

NON-BINDING MEMORANDUM OF UNDERSTANDING FOR RESOLUTION OF DISPUTE AND TERMINATION OF JOINT VENTURES WITH YANKUANG

Representatives of Bauxite Resources Limited ('BRL'), Yankuang Resources Pty Ltd (Yankuang), and Yankuang Group Company Ltd ('YGL'), on 21 October 2015, signed a non-binding memorandum of understanding (MOU) recording that they have negotiated a number of proposed transaction documents which, if approved by the respective Boards of Directors of BRL, Yankuang and YGL will see, subject to satisfaction of conditions precedent referred to below:

- The existing Joint Ventures between the parties terminated;
- BRL sell its interests in the Joint Ventures and its 100% owned Fortuna bauxite rights to Yankuang for cash consideration and a royalty right; and
- BRL buy back Yankuang's shares in BRL and cease to be represented on the BRL Board.

BACKGROUND

Since BRL's announcement on 19 June 2015, BRL and Yankuang engaged in a formal mediation in an effort to resolve the dispute between them.

The mediation was conducted on 11 August 2015 and was adjourned to enable the parties to explore a proposal under which the joint ventures would be terminated with Yankuang acquiring BRL's interests in the joint ventures and in BRL's 100% owned Fortuna bauxite interests.

Since the mediation was adjourned on 11 August 2015, the parties and their solicitors have been actively engaged in ongoing negotiations which have resulted in them entering into the non-binding MOU.

A summary of the key terms of the proposed transaction documents which are the subject of the MOU follows.

KEY TERMS OF THE PROPOSED TRANSACTION

- The joint ventures with Yankuang will be terminated;
- Yankuang will pay BRL the sum of A\$7.15 million for its interests in the assets of the joint ventures, including its shareholding in Bauxite Alumina Joint Ventures Pty Ltd ('BAJV'), and for its interests in the Fortuna bauxite rights;
- BRL will buy back Yankuang's 19,700,000 shares in BRL for the sum of \$1.15 million;
- Yankuang and BAJV will pay BRL a royalty of 0.9% of the FOB price for the first 100 million tonnes of bauxite mined from the Fortuna and Felicitas tenements;

DATE: 21 October 2015

ASX Code: BAU

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Non Executive Chairman

Peter Canterbury

CEO & Executive Director

Luke Atkins

Non Executive Director

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- BRL will transfer to Yankuang all its interest in the tenements that relate to the joint ventures;
- Subject to the agreement of the tenement holder, BRL will assign its rights in the Fortuna bauxite resource to Yankuang and in the event that the Fortuna tenement holder does not agree, then the royalty right referred to above will be reduced to the first 87 million tonnes; and
- Yankuang's nominee director will resign from the Board of BRL.

If the Boards of Directors of each of Yankuang, YGL and BRL approve and execute the proposed transaction documents, the transaction will still be conditional upon BRL shareholder approval for the sale of the joint venture interests under ASX Listing Rule 11, BRL shareholder approval for the buyback of Yankuang's shares under section 257D of the Corporations Act, Foreign Investment Review Board ("FIRB") approval to Yankuang's acquisition of the joint venture interests, and approval by the State-Owned Assets Supervision and Administration Commission of the Peoples Republic of China ("SASAC").

It is anticipated that BRL shareholder approval will be sought in December 2015, if the proposed transaction documents are approved by the Boards each of BRL, Yankuang and YGL.

This announcement is made for the purpose of keeping the market and BRL's shareholders apprised of this potential development, but BRL reiterates that there is as yet no binding agreement between the parties.

For further company details please visit www.bauxiteresources.com.au or contact:

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