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

Notice is given that the Meeting will be held at:

TIME: 10.30 am
DATE: 16 March 2018
PLACE: Suite 10, 295 Rokeby Road
Subiaco WA 6008

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

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.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 10.30am on 14 March 2018.

BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – AMENDMENT TO CONSTITUTION

To consider and, if thought fit, to pass the following resolutions as **special resolutions**:

“That the Company amend its Constitution so as to incorporate a proportional takeover approval provision that allows the members of the Company to vote on whether to approve an offer made under a proportional bid for a class of the Company’s securities.”

2. RESOLUTION 2 – REPLACEMENT OF CONSTITUTION

“That, subject to and conditional upon passing Resolution 1, for the purposes of section 136(2) of the Corporations Act and for all other purposes, approval is given for the Company to repeal its existing Constitution and adopt a new constitution in its place in the form as signed by the chairman of the Meeting for identification purposes.”

3. RESOLUTION 3 – PROPORTIONAL TAKEOVER APPROVAL RESOLUTION

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

“That, subject to and conditional upon the passing of Resolutions 1 or 2, and the Existing Proportional Takeover Bid being extended to a date that is not less than 14 days following the date of this Meeting, for the purposes of clause 36 of the Company’s Constitution and for all other purposes, approval be given for the proportional off-market takeover bid by Mercantile OFM for 50% of the Company’s Shares which Mercantile OFM and its associates do not own or control, on the terms and conditions set out in the Bidder’s Statement.”

Voting Exclusion: No votes may be cast in favour of this Resolution by Mercantile OFM and its associates. Accordingly, the Company will disregard any votes cast on this Resolution by Mercantile OFM and any of its associates. However, the Company will 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.

Voting Entitlement: In accordance with clause 36.1(b) of the Company’s constitution, only persons who hold Shares as at 5.00pm (Perth Time) on the day on which the first offer is made under the Existing Proportional Takeover Bid by Mercantile OFM are entitled to vote on Resolution 2, being 14 December 2017. Share transfers registered after the time and date described above will be disregarded in determining entitlements to attend and vote on Resolution 2.

Dated: 12 February 2018

By order of the Board



RS Middlemas
Company Secretary

Voting in person

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

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

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

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

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

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

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.

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.

1. RESOLUTIONS 1 AND 2 – REPLACEMENT OF CONSTITUTION

1.1 General

The Company has received a notice dated 12 February 2018 (**Notice**) issued pursuant to section 249D of the Corporations Act from a Shareholder who holds more than 5% of the Company's voting Shares, requesting that the Directors call a general meeting of the Company to consider and, if thought fit, to pass resolutions in terms of Resolutions 1 and 2.

The Directors of the Company have accordingly called the General Meeting in accordance with their obligation to do so under section 249D of the Corporations Act.

A company may modify or repeal its constitution or a provision of its constitution by special resolution of Shareholders.

Resolutions 1 and 2 are special resolutions which will enable the Company to repeal its existing Constitution and adopt a new constitution (**Proposed Constitution**) which is of the type required for a listed public company limited by shares updated to ensure it reflects the current provisions of the Corporations Act and ASX Listing Rules.

If Resolution 1 is passed and Resolution 2 is not, the Company's existing Constitution will be amended to include the proportional takeovers provisions discussed below, with no other changes being made.

The Proposed Constitution will incorporate amendments to the Corporations Act and ASX Listing Rules since the current Constitution was adopted in 2007. In particular, it will incorporate amendments that contain proportional takeover approval provisions so as to specifically address the request in the Notice that the Proposed Constitution incorporate a clause that allows Shareholders to vote on whether a proportional takeover be approved.

The Directors believe that it is preferable in the circumstances to replace the existing Constitution with the Proposed Constitution rather than to amend a multitude of specific provisions.

The Proposed Constitution is broadly consistent with the provisions of the existing Constitution. Many of the proposed changes are administrative or minor in nature including but not limited to:

- updating references to bodies or legislation which have been renamed (e.g. references to the Australian Settlement and Transfer Corporation Pty Ltd, ASTC Settlement Rules and ASTC Transfer); and
- expressly providing for statutory rights by mirroring these rights in provisions of the Proposed Constitution.

Other than with respect to the proportional takeover provisions being renewed (details of which are set out in Section 1.2 below), the Directors believe these amendments are not material nor will they have any significant impact on Shareholders. It is not practicable to list all of the changes to the Constitution in

detail in this Explanatory Statement, however, a summary of the proposed material changes is set out below.

