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

TIME: 2:00 pm (WST)

DATE: Thursday 14 November 2013

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.

CONTENTS PAGE

Business of Annual General Meeting (setting out the proposed resolutions)	3
Explanatory Statement (explaining the proposed resolutions)	7
Glossary	16
Schedule 1 – Terms and Conditions of Performance Rights Plan	18
Schedule 2 – Terms and Conditions of Related Party Performance Rights	20
Schedule 3 – Valuation of Related Party Performance Rights	23
Proxy Form	enclosed

TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

Notice is given that the Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 2:00pm (WST) on 14 November 2013 at:

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

YOUR VOTE IS IMPORTANT

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

VOTING IN PERSON

To vote in person, attend the Annual 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 2:00pm (WST) on 12 November 2013.

Proxy Forms received later than this time will be invalid.

Sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this Meeting. Broadly, the changes 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 is 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 (i.e. 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 (i.e. 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 (i.e. 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;
 - 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 ANNUAL GENERAL MEETING

Notice is given that the annual general meeting of Shareholders will be held at 2:00pm (WST) on 14 November 2013 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 Annual 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 Annual General Meeting are those who are registered Shareholders at 2:00 pm (WST) on 12 November 2013.

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

AGENDA

ORDINARY BUSINESS

Financial Statements and Reports

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2013 together with the declaration of the directors, the directors' report, the Remuneration Report and the auditor's report.

1. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

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

“That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2013.”

Note: the vote on this resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition Statement: A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and

- (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

2. RESOLUTION 2 – SPILL RESOLUTION

If less than 25% of the votes cast on Resolution 1 are voted against adoption of the Remuneration Report, the Chair will withdraw Resolution 2

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

“That, for the purposes of section 250V(1) of the Corporations Act and for all other purposes, approval is given for:

- (a) the Company to hold another meeting of Shareholders within 90 days of the date of this Meeting (**Spill Meeting**); and
- (b) all Vacating Directors to cease to hold office immediately before the end of the Spill Meeting; and
- (c) resolutions to appoint persons to offices that will be vacated pursuant to (b) to be put to vote at the Spill Meeting.”

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

3. RESOLUTION 3 – RE-ELECTION OF DIRECTOR – MR ROBERT NASH

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

“That, for the purpose of clause 13.2 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Mr Robert Nash, a Director, retires by rotation, and being eligible, is re-elected as a Director.”

4. RESOLUTION 4 – ELECTION OF DIRECTOR – MR PETER CANTERBURY

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

“That, for the purpose of clause 13.4 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Mr Peter Canterbury, a Director who was appointed casually on 20 May 2013, retires, and being eligible, is elected as a Director.”

5. RESOLUTION 5 – ELECTION OF DIRECTOR – DR YANG CHENGHAI

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

“That, for the purpose of clause 13.4 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Dr Yang Chenghai, a Director who was appointed casually on 11 September 2013 retires, and being eligible, is elected as a Director.”

6. RESOLUTION 6 – ELECTION OF DIRECTOR – MR ZHAN QUINGWEI

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

“That, for the purpose of clause 13.4 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Mr Zhan Quingwei, a Director who was appointed casually on 2 September 2013, retires, and being eligible, is elected as a Director.”

7. RESOLUTION 7 – ADOPTION OF PERFORMANCE RIGHTS PLAN

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

“That, for the purpose of ASX Listing Rule 7.2 (Exception 9(b)) and for all other purposes, approval is given for the Company to establish and maintain the Performance Rights Plan on the terms and conditions summarised in the accompanying Explanatory Statement and to issue Performance Rights from time to time .”

