owned subsidiaries of the Company), Yankuang, Yankuang Group Company Limited and Bauxite Alumina Joint Ventures Pty Ltd (**BAJV**) (**SPA**);

- (b) a Royalty Deed dated 30 November 2015 between the Company, Yankuang and BAJV (**Royalty Deed**) (with the obligations under the Royalty Deed secured by a mining mortgage over the relevant tenements);
- (c) a Deed of Release dated 30 November 2015 between the Company, Yankuang, Yankuang Group Company Limited and BAJV (**Deed of Release**); and
- (d) a Buy-Back Agreement dated 30 November 2015 between the Company and Yankuang in which the Company will buy-back all of Yankuang's 19,700,000 Shares (**Buy-Back Agreement**).

An entity must comply with Chapter 11 of the Listing Rules if it proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities.

Completion of the transactions under the Transaction Documents will result in the Company (and its wholly-owned subsidiaries) selling to Yankuang a number of assets which will result in a significant change to the 'scale' of the Company's activities. Accordingly, shareholder approval is being sought under Listing Rule 11.1.2. The ASX has confirmed that it does not propose to exercise its discretion under Listing Rule 11.1.3 which would require the Company to re-comply with the ASX listing requirements set out in Chapters 1 and 2 of the Listing Rules.

The key terms of the Transaction Documents (other than the Buy-Back Agreement) are set out below. Details of the Buy-Back Agreement are contained in the Explanatory Statement for Resolution 2.

Key terms

SPA

The Company and DRPL, DRNPL and DRSPL (**Company Group**) will sell to Yankuang (as applicable):

- (i) the Company Group's joint venture interest in the ARJVA and the RJVA;
- (ii) all right, title and interest of the Company Group in and to the tenements set out in Schedule 1; and
- (iii) all of the shares in BAJV held by the Company.

The Company will also sell to Yankuang the right to explore for bauxite on exploration licence E70/2230 and all other rights and interest of the Company under and on the terms of the agreement between the Company and Mercator Metals Pty Ltd dated 10 February 2011 (**E70/2230 Interest**). However, the sale of the E70/2230 Interest is subject to Mercator Metals Pty Ltd consenting to the sale and entering into a deed of assumption (**E70/2230 Deed of Assumption**) with the Company and Yankuang in respect of the sale. If the E70/2230 Deed of Assumption is not executed by the parties within 90 days after completion under the SPA, the E70/2230 Interest will not be sold under the SPA and there will be no adjustment to the purchase price payable under the SPA, but there will be an adjustment to the "Bauxite Limit" under the Royalty Deed (see below).

The SPA also requires that the Company (or its relevant subsidiary) transfers to Yankuang (or its nominee) the tenement applications set out in Schedule 1 once those tenements have been granted.

Yankuang will pay the Company Group \$7,150,000.00 and enter into the Royalty Deed as consideration for the above transactions. These funds were deposited into a Trust Account on the date of the signing of the Transaction Documents and will be held on trust pending satisfaction of the approved conditions and completion.

With effect from completion:

- (i) the RJVA, the ARJVA and each project document relating to those joint ventures will be deemed to be terminated; and
- (ii) the Yankuang group will no longer have any right to appoint a director to the board of the Company.

The SPA is conditional on:

- (i) Australian Foreign Investment Review Board approval (which Yankuang's lawyers have advised has already been received);
- (ii) the Company's Shareholders approving this Resolution 1;
- (iii) the Company's Shareholders approving the selective buy-back of all of Yankuang's Shares in the Company (being not less than 19,700,000 Shares) which is the subject of Resolution 2 and which is detailed in this Explanatory Statement for Resolution 2; and
- (iv) Yankuang obtaining approval from the State-Owned Assets Supervision Administration Commission in the PRC in relation to the acquisition.

Royalty Deed

- (a) Yankuang will pay to the Company a royalty equal to 0.9% of the FOB price paid in respect of the sales or transfers of bauxite extracted from the area of the tenements listed in Schedule 1 of the Royalty Deed. Yankuang will only pay the royalty in respect of bauxite extracted from E70/2230 if the E70/2230 Deed of Assumption is executed by the time required under the SPA.
- (b) The royalty is payable on bauxite up to the "Bauxite Limit", which is the first 100,000,000 tonnes of bauxite extracted or, if the E70/2230 Deed of Assumption is not executed by the time required under the SPA, the first 87,000,000 tonnes of bauxite extracted.
- (c) The royalty is secured by a first ranking mining mortgage over these tenements in favour of the Company.