A copy of the Proposed Constitution is available for review by Shareholders at the Company's website <http://www.bauxiteresources.com.au> and at the office of the Company. A copy of the Proposed Constitution can also be sent to Shareholders upon request to the Company Secretary (+61 8 9200 8200). Shareholders are invited to contact the Company if they have any queries or concerns.

1.2 Summary of material proposed changes

Fee for registration of off market transfers (clause 8.4(c))

On 24 January 2011, ASX amended ASX Listing Rule 8.14 with the effect that the Company may now charge a "reasonable fee" for registering paper-based transfers, sometimes referred to "off-market transfers".

Clause 8.4 of the Proposed Constitution is being made to enable the Company to charge a reasonable fee when it is required to register off-market transfers from Shareholders. The fee is intended to represent the cost incurred by the Company in upgrading its fraud detection practices specific to off-market transfers.

Before charging any fee, the Company is required to notify ASX of the fee to be charged and provide sufficient information to enable ASX to assess the reasonableness of the proposed amount.

Dividends (clause 22)

Section 254T of the Corporations Act was amended effective 28 June 2010.

There is now a three-tiered test that a company will need to satisfy before paying a dividend replacing the previous test that dividends may only be paid out of profits.

The amended requirements provide that a company must not pay a dividend unless:

- (a) the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;
- (b) the payment of the dividend is fair and reasonable to the company's shareholders as a whole; and
- (c) the payment of the dividend does not materially prejudice the company's ability to pay its creditors.

The existing Constitution reflects the former profits test and restricts the dividends to be paid only out of the profits of the Company. The Proposed Constitution is updated to reflect the new requirements of the Corporations Act. The Directors consider it appropriate to update the Constitution for this amendment to allow more flexibility in the payment of dividends in the future should the Company be in a position to pay dividends.

Partial (proportional) takeover provisions (new clause 36)

A proportional takeover bid is a takeover bid where the offer made to each shareholder is only for a proportion of that shareholder's shares.

Pursuant to section 648G of the Corporations Act, the Company has included in the Proposed Constitution a provision whereby a proportional takeover bid for Shares may only proceed after the bid has been approved by a meeting of Shareholders held in accordance with the terms set out in the Corporations Act.

This clause of the Proposed Constitution will cease to have effect on the third anniversary of the date of the adoption of last renewal of the clause.

Information required by section 648G of the Corporations Act

Effect of proposed proportional takeover provisions

Where offers have been made under a proportional off-market bid in respect of a class of securities in a company, the registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under such a proportional off-market bid is prohibited unless and until a resolution to approve the proportional off-market bid is passed.

Reasons for proportional takeover provisions

A proportional takeover bid may result in control of the Company changing without Shareholders having the opportunity to dispose of all their Shares. By making a partial bid, a bidder can obtain practical control of the Company by acquiring less than a majority interest. Shareholders are exposed to the risk of being left as a minority in the Company and the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium. These amended provisions allow Shareholders to decide whether a proportional takeover bid is acceptable in principle, and assist in ensuring that any partial bid is appropriately priced.

Knowledge of any acquisition proposals

The Company is currently the subject of a proportional takeover bid (**Existing Proportional Takeover Bid**) by Mercantile OFM Pty Ltd (ACN 120 221 623) (**Mercantile OFM**), the terms of which are set out in the bidder's statement dispatched to the Company's Shareholders on 14 December 2017, as supplemented by a first supplementary bidder's statement dated 13 December 2017 and a second supplementary bidder's statement dated 25 January 2018 (together, the **Bidder's Statement**).

Potential advantages and disadvantages of proportional takeover provisions

The potential advantages of the proportional takeover provisions for Shareholders include:

- (a) the right to decide by majority vote whether an offer under a proportional takeover bid should proceed;
- (b) assisting in preventing Shareholders from being locked in as a minority;
- (c) increasing the bargaining power of Shareholders which may assist in ensuring that any proportional takeover bid is adequately priced; and
- (d) each individual Shareholder may better assess the likely outcome of the proportional takeover bid by knowing the view of the majority of Shareholders which may assist in deciding whether to accept or reject an offer under the takeover bid.

The potential disadvantages of the proportional takeover provisions for Shareholders include:

- (a) the Existing Proportional Takeover Bid may not be completed;
- (b) proportional takeover bids may be discouraged;
- (b) lost opportunity to sell a portion of their Shares at a premium; and
- (c) the likelihood of a proportional takeover bid succeeding may be reduced.