<p>Voting Exclusion: The Company will disregard any votes cast on this Resolution by any Director, other than any Directors who are ineligible to participate in any employee incentive scheme in relation to the Company, and any associates of those Directors. However, the Company need not disregard a vote if it 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, if 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>
--

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and

- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair of the Meeting; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

8. RESOLUTION 8 – ISSUE OF RELATED PARTY PERFORMANCE RIGHTS TO MR PETER CANTERBURY

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

“That, for the purposes of ASX Listing Rule 10.11 and Section 208 of the Corporations Act and for all other purposes, approval is given for the Directors to allot and issue 6,000,000 Performance Rights to Mr Peter Canterbury on the terms and conditions set out in the Explanatory Statement”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Peter Canterbury and any of his 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.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
- (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel, the appointment expressly authorises the Chair to exercise the proxy even member of the Key Management Personnel.

DATED: 8 OCTOBER 2013

BY ORDER OF THE BOARD



**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.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2013 together with the declaration of the directors, the directors' report, the Remuneration Report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at www.bauxiteresources.com.au.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

2.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the company or the directors of the company.

The remuneration report sets out the company's remuneration arrangements for the directors and senior management of the company. The remuneration report is part of the directors' report contained in the annual financial report of the company for a financial year.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

2.2 Voting consequences

Under changes to the Corporations Act which came into effect on 1 July 2011, a company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

2.3 Previous voting results

At the Company's previous annual general meeting the votes cast against the remuneration report considered at that annual general meeting were more than 25%. Accordingly, the Spill Resolution will be relevant for this Annual General Meeting if at least 25% of the votes cast on the Remuneration Report resolution are voted against adoption of the Remuneration Report. Refer to Resolution 2 and Section 3 for further information.

2.4 Proxy voting restrictions

Shareholders appointing a proxy for this Resolution should note the following:

If you appoint a member of the Key Management Personnel (other than the Chair) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member as your proxy

You must direct your proxy how to vote on this Resolution. Undirected proxies granted to these persons will not be voted and will not be counted in calculating the required majority if a poll is called on this Resolution.

If you appoint the Chair as your proxy (where he/she is also a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member).

You **do not** need to direct your proxy how to vote on this Resolution. However, if you do not direct the Chair how to vote, ***you must mark the acknowledgement on the Proxy Form to expressly authorise the Chair to exercise his/her discretion in exercising your proxy even though this Resolution is connected directly or indirectly with the remuneration of Key Management Personnel.***

If you appoint any other person as your proxy

You **do not** need to direct your proxy how to vote on this Resolution, and you **do not** need to mark any further acknowledgement on the Proxy Form.

3. RESOLUTION 2 – SPILL RESOLUTION

If less than 25% of the votes cast on Resolution 1 are voted against adoption of the Remuneration Report, the Chair will withdraw Resolution 2.

3.1 General

The Corporations Act requirements for this Resolution to be put to vote are set out in Section 2.2.

The effect of this Resolution being passed is the Company will be required to hold another meeting of Shareholders within 90 days of the date of this Meeting (**Spill Meeting**) and the Vacating Directors will cease to hold office immediately before the end of the Spill Meeting. The business of the Spill Meeting will be to put to vote resolutions to appoint persons to offices vacated by the Vacating Directors.

In the event a Spill Meeting is required a separate notice of meeting will be distributed to Shareholders with details about those persons that will seek election as directors of the Company at the Spill Meeting.

3.2 Proxy voting restrictions

Shareholders appointing a proxy for this Resolution should note the voting restrictions set out in Section 2.4 apply in the same manner to this Resolution.

4. RESOLUTION 3 – RE-ELECTION OF DIRECTOR – MR ROBERT NASH

ASX Listing Rule 14.4 provides that a director of an entity must not hold office (without re-election) past the third annual general meeting following the director's appointment or 3 years, whichever is the longer.

Clause 13.2 of the Constitution provides that:

- (a) at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of 3, then the number nearest one-third (rounded upwards in case of doubt), shall retire from office, provided always that no Director (except a managing director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election;
- (b) the Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots;
- (c) a Director who retires by rotation under clause 13.2 of the Constitution is eligible for re-election; and
- (d) in determining the number of Directors to retire, no account is to be taken of:
 - (A) a Director who only holds office until the next annual general meeting pursuant to clause 13.4 of the Constitution; and
 - (B) a managing director,

each of whom are exempt from retirement by rotation. However, if more than one managing director has been appointed by the Directors, only one of them (nominated by the Directors) is entitled to be excluded from any determination of the number of Directors to retire and/or retirement by rotation.