Deed of Release

Subject to completion occurring under the SPA, each party will release and discharge each other from all claims and liabilities in relation to the respective joint ventures, the relevant project documents relating to those joint ventures and in relation to Yankuang as a shareholder of the Company.

Timetable for completion

Completion under the SPA will take place 5 business days (or sooner) after all conditions precedent to the transaction have been satisfied. Completion under the buy-back the subject of Resolution 2 will occur at the same time as completion under the SPA. The buy-back consideration is \$1,150,000.00 (refer to this Explanatory Statement for Resolution 2 below for further information).

At completion, there will be an adjustment for 'cash calls' held by the ARJVA and RJVA in respect of activities scheduled to take place after completion. The Company's interest in such 'cash calls' will be refunded to the Company immediately prior to completion. Any adjustment amounts payable to Yankuang in respect of such 'cash calls' will be dealt with after completion.

Financial effect of the transaction on the Company

The impact of the transactions contemplated by this Resolution 1 on the Company's balance sheet is set out in the pro-forma balance sheet below.

Bauxite Resources Limited – Pro forma Balance Sheet as at 30 June 2015 assuming the proposed Resolutions 1 and 2 relating to the sale of the Yankuang JV and the share buyback had been completed

| | Consolidated Group Audited 30 June 2015 \$ | Proforma Adjustments \$ | Consolidated Group Proforma 30 June 2015 \$ |
|----------------------------------|---|-------------------------------|--|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 22,998,193 | 6,000,000 | 28,998,193 |
| Trade and other receivables | 735,996 | | 735,996 |
| TOTAL CURRENT ASSETS | 23,734,189 | | 29,734,189 |
| NON CURRENT ASSETS | | | |
| Other financial assets | 360,358 | | 360,358 |
| Property, plant and equipment | 3,515,396 | | 3,515,396 |
| Intangible assets | 0 | | 0 |
| TOTAL NON CURRENT ASSETS | 3,875,754 | | 3,875,754 |
| TOTAL ASSETS | 27,609,943 | | 33,609,943 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 226,230 | | 226,230 |
| Provisions | 79,781 | | 79,781 |
| TOTAL CURRENT LIABILITIES | 306,011 | | 306,011 |
| TOTAL LIABILITIES | 306,011 | | 306,011 |
| NET ASSETS | 27,303,932 | | 33,303,932 |
| EQUITY | | | |
| Contributed equity | 78,401,613 | (1,150,000) | 77,251,613 |
| Reserves | 690,892 | | 690,892 |
| Accumulated losses | (51,788,573) | 7,150,000 | (44,638,573) |
| TOTAL EQUITY | 27,303,932 | 6,000,000 | 33,303,932 |

Notes:

1. Sale of interest in Yankuang JV for a cash consideration of \$7,150,000
2. Buyback of 19,700,000 shares from Yankuang for \$1,150,000

The Company will increase its cash position by a gross amount of \$7,150,000.00 (subject to any adjustments) and will be required to pay Yankuang \$1,150,000.00 to acquire its Shares under the buy-back contemplated by Resolution 2.

No securities will be issued by the Company under this Resolution 1, however as Resolutions 1 and 2 are inter-dependant, if the buy-back contemplated by Resolution 2 is approved, the Company will buy-back all of Yankuang's Shares (being 19,700,000 Shares). This will reduce the Company's share capital accordingly.

Reasons for the sale

The Directors believe that the sale of the assets to Yankuang is in the best interests of the Company. A summary of the advantages and disadvantages of the transaction are set out below for Shareholders to consider

Advantages

- (a) the sale allows the Company to exit the otherwise 'deadlocked' joint ventures with Yankuang;
- (b) the sale will significantly reduce the Company's expenditure commitments under its exploration tenements;
- (c) the sale increases the Company's cash position at a time when the availability of raising capital is relatively difficult, which will enable the Company to consider other acquisitions that the Directors believe would add value to Shareholders and/or make capital returns to shareholders; and
- (d) gives the Company an ongoing interest in the Felicitas and Fortuna projects through the Royalty Deed.

