
BAUXITE RESOURCES LIMITED

ACN 119 699 982

NOTICE OF EXTRAORDINARY GENERAL MEETING

TIME: 10:00am (WST)

DATE: Friday 10 June 2016

PLACE: Suite 10, 295 Rokeby Road
Subiaco WA 6008

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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5 May 2016

Dear Shareholders

On 29 April 2016, the Company announced a proposal to return 5 cents per Share, 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 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 of 5 cents per Share to Shareholders. The return will result in a reduction of cash in the order of approximately \$10.7 million from the Company's current cash reserves of \$27.3 million.

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 business development activities following the recent sale of its interest in the BAJV to its Chinese JV Partner Yankuang.

Your Board unanimously recommends Shareholders vote in favour of the capital return.

Thank you for your continued support.

Yours sincerely



Robert Nash
Chairman

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Extraordinary General Meeting of Shareholders to which this Notice of Meeting relates will be held at 10.00am (WST) on Friday 10th June 2016 at:

Suite 10, 295 Rokeby Road
Subiaco WA 6008

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, Suite 10, 295 Rokeby Road, Subiaco, WA 6008; 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 8th June 2016.

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 10th June 2016 at Suite 10, 295 Rokeby Road, Subiaco, 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 8 June 2016.

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 purposes of Sections 256B and 256C of the Corporations Act 2001 (Cth), and for all other purposes, approval is given for the share capital of Bauxite to be reduced by approximately \$10.715 million, such reduction of capital to be effected by Bauxite paying to each registered holder of Shares as at 5.00pm (WST) on 16 June 2016 (Record Date), the amount of 5 cents for each Share held by that holder on the Record Date, and otherwise on the terms and conditions set out in the Explanatory Statement.”

DATED: 5 MAY 2016

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 10 June 2016 at Suite 10, 295 Rokeby Road, Subiaco, 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 5 cents per Share (representing \$10,715 million in total) as a return of capital.

The record date for determining entitlements to receive the return of capital is 5.00pm (WST) on 16 June 2016 (**Record Date**). The terms of the return of capital are the same for each Shareholder.

For the purposes of the Corporations Act, the proposed return of capital is an “equal” reduction of capital which requires the approval of Shareholders by ordinary resolution in general meeting. Accordingly, for the proposed return of capital to proceed, a majority of votes must be cast in favour of Resolution 1.

(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 Shares at the Record Date referred to above.

No fractional entitlements will arise from the capital return. All Shares issued by the Company are fully paid.

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.

(c) Tax Treatment

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

1.2 REASONS FOR THE RETURN OF CAPITAL

The Company undertook a funding requirements review of the Company’s activities 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 the Company’s larger Shareholders who have voiced support for a return of capital to Shareholders.

As a consequence of this review, the Board has identified surplus cash to the Company's current requirements and therefore is proposing to return 5 cents per share to shareholders in the form of a capital return.

The Board has considered the alternatives available to the Company regarding the application of its cash reserves, and is of the opinion that a return of capital to Shareholders on the terms set out in this Notice is the optimal use of the Company's cash reserves for Shareholders for the following reasons:

- (a) the amount proposed to be returned to Shareholders is in excess of the Company's needs;
- (b) the Board is not aware of any current strategic investment opportunities, nor is the Board aware of or expects any to arise in the near term, which are consistent with the Company's business objectives or business plan; and
- (c) the cash reserves of the Company following the proposed return of capital will continue to be at a level to meet all reasonably foreseeable costs and still allow for new investment opportunities to be completed .

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. 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 Section 256B(1) of 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.

The Directors are of the opinion that the return of capital is fair and reasonable to all Shareholders as it will apply to all Shareholders on the Record Date equally, in proportion to the number of Shares which they hold at the Record Date.

The Directors are also of the opinion that the return of capital will not materially prejudice the Company's ability to pay its creditors after having reviewed and considered the financial position of the Company, including the Company's assets, liabilities, cashflow and capital requirements. In particular, the Company will have sufficient cash resources to pay its creditors after the return of capital.

Advantages

The primary advantage in approving Resolution 1, is that the return of capital will enable the Company to repatriate capital to its Shareholders, which is in excess of its current requirements.

Disadvantages

A disadvantage of the proposed return of capital is that following its implementation the Company will have a reduced capital base from which to operate. However, the Directors are of the opinion that the current capital base is in excess of the Company's current requirements. Also, the post return of capital net cash reserves of approximately \$16.6 million will be sufficient to pursue acquisition opportunities in the resource sector. Further funds of course can be raised by Share issues and placements and, depending upon any project acquired, debt financing or quasi debt financing are further options.