The Company currently has 7 Directors, of which 3 have been appointed casually under clause 13.4 of the Constitution, and accordingly 1 must retire.

Mr Robert Nash, the Director longest in office since his last election, retires by rotation and seeks re-election.

Details of Mr Robert Nash are as follows:

Robert Nash, B Juris LLB, Public Notary (Non Executive Chairman)

Mr Nash is a lawyer by profession and currently practises as a barrister. He was a council member of the Law Society of Western Australia for 7 years, a Convenor of the Law Society Education Committee and a member of the Ethics and Professional Conduct Committees. Mr Nash has been a local government councillor and is a member of the Western Australian Navy Legal Panel. Mr Nash has been a director of a number of companies involved in the areas of property development and intellectual property.

Mr Nash joined the board before the Company listed in 2008 and, following the retirement of Mr Barry Carbon in August of this year took over the role of Chairman.

5. RESOLUTIONS 4 TO 6 – ELECTION OF DIRECTOR – MESSRS MR PETER CANTERBURY, DR YANG CHENGHAI AND MR ZHAN QUINGWEI

Clause 13.4 of the Constitution allows the Directors to appoint at any time a person to be a Director either to fill a casual vacancy or as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Pursuant to clause 13.4 of the Constitution and ASX Listing Rule 14.4, any Director so appointed holds office only until the next following general meeting and is then eligible for election by Shareholders but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Mr Peter Canterbury, having been appointed on 20 May 2013, Dr Yang Chenghai, having been appointed on 11 September 2013 and Mr Zhan Quingwei, having been appointed on 2 September 2013, will retire in accordance with clause 13.4 of the Constitution and ASX Listing Rule 14.4 and being eligible, seek election from Shareholders.

Details of each of these Directors are listed below:

Peter Canterbury BBus (Acc) CPA (Chief Executive Officer and Executive Director)

Mr Canterbury is a highly regarded senior mining executive with expertise and extensive knowledge of the bulk commodity industry, particularly in bauxite and alumina.

Prior to joining Bauxite Resources, Mr Canterbury held the role of Chief Financial Officer (**CFO**) at Sundance Resources Ltd. (**Sundance**), a position which he held for six years. At Sundance he played a critical role as acting CEO helping to rebuild the company following the tragic crash in June 2010 which claimed the lives of the CEO and entire board of Sundance.

Between 2001 and 2007, Mr Canterbury was the CFO of Dadco Europe which owns the Stade Alumina refinery in Germany and a share in the CBG bauxite mine in Guinea. During his time there he was responsible for finance, commerce and logistics. Earlier in his career he held several senior positions with Alcoa World Alumina in the finance, marketing and projects area in Australia and overseas.

Yang Chenghai (David) (Non-Executive Director)

Dr Yang Chenghai is the Deputy Managing Director of No 1 Institute of Geology and Minerals of Shandong Province (**No 1 Institute**) and the director/geologist of Shandong Provincial Bureau of Geology & Mineral Resources, which was the holding company of No 1 Institute. Dr Yang has a PhD in Geological Survey and Resources Exploration and was an assessor of Registered Mining Rights in China with nearly 25 years exploration and prospecting experience.

Zhan Qingwei, (Non-Executive Director)

Mr Zhan is a long standing senior executive of Yankuang Group Corporation (**Yankuang Group**) with over 20 years experience in mineral separation, international trade and public relationship management. Mr Zhan is currently the General Manager of Yankuang Resources Pty Ltd, a wholly owned subsidiary of the Yankuang Group. The Yankuang Group is a substantial shareholder of Bauxite Resources.