Disadvantages

- (a) the Company will not be able to participate any further in, or derive any future potential benefit from, the joint ventures and the assets, other than the royalty payable under the Royalty Deed;
- (b) the sale involves the Company selling a significant part of its principal assets, which may not be consistent with the investment objectives of all Shareholders; and
- (c) there is a risk that the Company may not be able to locate other suitable investments within a reasonable timeframe.

Ongoing activities

The Company's assets following completion of the sale will comprise of:

- (a) an interest in the HD Mining Joint Venture with a subsidiary of the Shandong Bureau of Mineral Exploration and Geology under which HD Mining Pty Limited is currently earning in up to a maximum of a 60% interest in the resources under this joint venture which currently total 87.8 million tonnes. The Company is fully carried under this joint venture up until a decision to mine is made; and
- (b) a total of 8 tenements (7 granted) with rights to bauxite and other minerals.

Following completion of this transaction, if approved, the Company will continue its current exploration activities under the HD Mining Joint Venture, and its other wholly owned tenements. It will also continue to be looking to monetise its interest in the

remaining tenements both in its own name and in the joint venture with HD Mining through a sale or subsequent development as has been previously advised. The Company will have substantial cash assets which leave it well placed to evaluate the best manner in which to maximise returns to shareholders which may include various capital management initiatives, taking advantage of deep value investment opportunities in the current depressed market environment, or a combination of the two.

What happens if the transaction does not proceed?

If the transaction with Yankuang does not proceed (for example, if the required Shareholder approval is not obtained or the transaction is not approved by regulatory bodies in China) the Company will continue to assess its position under the RJVA and the ARJVA and try to resolve the current deadlock with Yankuang under those joint ventures. This will involve further costs to the Company and there is a significant risk that the current deadlock may not ultimately be resolved within a reasonable time which may lead to litigation in the future. Further delays will also result in the joint venture projects not progressing as intended.

Director recommendation

As at the date of this Notice, the Directors have a relevant interest in the securities of the Company as follows:

| Director | Shares |
|------------------|--------------|
| Robert Nash | 274,900 |
| Luke Atkins | 17,517,753 |
| Neil Lithgow | 19,366,666 |
| Cunliang Lai* | 19,700,000* |
| Zhaozhong Wang** | 19,700,000** |

*Shares held by Yankuang Resources Pty Ltd
 **Shares held by HD Mining Pty Ltd.

Each Director (other than Cunliang Lai) recommends that Shareholders vote in favour of this Resolution 1.

Cunliang Lai has chosen not to make a recommendation to Shareholders given his status as nominee director of Yankuang.

A voting exclusion for this Resolution 1 is set out in the Notice.

RESOLUTION 2 – SELECTIVE BUYBACK OF YANKUANG SHARES

a. Background

As announced to the market on 30 November 2015, the Company and Yankuang have entered into the Buy-Back Agreement in which the Company will buy-back all of Yankuang's 19,700,000 Shares.

The Buy-Back Agreement is conditional on Shareholders approving this Resolution 2 and forms part of the suite of documents entered into in relation to the transaction.

The key terms of the Buy-Back Agreement are summarised below.

b. Reasons for Resolution 2

Section 257D(1)(a) of the Corporations Act has the effect that Shareholders must approve the terms of the Buy-Back Agreement by passing a special resolution at a general meeting of Shareholders, with no votes being cast in favour of this Resolution 2 by Yankuang or any of its Associates, before the Company can complete the buy-back of the Buy-Back Shares under it.

This Resolution 2 will be passed by Shareholders as a special resolution if 75% of the votes cast by Shareholders present and eligible to vote (whether in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative) are in favour of it.

Resolution 2 seeks this approval from Shareholders.

c. Interdependence of Resolutions 1 and 2

As noted above, Resolutions 1 and 2 are inter-dependent.

If Resolution 1 is not passed by Shareholders, then this Resolution 2 will not become effective, the obligations of the parties under the Transaction Documents will not become binding and the transactions under them will not be completed.

Similarly, if this Resolution 2 is not passed by Shareholders, then the obligations of the parties under the Transaction Documents will not become binding and the transactions under them will not be completed.

d. Summary of Buy-Back Agreement

The key terms of the Buy-Back Agreement are as follows.

