
BAUXITE RESOURCES LIMITED

ACN 119 699 982

NOTICE OF EXTRAORDINARY GENERAL MEETING

TIME: 10:00am (WST)

DATE: Friday 29 August 2014

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

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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28 July 2014

Dear Shareholders

On 17 June 2014, the Company announced a proposal to return 4 cents per share capital subject to shareholders approval.

A review of the Company's funding requirements for its operations, projects and working capital has been undertaken with a view to determining where shareholders' funds would be best allocated to enhance shareholder value for both the long and short term. A number of larger shareholders have voiced support for a modest capital return given the large cash balance held by the Company. As a consequence of the review, the Board has identified surplus cash to the Company's requirements and therefore is proposing a capital return A\$0.04 per share to shareholders. This equates to approximately 23% of the Company's total cash holding as at 30 June 2014 (A\$40.9 million). The return will result in a reduction of cash in the order of approximately \$9.3 million.

In tandem with the proposed capital return the Board has also approved two critical studies to support one of the Company's strategic objectives, namely to deliver a bauxite direct shipping of ore ("DSO") operation from the 100% BRL owned Fortuna deposit, which has a substantial current resource. The Fortuna resource is located on two private landholdings about 60km north east of Perth. It is 15km from existing rail infrastructure linking the Kwinana Port which is approximately 120km away and the Bunbury Port which is approximately 250 kilometres away. AMC Consultants have been engaged to conduct the project scoping study covering the geology, mining, processing, infrastructure and economics, whilst the Bauxite Alumina Consulting Service will undertake a technical bauxite market evaluation for Fortuna bauxite.

The Company believes the proposed capital return is in the interests of all shareholders and provides a return of excess capital to our loyal shareholders leaving the Company with sufficient funds to progress its joint venture and Fortuna business development activities.

Yours sincerely

Robert Nash
Chairman

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Extraordinary General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 10.00am (WST) on Friday 29th August 2014 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, 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 10:00am (WST) on 27th August 2014.

Proxy Forms received later than this time will be invalid.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is given that the extraordinary general meeting of Shareholders will be held at 10:00am (WST) on Friday 29th August 2014 at the Conference Room, Garden Office Park, 355 Scarborough Beach Road, Osborne Park, WA.

The Explanatory Statement provides additional information on the matter 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 Wednesday 27 August 2014.

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

AGENDA

RESOLUTION 1 – RETURN OF CAPITAL TO SHAREHOLDERS

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

“That, for the purpose of part 2J.1 of the Corporations Act 2001 (Cth), and for all other purposes, approval is given for the share capital of Bauxite to be reduced by \$9.259 million, such reduction of capital to be effected by Bauxite paying to each registered holder of fully paid ordinary shares in Bauxite as at 5.00pm on 4 September 2014 the amount of 4 cents per fully paid ordinary share in Bauxite held by that holder as at that time.”

DATED: 28 JULY 2014

BY ORDER OF THE BOARD

SAM MIDDLEMAS
COMPANY SECRETARY

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Extraordinary General Meeting to be held at 10:00am (WST) on 29 August 2014 at the Conference Room, Garden Office Park, 355 Scarborough Beach Road, Osborne Park, WA.

This purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

RESOLUTION 1 – RETURN OF CAPITAL TO SHAREHOLDERS

1.1 PROPOSED RETURN OF CAPITAL

(a) Return of capital

Bauxite proposes to make a cash payment to shareholders of \$0.04 per fully paid ordinary share (representing \$9.259 million in total) as a return of capital.

The record date for determining entitlements to receive the return of capital is 5.00pm on 4 September 2014.

(b) Payment details

If the return of capital is approved by shareholders, cheques will be despatched (or, in the case of shareholders who have elected to have payments made directly into a nominated bank, building society or credit union account – payment will be made) to entitled shareholders, being registered holders of Bauxite shares at the record date referred to above.

Any fraction of a cent payable to any shareholder in respect of the shareholder's aggregate holding of Bauxite shares will be rounded to the nearest whole cent.