6. RESOLUTION 7 – ADOPTION OF PERFORMANCE RIGHTS PLAN

Resolution 7 seeks Shareholders approval for the adoption of the employee incentive scheme titled Performance Rights Plan (**Plan**) in accordance with ASX Listing Rule 7.2 (Exception 9(b)).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period. ASX Listing Rule 7.2 (Exception 9(b)) sets out an exception to ASX Listing Rule 7.1, which provides that issues under an employee incentive scheme are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

If Resolution 7 is passed, the Company will be able to issue Performance Rights under the Plan to eligible participants over a period of 3 years without impacting on the Company's ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 12 month period.

Shareholder should note that no Performance Rights have previously been issued under the Plan.

The objective of the Plan is to attract, motivate and retain key employees and it is considered by the Company that the adoption of the Plan and the future issue of Performance Rights under the Plan will provide selected employees with the opportunity to participate in the future growth of the Company.

Any future issues of Performance Rights under the Plan to a related party or a person whose relationship with the company or the related party is, in ASX's opinion, such that approval should be obtained will require additional Shareholder approval under ASX Listing Rule 10.14 at the relevant time.

A summary of the key terms and conditions of the Plan is set out in Schedule 1. In addition, a copy of the Plan is available for review by Shareholders at the registered office of the Company until the date of the Meeting. A copy of the Plan can also be sent to Shareholders upon request to the Company Secretary.

Shareholders are invited to contact the Company if they have any queries or concerns.

7. RESOLUTION 8 – ISSUE OF RELATED PARTY PERFORMANCE RIGHTS TO MR PETER CANTERBURY

7.1 General

As announced to the ASX on 20 May 2013, the Company has agreed, subject to Shareholder approval, to issue a total of 6,000,000 performance rights (**Related Party Performance Rights**) to Mr Peter Canterbury (or his nominee) on the terms and conditions set out below.

The Related Party Performance Rights are to be issued to Mr Canterbury (or his nominee) 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.

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

The issue of the Related Party Performance Rights requires the Company to obtain Shareholder approval because this constitutes giving a financial benefit and Mr Canterbury is a related party of the Company by virtue of being a Director.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Related Party Performance Rights to Mr Canterbury.

7.2 Summary of material terms of the Related Party Performance Rights

It is proposed that Mr Canterbury be granted three classes of Performance Rights as set out below, for nil consideration.

The Related Party Performance Rights will vest as follows:

- (a) 2,000,000 Class 'A' Performance Rights will vest as one Share for each Performance Right subject to satisfaction of the following performance criteria within 24 months:
 - (i) the Company's market capitalisation averaging over a period of 60 consecutive days of trading a daily average of not less than \$50,000,000; and

- (ii) completing 12 months of continuous employment with the Company.
- (b) 2,000,000 Class 'B' Performance Rights will vest as one Share for each Performance Right subject to satisfaction of the following performance criteria within 36 months:
 - (i) the Company's market capitalisation averaging over a period of 60 consecutive days of trading a daily average of not less than \$70,000,000; and
 - (ii) completing 24 months of continuous employment with the Company.
- (c) 2,000,000 Class 'C' Performance Rights will vest as one Share for each Performance Right subject to satisfaction of the following performance criteria within 48 months:
 - (i) the Company's market capitalisation averaging over a period of 60 consecutive days of trading a daily average of not less than \$90,000,000; and
 - (ii) completing 36 months of continuous employment with the Company,

(Vesting Conditions).

A full summary of the terms and conditions attaching to the Related Party Performance Rights is set out in Schedule 2.