(c) Effect on capital structure

For the purposes of ASX Listing Rule 7.20, the Company provides the following information to Shareholders regarding the effect of the return of capital on its securities.

The Company has 214,302,336 Shares on issue as at the date of this Notice.

After the return of capital, Bauxite's Share capital will be reduced by 5 cents per Share, which as at the date of this Notice amounts to approximately \$10.715 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 Shareholder, nor will it affect the control of the Company.

(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 Board the return of capital will not materially impact Bauxite's ability to fund its current operations.

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

(e) Share price impact

If the proposed return of capital is implemented, Shares are expected to trade at a lower 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.

Given that the Company's Share price is below \$0.20 and is likely to decrease following the return of capital, a waiver of ASX Listing Rule 7.25 is required. A waiver has been granted by ASX in relation to ASX Listing Rule 7.25 to the extent necessary to permit the Company to undertake the return of capital.

(f) Impact on financial position of Bauxite

As a guide to assist Shareholders, Bauxite has prepared the pro forma balance sheet set out below to illustrate the effect of the return of capital on the Company's financial position.

Bauxite Resources Limited – Proforma Balance Sheet based on unaudited management accounts as at 31 March 2016

	Unaudited Consolidated 31/3/2016 \$'000	Adjustments \$'000	Proforma Consolidated 31/3/2016 \$'000
Assets			
Cash and cash equivalents	27,301	(10,715)	16,586
Trade and other receivables	424		424
Other Financial Assets	207		207
Property, Plant & Equipment	2,758		2,758
Total Assets	30,690	(10,715)	19,975
Liabilities			
Trade and other payables	73		73
Provisions	9		9
Total Liabilities	82		82
Net Assets	30,608	(10,715)	19,893
Equity			
Contributed Equity	77,357	(10,715)	66,642
Reserves	674		674
Retained profits	(47,423)		(47,423)
Total equity	30,608	(10,715)	19,893
Shares on issue (number)	214,302,336		214,302,336

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 about the tax consequences for them from the proposed return of capital.

(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 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 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' RECOMMENDATION

Bauxite's Directors unanimously recommend that Shareholders vote in favour of the proposed reduction of capital the subject of Resolution 1.

1.7 DIRECTORS' INTERESTS

The number of securities in which each Director has an interest as at the date of this Notice of General Meeting and the amount they are likely to receive if Resolution 4 is passed and implemented is set out in the table below.

Director	Ordinary Shares	Amount likely to be received if this Resolution is passed and implemented
Robert Nash	324,900	\$16,245.00
Luke Atkins	17,041,667	\$852,083.35
Zhaozhong Wang (i)	19,700,000	\$985,000.00
Neil Lithgow	19,366,666	\$963,333.30

Notes

- i) Mr Wang is the corporate representative of HD Mining and Investments Pty Ltd that controls 19,700,000 Shares in the Company.

1.8 VOTING OF PROXIES

The Chair intends to vote undirected proxies in favour of Resolution 1.

1.9 NO OTHER MATERIAL INFORMATION

Other than as set out in this Notice, and information previously disclosed to Shareholders, there is no information that is known to Bauxite's Directors which may reasonably be expected to be material to the making of a decision by Shareholders whether or not to vote in favour of Resolution 1.

1.10 KEY DATES

The timetable below assumes the return of capital is approved by Shareholders.

Date	Event
10:00am (WST) on 8 June 2016	Latest date for lodgment of proxies
10:00am (WST) on 10 June 2016	Extraordinary General Meeting to approve the return of capital
15 June 2016	Shares commence trading on an 'ex return of capital' basis
16 June 2016	Record Date for determining entitlements to participate in return of capital
21 June 2016	Payment date for capital return - cheques despatched (or direct credits paid)

Note: This timetable is indicative only and subject to change.

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 this document.

GLOSSARY

\$ means Australian dollars.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

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.

Company or **Bauxite** 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** 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.

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 registered holder of a Share.

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

PROXY FORM

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 my/our 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, and subject to the relevant laws as the proxy sees fit, at the Extraordinary General Meeting to be held at 10:00am (WST), on Friday 10th June 2016 at Suite 10, 295 Rokeby Road, Subiaco, 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. 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 Extraordinary General Meeting

FOR AGAINST ABSTAIN

Resolution 1 – Return of Capital to Shareholders

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): _____

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

BAUXITE RESOURCES LIMITED
ACN 119 699 982

Instructions for Completing 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, Suite 10, 295 Rokeby Road, Subiaco, WA 6008; 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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