Bauxite shareholders who wish to can arrange to have the return of capital paid directly into a bank, building society or credit union account in Australia by contacting Bauxite's Registry on 08 9315 2333 (within Australia) or +61 8 9315 2333 (outside Australia) before the record date of 4 September 2014.

(c) Tax Treatment

Refer to section 1.5 below for information about the tax implications of the capital return for Bauxite shareholders.

1.2 REASONS FOR THE RETURN OF CAPITAL

The Company undertook a funding requirements review of BRL's wholly owned projects and projects with joint venture ("JV") arrangements to determine where shareholders' funds would be best allocated to create short and long term shareholder value. Consultation was also undertaken with a number of BRL's larger shareholders who have voiced support for a modest capital return to shareholders.

As a consequence of this review, the BRL Board has identified surplus cash to the Company's current requirements and therefore is proposing to return A\$0.04 per share to shareholders in the form of a capital return.

1.3 REQUIREMENTS FOR THE RETURN OF CAPITAL

(a) Equal reduction

The proposed return of capital constitutes an equal reduction of Bauxite's share capital for the purposes of the *Corporations Act 2001* (Cth) (the **Corporations Act**). This is because it relates only to ordinary shares, it applies to each holder of ordinary shares in proportion to the number of shares they hold, and the terms of the reduction are the same for each holder of ordinary shares.

(b) Statutory requirements

Under the Corporations Act, a company can reduce its share capital if the reduction satisfies three key requirements. These requirements are as follows:

1. The reduction must be fair and reasonable to the company's shareholders as a whole;
2. The reduction must not materially prejudice the company's ability to pay its creditors; and
3. The reduction must be approved by shareholders under section 256C of the Corporations Act

Bauxite's directors have considered each of these requirements and after careful review have determined that each of these will be achieved.

(c) Effect on capital structure

After the return of capital, Bauxite's share capital will be reduced by approximately \$9.259 million (subject to rounding).

No shares will be cancelled in connection with the return of capital. Accordingly, the return of capital will not affect the number of shares held by each Bauxite shareholder, nor will it affect the control of Bauxite.

(d) Impact on growth strategies

In view of the financial position of Bauxite, the operating results, and Bauxite's capacity to raise additional finance if required, in the opinion of the Bauxite Board the return of capital, will not materially impact Bauxite's ability to fund new investment in its core businesses and other development and expansion initiatives.

The Bauxite Board believes that the proposed capital return will leave Bauxite capitalised to grow its business whilst also taking into account the interests of all stakeholders.

(e) Share price impact

If the proposed return of capital is implemented, Bauxite shares may trade at a lower share price following the 'ex' date for the return of capital than they would have done had the return of capital not been made. This is due to the outflow of funds to shareholders. A waiver has been granted by ASX in relation to ASX Listing Rule 7.25.

(f) impact on financial position of Bauxite

As a guide to assist shareholders, Bauxite has prepared the pro forma balance sheet set out below.

On a pro forma basis following the capital return to be paid based on shareholdings as at 4 September 2014, Bauxite would have had net cash of \$31.676 million as at 30 June 2014 and net assets of \$37.775 million.

Bauxite Resources Limited – Proforma Balance Sheet based on unaudited management accounts as at 30 June 2014

	Unaudited Consolidated 30/6/2014 \$'000	Adjustments \$'000	Proforma Consolidated 30/6/2014 \$'000
Assets			
Cash and cash equivalents	40,935	(9,259)	31,676
Trade and other receivables	693		693
Other Financial Assets	360		360
Property, Plant and Equipment	5,118		5,118
Total Assets	47,106	(9,259)	37,847
Liabilities			
Provisions	72		72
Total Liabilities	72		72
Net Assets	47,034	(9,259)	37,775
Equity			
Contributed Equity	87,652	(9,259)	78,393
Reserves	581		581
Retained profits	(41,199)		(41,199)
Total equity	47,034	(9,259)	37,775
Shares on issue (number)	231,483,496		231,483,496

1. There are 414,200 employee share rights that are due to vest and be issued prior to completion of the Return of Capital which will participate in the Return of Capital (\$57,988) once the audit is completed and board approval is received and the new shares issued. These are not included in the figures above.