7.3 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rules 10.11)

Pursuant to and in accordance with the requirements of section 219 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed grant of Performance Rights:

- (a) the related party is Mr Peter Canterbury and he is a related party by virtue of being a Director of the Company;
- (b) the maximum number of Related Party Performance Rights (being the nature of the financial benefit being provided) to be granted to Mr Canterbury is 6,000,000 Related Party Performance Rights;
- (c) the Related Party Performance Rights will be granted to Mr Canterbury no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Related Party Performance Rights will be issued on one date;
- (d) the Related Party Performance Rights will be granted for nil cash consideration and no consideration will be payable upon the vesting of the Related Party Performance Rights on the achievement of the specified performance criteria. Accordingly, no loans will be made in relation to, and no funds will be raised from the issue or the vesting of the Related Party Performance Rights;
- (e) no Performance Rights have previously been issued to Mr Canterbury;

- (f) the terms and conditions of the Related Party Performance Rights are set out in Schedule 2. The Shares to be issued upon vesting of the Related Party Performance Rights shall rank pari passu with existing Shares;
- (g) the value of the Related Party Performance Rights, being the financial benefit being given to Mr Canterbury, and the pricing methodology is set out in Schedule 3;
- (h) Mr Canterbury has a relevant interest at the date of this Notice of Meeting in 100,000 Shares;
- (i) the remuneration and emoluments from the Company to Mr Canterbury for the previous financial year and the proposed remuneration and emoluments for the current financial year are set out below:

Related Party	Current Financial Year	Previous Financial Year
Mr Peter Canterbury	\$492,750	\$59,740

- (j) if the Vesting Conditions are fully satisfied and all vested Related Party Performance Rights are exercised, a total of 6,000,000 Shares would be issued. This will increase the number of Shares on issue from 231,483,496 to 237,483,496 (assuming that no Options are exercised and no other Shares issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 2.59%;
- (k) the trading history of the Shares on ASX in the 12 months before the date of this Notice is set out below:

	Price (\$)	Date
Highest	\$0.15	19 August 2013
Lowest	\$0.10	18 July 2013
Last	\$0.11	4 October 2013

- (l) the primary purpose of the grant of Related Party Performance Rights to Mr Canterbury is to provide a performance linked incentive component in the remuneration package for Mr Canterbury to motivate and reward the performance of Mr Canterbury in achieving specified vesting conditions within a specified period. The Board considers this issue to be a cost effective remuneration practice and reasonable given the Vesting Conditions will align the interests of Mr Canterbury with those of Shareholders. The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Performance Rights upon the terms proposed.

7.4 Directors' Recommendation

- (a) Mr Canterbury declines to make a recommendation to Shareholders in relation to Resolution 8 due to his material personal interest in the outcome of the Resolution.
- (b) With the exception of Mr Canterbury, no other Director has a personal interest in the outcome of Resolution 8.

- (c) Mr Robert Nash recommends that Shareholders vote in favour of Resolution 8 on the basis that the Performance Rights align the interests of Mr Canterbury with those of Shareholders and are a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to Mr Canterbury. The Performance Rights are an appropriate form of incentive to maximise returns to Shareholders and the terms of the proposed issue of Performance Rights to Mr Canterbury are reasonable to the Company.
- (d) Mr Luke Atkins recommends that Shareholders vote in favour of Resolution 8 for the reasons set out in paragraph 7.4(c).
- (e) Dr Chenghai Yang recommends that Shareholders vote in favour of Resolution 8 for the reasons set out in paragraph 7.4(c).
- (f) Mr Zhan Qingwei recommends that Shareholders vote in favour of Resolution 8 for the reasons set out in paragraph 7.4(c).
- (g) Mr Neil Lithgow recommends that Shareholders vote in favour of Resolution 8 for the reasons set out in paragraph 7.4(c).
- (h) Mr John Sibly recommends that Shareholders vote in favour of Resolution 8 for the reasons set out in paragraph 7.4(c).
- (i) In forming their recommendations, each Director considered the experience of Mr Canterbury, the current market price of Shares, the current market practices when determining the number of Related Party Performance Rights to be granted as well as the exercise price and Vesting Conditions of those Related Party Performance Rights.
- (j) The Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 8.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Related Party Performance Rights to Mr Canterbury as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Related Party Performance Rights to Mr Canterbury will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

GLOSSARY

\$ means Australian dollars.

Annual 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.

Chair means the chair of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

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.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

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

Performance Right means a performance right granted pursuant the Plan with the terms and conditions set out in Schedule 1.