- i. The Company will buy-back the Buy-Back Shares off-market for a price of \$1,150,000 (equivalent to approximately 5.84 cents per shares).
- ii. The Company's obligation to complete the buy-back of the Buy-Back Shares is conditional on Shareholders approving this Resolution 2 and also the SPA becoming unconditional in accordance with its terms.
- iii. If Shareholders approve this Resolution 2 and the SPA becomes unconditional, the Company must buy-back the Buy-Back Shares at completion under the SPA (see above) by paying Yankuang \$1,150,000.
- iv. The Company must cancel the Buy-Back Shares as soon as practicable after completion of the buy-back.

e. Reasons for the selective buy-back

As part of the Company's exit from the joint venture arrangements with Yankuang, the Company and Yankuang agreed that the Company would buy-back the Buy-Back Shares for \$1,150,000 and Yankuang's nominee director will resign from the board of the Company.

f. Financial effect of the selective buy-back on the Company

The Company will use part of the \$7,150,000.00 paid by Yankuang in accordance with the SPA to buy-back the Buy-Back Shares.

The impact of the buy-back of the Buy-Back Shares on the Company's balance sheet is set out in the pro-forma balance sheet set out above in the Explanatory Statement for Resolution 1 under the heading "Financial effect of the transaction on the Company".

g. Impact on control

As at the date of this Notice, Yankuang holds approximately an 8.42% interest in the Company and is the Company's equal largest Shareholder.

The buy-back and subsequent cancellation of the Buy-Back Shares will cancel Yankuang's shareholding in the Company and will also reduce the Company's share capital from 234,002,336 Shares to 214,302,336 Shares

Accordingly, the buy-back of the Buy-Back Shares will cause each Shareholder's voting power in the Company to increase proportionately to the reduction in the number of Shares on issue as a result of the cancellation of the Buy-Back Shares.

There will not be a significant impact on control of the Company following completion of the buy-back.

h. Advantages and disadvantages of the selective buy-back

As resolutions 1 and 2 are interdependent and form part of the same overall transaction with Yankuang, the advantages and disadvantages set out above are equally applicable to the buy-back contemplated by resolution 2.

i. What if the selective buy-back does not proceed?

See above.

j. Company's Share price

The Company will pay Yankuang \$1,150,000 for the Buy-Back Shares, which equates to a price of approximately \$0.058 per Share. The closing price of Shares as at the date of the Notice was \$0.083 per Share. (At the time the agreement was negotiated namely 21 October 2015 the closing share price was \$0.062 per share).

k. Capital structure of the Company after the buy-back

Following completion of the buy-back, the capital structure of the Company will be as follows (assuming there have been no further changes in the Company's capital since the date of this notice):

| Security | Before buy-back | After buy-back |
|---|------------------------|-----------------------|
| Ordinary shares | 234,002,336 | 214,302,336 |
| Unlisted options (exercisable at 36 cents per share prior to 22/2/2016) | 2,000,000 | 2,000,000 |
| Performance rights | 120,000 | 120,000 |

I. Directors' recommendation

The independent Directors of the Company (being all Directors other than Mr. Cunliang Lai) unanimously support the buy-back and recommend that Shareholders vote in favour of Resolution 2.

As at the date of this Notice, the closing price of the Company's Shares on ASX was \$0.083 per Share. The buy-back transaction prices the Buy-Back Shares at approximately \$0.058 per Share which reflects that the Company is not paying a premium for the Buy-Back Shares but is essentially paying the market price to Yankuang for the Buy-Back Shares at the time the Transaction Documents were negotiated (unaffected by the announcement to the market of the terms of the Transaction Documents). The price paid to Yankuang for the Buy-Back Shares is also substantially lower than the "cash backing" of the Company's Shares, which values the Shares (on a cash backed basis) at approximately \$0.098 per Share before completion of the transaction.

The independent Directors consider that one of the main advantages of the buy-back (and the broader settlement with Yankuang) is that it provides an efficient and practical solution for settling the transaction in a timely manner. The independent Directors also consider that the buy-back will:

- (a) enhance the Company's financial strength and flexibility;
- (b) enable the Directors to give consideration to future capital management initiatives;
- (c) provide an opportunity for the Company to take advantage of the depressed market conditions to consider well priced potential acquisitions provided they substantially enhance shareholder value; and
- (d) not have any material adverse effects on the solvency of the Company, or adversely impact on the Company's shareholders or its creditors

Cunliang Lai does not make a recommendation to Shareholders given his status as a nominee director of Yankuang.