1.4 ABILITY TO PAY CREDITORS NOT MATERIALLY PREJUDICED

(a) General

Bauxite has undertaken significant work to assess the impact of the return of capital on Bauxite's ability to pay its creditors, including current and reasonably foreseeable future claimants.

Bauxite has considered its financial position under a range of possible business and operating environments in order to assess Bauxite's capacity to meet the claims of all of its creditors, including current and reasonably foreseeable future obligations, following the return of capital. The review concluded that, even in the reasonable worst case scenarios that were considered, Bauxite would have the capacity to meet the claims of its creditors, including future obligations, following the proposed return of capital.

As a consequence of the matters referred to above, Bauxite's directors are satisfied that the return of capital will not materially prejudice Bauxite's ability to pay its creditors

1.5 TAX IMPLICATIONS FOR BAUXITE SHAREHOLDERS

The summary in this section is general in nature. In addition, particular taxation implications will depend on the circumstances of each shareholder. Accordingly, shareholders are encouraged to seek their own professional advice in relation to their tax position. Neither Bauxite nor any of its officers, employees or advisers assumes any liability or responsibility for advising shareholders members about the tax consequences for them from the proposed capital return.

(a) Capital return

Bauxite confirms its understanding that:

- (1) no part of the proposed capital return will be treated as a dividend for tax purposes;
- (2) if the cost base of a Bauxite share acquired is less than the capital return amount (on a cents per share basis) then an immediate capital gain may arise for the difference;
- (3) otherwise, the cost base for each Bauxite share will be reduced by the capital return amount (on a cents per share basis) for the purpose of calculating any capital gain or loss on the ultimate disposal of that share;
- (4) for those Bauxite shareholders who are not tax residents of Australia, no Australian capital gain or loss should arise as a consequence of the capital return.

(b) Non Residents

Existing shareholders who are not residents of Australia for tax purposes should seek specific advice in relation to the taxation consequences arising from the return of capital under the laws of their country of residence

1.6 DIRECTORS' PERFORMANCE RIGHTS

As part of its employee long term incentive arrangements, Bauxite has awarded the Chief Executive Officer Mr Peter Canterbury 6,000,000 performance rights which were approved by shareholders at the 2013 Annual General Meeting.

The Related Party Performance Rights were issued to Mr Canterbury pursuant to the terms of Mr Canterbury's employment contract to provide further incentive to perform and secure the ongoing commitment of Mr Canterbury to the continued growth of the Company.

A performance right is a right to receive a Bauxite share at a future date, subject to a number of market capitalisation based performance conditions which must be met prior to any conversion into ordinary shares.

If the performance condition is achieved, the performance rights vest and the holder automatically receives a Bauxite share for no further consideration.

The Performance Rights that were awarded to Mr Canterbury as part of his employment contract had the following term included

(Share Buy-back/ Capital Return): In the event that there is a share buy-back or capital return to Shareholders undertaken by the Company which has a material impact on the Company's market capitalisation and upon the achievability of the performance criteria in respect of the respective Related Party Performance Rights, set out above, the parties will agree on a pro rata adjustment of the market capitalisation targets required to be met as part of the performance criteria. Any such changes to the performance criteria of the Related Party Performance Rights will be subject to Shareholder approval and any other restrictions imposed by ASX.

As a consequence following completion of the capital return, the Company's market capitalisation and the achievability of the performance criteria will be assessed and an appropriate adjustment will be agreed to between the Chief Executive Officer and the board and will be the subject of Shareholders approval at the next meeting of Shareholders.

1.7 DIRECTORS' RECOMMENDATION

Bauxite's directors recommend that shareholders vote in favour of the proposed reduction of capital.

1.8 DIRECTORS' INTERESTS

The number of shares in which each director has an interest or controls as at the date of this Notice of General Meeting is set out in the table below.