Plan means the employee incentive scheme titled Bauxite Resources Limited Performance Rights Plan to be adopted pursuant to Resolution 7 as summarised in Schedule 1.

Proxy Form means the proxy form accompanying the Notice.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2013.

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.

Vacating Directors means the Directors who were directors of the Company when the resolution to make the directors' report considered at the last annual general meeting of the Company was passed, other than the managing director at that time.

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

SCHEDULE 1 – TERMS AND CONDITIONS OF PERFORMANCE RIGHTS PLAN

The following is a summary of the key terms and conditions of the Performance Rights Plan to be adopted by Shareholders under Resolution 7:

- (a) **Eligible Participants:** Any full or part time employees and Executive Directors of the Company are eligible to participate in the Performance Rights Plan (**Eligible Participants**).
- (b) **Offers:** The Board may, from time to time, at its absolute discretion, make an offer to grant Performance Rights to an Eligible Participant under the Performance Rights Plan and on such additional terms and conditions as the Board determines.
- (c) **Consideration:** Performance Rights granted under the Plan will be issued for nil cash consideration.
- (a) **Performance Rights:** Each Performance Right, once vested, entitles the holder, on exercise, to the issue of one fully paid ordinary share in the capital of the Company (**Share**).
- (d) **Not transferrable:** Performance Rights are only transferrable with the prior written consent of the Board of the Company or by force of law upon death to the participant's legal personal representative or upon bankruptcy to the participant's trustee in bankruptcy.
- (e) **Vesting Conditions:** The Board will determine the vesting conditions (if any) that must be satisfied before a Performance Right vests, and the date by which a vesting condition must be satisfied (**Vesting Condition**).
- (f) **Vesting:** A Performance Right will vest where Vesting Conditions are satisfied or where, despite Vesting Conditions not being satisfied, the Board (in its absolute discretion) resolves that unvested Performance Rights have vested as a result of:
 - (i) the participant ceasing to be an Eligible Participant due to a good leaver exception (eg due to death, total and permanent disability, retirement or redundancy) as set out in the Plan; or
 - (ii) the Company undergoing a change in control or winding up.
- (g) **Exercise of vested Performance Right:** Unless the Board decides otherwise, any vested Performance Right may be exercised within 60 days of becoming vested, following which the Company will issue the participant with the applicable number of Shares.
- (h) **Shares:** Shares resulting from the vesting of the Performance Rights shall, from the date of issue, rank on equal terms with all other Shares on issue.
- (i) **Quotation of Shares:** If Shares of the same class as those issued under the Plan are quoted on the ASX, the Company will, subject to the ASX Listing Rules, apply to the ASX for those Shares to be quoted on ASX within 10 business days of the later of the date the Shares are issued and the date any Restriction Period applying to the Shares ends.
- (j) **Lapse of a Performance Right:** Subject to the terms of an Offer otherwise providing, a Performance Right will lapse upon the earlier to occur of:
 - (i) an unauthorised dealing in, or hedging of, the Performance Right;

- (ii) a Vesting Condition in relation to the Performance Right not being satisfied by the due date, or becoming incapable of satisfaction, as determined by the Board in its absolute discretion;
 - (iii) a vested Performance Right is not exercised within 60 days of becoming vested;
 - (iv) a participant (or, where the participant is a nominee of the Eligible Participant, that Eligible Participant) ceases to be an Eligible Participant, unless the Board exercises its discretion to vest the Performance Right under a good leaver exception;
 - (v) the Board deems that a Performance Right lapses due to fraud, dishonesty or other improper behaviour of the holder/Eligible Participant;
 - (vi) the Company undergoes a change in control or winding up, and the Board does not exercise its discretion to vest the Performance Right;
 - (vii) the expiry date of the Performance Right; and
 - (viii) the seven (7) year anniversary of the date of grant of the Performance Right.
- (k) **No Participation Rights:** There are no participating rights or entitlements inherent in the Performance Rights and participants will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Performance Rights without exercising the Performance Right.
- (l) **No Change:** A Performance Right does not confer the right to a change in the number of underlying Shares over which the Performance Right can be exercised.
- (m) **Reorganisation:** If, at any time, the issued capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a holder of a Performance Right are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.
- (n) **Inconsistency with Offer:** Notwithstanding any other provision in the Plan, to the extent that any covenant or provision contained in an Offer document is inconsistent with any covenant or provision under the Plan, the deemed covenant or provision under the Offer document shall prevail.