GLOSSARY

\$ means Australian dollars.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given in the Corporations Act.

ASX means ASX Limited.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Buy-Back Agreement has the meaning given in the Explanatory Memorandum for Resolution 2.

Chair means the chair of the Meeting.

Company or **Bauxite Resources** means Bauxite Resources Limited (ACN 119 699 982).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

Extraordinary General Meeting or **Meeting** means the meeting convened by the Notice.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Proxy Form means the proxy form accompanying the Notice.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

WST means Western Standard Time as observed in Perth, Western Australia.

Schedule 1 – Tenements

| Tenement | Location |
|--------------------------|-----------------|
| Granted Tenements | |
| E70/3366 | Mackrin Hill |
| E70/3730 | Bakers Hill |
| E70/3002-I | Berry Brow |
| E70/3007-I | Gillingarra |
| E70/3064-I | Bindoon |
| E70/3159-I | Jimperding |
| E70/3432-I | West Toodyay |
| E70/3598-I | Coolingoort |
| E70/3731-I | Bakers Hill |
| E70/3900-I | Jimperding Hill |
| E70/4021-I | Miwana |
| E70/4022-I | Boononging |
| E70/3651-I | Mt Talbot |
| E70/3488 | Kokendin |
| E70/3565 | Dinninup |
| E70/3573 | Condinup |
| E70/3624 | Mokup Hill |
| E70/3644 | Moodiarrup |
| Applications | |
| E70/3193 | Beechina |
| E70/3206 | Mt Gorrie |
| E70/3528 | Avon Valley |
| E70/3537 | Bald Hill |
| E70/3707 | Trig Road |
| E70/4010 | Woorooloo |

| Tenement | Location |
|-----------------|-----------------|
| E70/4011 | Keating Road |
| E70/3485 | Taurus |
| E70/3486 | Coodjatotine |
| E70/3746 | Dryandra |
| E70/3471 | Boyup Brook |
| E70/3472 | Maidebring |
| E70/3102 | Collie Road |
| E70/3194 | Jarrahdale |
| E70/3195 | Harvey |
| E70/3196 | Dandalup |
| E70/3197 | Pt Solid |
| E70/3204 | Wugong |
| E70/3205 | Hotham |

**PROXY FORM
BAUXITE RESOURCES LIMITED
ACN 119 699 982**

EXTRAORDINARY GENERAL MEETING

I/We

of

being a Shareholder entitled to attend and vote at the Meeting, hereby

appoint

Name of proxy

OR: the Chair of the Meeting as my/our proxy,

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held at 10.00am (WST), on Monday 18th January 2016 Conference Room, Garden Office Park, 355 Scarborough Beach Road, Osborne Park, Western Australia, and at any adjournment thereof.

CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES

The Chair intends to vote undirected proxies in favour of all Resolutions. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

Voting on business of the Meeting

| | | FOR | AGAINST | ABSTAIN |
|--------------|--|--------------------------|--------------------------|--------------------------|
| Resolution 1 | Approval of change to scale of activities - sale of assets to Yankuang | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 2 | Selective buyback of Yankuang shares | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is: _____ %

Signature of Shareholder(s):

Individual or Shareholder 1

Sole Director/Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Date: _____

Contact name: _____

Contact ph (daytime): _____

E-mail address: _____

Consent for contact by e-mail in relation to this Proxy Form: YES NO

Instructions for completing Proxy Form

1. **(Appointing a proxy):** A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.
2. **(Direction to vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing instructions):**
 - **(Individual):** Where the holding is in one name, the Shareholder must sign.
 - **(Joint holding):** Where the holding is in more than one name, all of the Shareholders should sign.
 - **(Power of attorney):** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (a) Bauxite Resources Limited, PO Box 1315, Osborne Park, DC WA 6916; or
 - (b) facsimile to the Company on facsimile number +61 8 9200 8299; or
 - (c) email to the Company at admin@bauxiteresources.com.au,

so that it is received not later than 48 hours prior to commencement of the Meeting.

Proxy Forms received later than this time will be invalid.