Director	Ordinary Shares
Robert Nash	254,900
Peter Canterbury (i)	100,000
Luke Atkins	17,041,667
Zhaozhong Wang (ii)	19,700,000
Neil Lithgow	19,366,666
Cunliang Lai (iii)	19,700,000
John Sibly (iv)	40,500

Notes

- i) Mr Canterbury was issued with 6 million Share Performance Rights in 2013. It is proposed to make an adjustment to the performance criteria as part of the return of capital in accordance with the terms of his Contract of Employment (refer further detail in Resolution 2 for the proposal)
- ii) Mr Wang is the corporate representative of HD Mining and Investments Pty Ltd that controls 19,700,000 shares in the Company.
- iii) Mr Lai is the corporate representative of Yankuang Resources Ltd which controls 19,700,000 shares in the Company.
- iv) Mr Sibly was issued with 2 million Options in 2011 with an exercise price of 40 cents per option any time prior to 22 February 2016. In accordance with the ASX listing rules, the exercise price for the options will be reduced by any return of capital. As a consequence if the proposed Return of Capital of 4 cents per share is approved, then the exercise price of these options will be reduced by 4 cents to 36 cents.

1.8 NO OTHER MATERIAL INFORMATION

Other than as set out in this document, and other than information previously disclosed to Bauxite shareholders, there is no other information that is known to Bauxite's directors which may reasonably be expected to be material to the making of a decision by Bauxite shareholders whether or not to vote in favour of the capital reduction

Key dates

The timetable below assumes the return of capital is approved by shareholders (ASX to confirm dates acceptable).

29 August 2014	General Meeting
2 September 2014	Bauxite shares commence trading on an 'ex return of capital' basis
4 September 2014	Record date for determining entitlements to participate in return of capital
11 September 2014	Payment date for capital return - cheques despatched (or direct credits paid)

ENQUIRIES

Shareholders are requested to contact the Company Secretary on (+ 61 8) 9200 8200 if they have any queries in respect of the matters set out in these documents.

GLOSSARY

\$ means Australian dollars.

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

ASIC means the Australian Securities and Investments Commission.

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.

Company or **BRL** 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.

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

Proxy Form means the proxy form accompanying the Notice.

Related Party Performance Rights means the related party performance rights issued to Mr Peter Canterbury, the terms and conditions of which were approved by Shareholders at the Company's 2013 Annual General Meeting.

Resolutions means the resolutions set out in the Notice of Meeting, 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.

PROXY FORM

**APPOINTMENT OF PROXY
BAUXITE RESOURCES LIMITED
ACN 119 699 982**

EXTRAORDINARY GENERAL MEETING

I/We
of

being a member of Bauxite Resources Limited entitled to attend and vote at the Extraordinary General Meeting, hereby

Appoint
Name of proxy

OR the Chair of the Extraordinary General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the Extraordinary General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, as the proxy sees fit, at the Extraordinary General Meeting to be held at 10:00am (WST), on Friday 29th August 2014 at the Conference Room, Garden Office Park, 355 Scarborough Beach Road, Osborne Park, WA, and at any adjournment thereof.

If no directions are given in relation to Resolution 1, the Chair intends to vote in favour of the Resolution.

Voting on Business of the Extraordinary General Meeting

	FOR	AGAINST	ABSTAIN
Resolution 1 – Return of Capital to Shareholders	<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 to 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 Member(s):

Date: _____

Individual or Member 1

Member 2

Member 3

Sole Director/Company Secretary

Director

Director/Company Secretary

Contact Name: _____ **Contact Ph (daytime):** _____

BAUXITE RESOURCES LIMITED
ACN 119 699 982

Instructions for Completing 'Appointment of Proxy' Form

1. **(Appointing a Proxy):** A member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a member of the Company.
2. **(Direction to Vote):** A member may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked the proxy may vote as they choose. 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 member must sign.
 - **(Joint Holding):** Where the holding is in more than one name, all of the members 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 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.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual members from attending the Extraordinary General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the Extraordinary General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the Extraordinary General Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - i. post to Bauxite Resources Limited, PO Box 1315, Osborne Park, WA 6916; or
 - ii. facsimile to the Company on facsimile number (+61 8) 9200 8299; or
 - iii. email to the Company at sam.middlemas@bauxiteresources.com.au

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

Proxy forms received later than this time will be invalid.

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