SCHEDULE 2 – TERMS AND CONDITIONS OF RELATED PARTY PERFORMANCE RIGHTS

A summary of the terms and conditions of the Related Party Performance Rights to be issued to Mr Peter Canterbury pursuant to Resolution 8 is set out below:

- (a) **(Vesting Conditions):** The Related Party Performance Rights shall vest as follows:
- (i) 2,000,000 Class 'A' Performance Rights will vest as one Share for each Performance Right subject to satisfaction of the following performance criteria within 24 months:
 - (A) the Company's market capitalisation averaging over a period of 60 consecutive days of trading a daily average of not less than \$50,000,000; and
 - (B) completing 12 months of continuous employment with the Company,

(Class 'A' Performance Rights);
 - (ii) 2,000,000 Class 'B' Performance Rights will vest as one Share for each Performance Right subject to satisfaction of the following performance criteria within 36 months:
 - (A) the Company's market capitalisation averaging over a period of 60 consecutive days of trading a daily average of not less than \$70,000,000; and
 - (B) completing 24 months of continuous employment with the Company,

(Class 'B' Performance Rights); and
 - (iii) 2,000,000 Class 'C' Performance Rights will vest as one Share for each Performance Right subject to satisfaction of the following performance criteria within 48 months:
 - (A) the Company's market capitalisation averaging over a period of 60 consecutive days of trading a daily average of not less than \$90,000,000; and
 - (B) completing 36 months of continuous employment with the Company,

(Class 'C' Performance Rights).
- (b) **(Vesting):** On satisfaction of the relevant performance criteria, the holder will be entitled to give notice to the Company Secretary in writing that the relevant Related Party Performance Rights have vested, provided that the holder remains an employee of the Company at the time of giving such notice (**Vested Performance Rights**) and the Company shall, unless otherwise directed by the holder, issue the associated number of Shares within 10 Business Days of receipt of such notice.
- (c) **(Consideration):** The Related Party Performance Rights will be issued for nil cash consideration and no consideration will be payable upon the vesting of the Related Party Performance Rights.

- (d) **(Share ranking)**: All Shares issued upon the vesting of Related Party Performance Rights will upon issue rank pari passu in all respects with other Shares.
- (e) **(Listing of Shares on ASX)**: The Company will not apply for quotation of the Related Party Performance Rights on ASX. However, the Company will apply for quotation of all Shares issued pursuant to the vesting of Related Party Performance Rights on ASX within the period required by ASX.
- (f) **(Dividend and Voting Rights)**: the Related Parties are not entitled to vote or to receive dividends as a result of their holding Related Party Performance Rights.
- (g) **(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 in paragraph (a) 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.
- (h) **(Participation in new issues)**: There are no participation rights or entitlements inherent in the Related Party Performance Rights and holder will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Related Party Performance Rights without exercising the Related Party Performance Rights.
- (i) **(Reorganisation of capital)**: If, at any time, the issued capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of the holder of the Related Party Performance Rights are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.
- (j) **(Change of control)**: In the event that there is a Change of Control Event which occurs as a direct consequence of a decision of the Board to procure or seek a change of control of the Company, the holder will be entitled within 60 days of the happening of such Change of Control Event to call on the Company (which call the Company will be obliged to meet) either, at the holder's election:
- (i) Issue the holder with Shares in respect of those Related Party Performance Rights that have not already vested or expired as at the date of the Change of Control Event in the same number as the holder would have been entitled to had the holder met the performance criteria applicable to those Related Party Performance Rights; or
 - (ii) pay to the holder a sum equal to the market value of the Shares that the holder would have received had the holder met the performance criteria applicable to the Related Party Performance Rights, referred to in (i) above, which market value shall be assessed by reference to the higher of the 30 day daily closing price trading average of the Company's Shares immediately preceding the occurrence of the Change of Control Event and the consideration payable per Share under the Change of Control Event.

Change of Control Event means a change in ownership of the Company occurs when:

- (a) any one person or more than one person acting as a group acquires ownership of stock of the Company that constitutes more than 50% of the total fair market value or total voting power of the stock of the Company; or
- (b) a merger of two companies.

SCHEDULE 3 – VALUATION OF RELATED PARTY PERFORMANCE RIGHTS

The Performance Rights to be issued to Mr Peter Canterbury pursuant to Resolution 8 have been independently valued.

The Performance Rights have been valued using a hybrid employee share option pricing model that simulates the Company's share price at the expiry date using the Monte-Carlo model.

The variables required to value the Performance Rights are as follows:

Item	Class A	Class B	Class C
Underlying Security Spot Price	\$0.135	\$0.135	\$0.135
Exercise Price	Nil	Nil	Nil
Share Price Barrier	\$0.216	\$0.3024	\$0.3888
Assumed Grant Date	13/9/2013	13/9/2013	13/9/2013
Expiration Date	20/5/2015	20/5/2016	20/5/2017
Life of Rights (years)	1.68	2.68	3.68
Volatility	60%	60%	60%
Risk free rate	2.597%	2.913%	3.181%

Using the above variables, BDO Corporate Finance (WA) Pty Ltd have calculated a value of \$335,000 for the Performance Rights as follows:

Performance Rights	Number	Value
Class A Performance Rights	2,000,000	\$117,800
Class B Performance Rights	2,000,000	\$108,200
Class C Performance Rights	2,000,000	\$109,000
TOTAL	6,000,000	\$335,000

If calculations were done using a spot share price of 12 cents (the share price at the date of Mr Canterbury's appointment) the value would be reduced to \$263,600 and an increase in the spot share price to 14 cents would result in an underlying valuation of \$360,200.

APPOINTMENT OF PROXY FORM

BAUXITE RESOURCES LIMITED
ACN 119 699 982

ANNUAL GENERAL MEETING

I/We

[Empty box for name]

of

[Empty box for company name]

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

appoint

[Empty box for proxy name]

Name of proxy

OR:

[Small empty box]

the Chair 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...

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote other than Resolution 2 where, if entitled to vote, the Chair intends to vote against.

Voting on business of the Meeting

Table with 4 columns: Resolution description, FOR, AGAINST, ABSTAIN. Rows include Resolutions 1 through 8.

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...

Option 1: A voting prohibition statement and a voting exclusion statement apply to the Chair.

Important for Resolutions 1, 2, 7 and 8

If you have not directed your proxy how to vote as your proxy in respect of Resolutions 1, 2, 7 and 8 and the Chair is, or may by default be, appointed your proxy, you must mark the box below.

[Small empty box]

I/we direct the Chair to vote in accordance with his/her voting intentions (as set out above) on Resolutions 1, 2 and 8 (except where I/we have indicated a different voting intention above)...

If the Chair is, or may by default be, appointed your proxy and you do not mark this box and you have not directed the Chair how to vote, the Chair will not cast your votes on Resolutions 1, 2, 7 and 8 and your votes will not be counted...

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

Signature of Shareholder(s):

Individual or Shareholder 1

[Signature box 1]

Sole Director/Company Secretary

Shareholder 2

[Signature box 2]

Director

Shareholder 3

[Signature box 3]

Director/Company Secretary

Date:

[Date line]

Contact name:

[Contact name line]

Contact ph (daytime):

[Contact ph line]

E-mail address:

[E-mail address line]

Consent for contact by e-mail:

YES [] NO []

Instructions for Completing 'Appointment of 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 smiddlemas@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.

This page has been left blank intentionally.

This page has been left blank intentionally.