2. RESOLUTION 3 – PROPORTIONAL TAKEOVER APPROVAL RESOLUTION

2.1 Background

The Company is seeking Shareholder approval following receipt of the Notice from a substantial Shareholder under Resolutions 1 and 2 for the adoption of the Proposed Constitution, which contains provisions requiring that Shareholders approval a proportional takeover bid. A summary of these provisions is set out in Section 1.2 above.

The Company is currently the subject of the Existing Proportional Takeover Bid by Mercantile OFM, the terms of which are set out in the Bidder's Statement.

If Resolutions 1 and 2 are passed, the Company's Proposed Constitution requires that a proportional takeover bid be approved by the Company's Shareholders (other than the bidder and its associates) in order to proceed (**Proportional Bid Resolution**).

Under clause 36 of the Proposed Constitution to be adopted under Resolution 1, where takeover offers have been made under a proportional off-market bid, the Directors are to ensure that a prescribed resolution to approve the proportional off-market bid is voted on in accordance with this clause 36 before the 14th day before the last day of the bid period for the proportional off-market bid (the **Resolution Deadline**). As this Meeting will be held after the Resolution Deadline, being 14 February 2018, a vote against the Proportional Bid Resolution will be binding only if the Existing Proportional Takeover Bid is extended to a date that is greater than 14 days following the date of this Meeting.

If the Existing Proportional Takeover Bid is extended in the manner set out in the paragraph above and the Proportional Bid Resolution is not passed, then no transfers can be registered under the Existing Proportional Takeover Bid and so Mercantile OFM will not be able to acquire any Shares under the Existing Proportional Takeover Bid.

The main reason for including the proportional takeover provisions in the Company's Constitution is that a proportional takeover bid may result in control of the Company changing without Shareholders having the opportunity to dispose of all their Shares. By making a partial bid, a bidder can obtain practical control of the Company by acquiring less than a majority interest. Shareholders are exposed to the risk of being left as a minority in the Company and the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium. The proportional takeover provisions allow Shareholders to decide whether a proportional takeover bid is acceptable in principle, and assist in ensuring that any partial bid is appropriately priced.

2.2 Board Recommendation

The Directors unanimously recommend that Shareholders vote **AGAINST** the Proportional Bid Resolution.

The Board considers that the Existing Proportional Takeover Bid is an opportunistic attempt to gain control of your Company and its cash assets. Reasons for the Board's recommendation are set out in the supplementary target's statement issued by the Company on 2 February 2018 (**Supplementary Target's Statement**).

While your Board recommends that you vote against the Proportional Bid Resolution, you may wish to consider voting in favour of the Resolution because:

- (a) **Partial liquidity event:** Individual Shareholders holding larger parcels of Shares may conclude that, in light of their own financial circumstances, the partial liquidity event offered by the Proportional Bid may allow them to exit a portion of their shareholding in the Company (which may not otherwise be available).
- (b) **Risk profile of the Company:** An investment in the Company is subject to a number of risks due to the nature of the specific industry in which the Company is engaged as well as macroeconomic factors more generally. While your Board and management believe they have the skills to manage these risks if and when they arise, there is no guarantee that the Company will generate a return which is greater than the immediate return offered under the Existing Proportional Takeover Bid.
- (c) **Independent Expert's Report:** The independent expert's report contained in the Supplementary Target's Statement contains an opinion that the independent expert, BDO Corporate Finance (WA) Pty Ltd considers that the Existing Proportional Takeover Bid is **fair and reasonable** to Shareholders that are not associated with Mercantile OFM.

GLOSSARY

\$ means Australian dollars.

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.

Bidder's Statement has the meaning set out in Section 1.2.

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 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.

Existing Proportional Takeover Bid has the meaning set out in Section 1.2.

Explanatory Statement means the explanatory statement accompanying the Notice.

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

Mercantile OFM has the meaning set out in Section 1.2.

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

Proxy Form means the proxy form accompanying the Notice.

Proposed Constituion has the meaning set out in Section 1.1.

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

Section means a section of the Explanatory Statement.

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

PROXY FORM**BAUXITE RESOURCES LIMITED**
ACN 119 699 982**GENERAL MEETING**I/We of:

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

Name: **OR:** the Chair of the Meeting as my/our proxy.

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held at Suite 10, 295 Rokeby Road, Subiaco, WA, 6005, on 16 March 2018 at 10.30am, and at any adjournment thereof.

CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES

The Chair intends to vote undirected proxies in favour of Resolution 1 (Replacement of Constitution) but against Resolution 2 (Proportional Takeover Approval 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 Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Amendment to Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Replacement of Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Proportional Takeover Approval Resolution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

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

Signature of Shareholder(s):**Individual or Shareholder 1**

Sole Director/Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Date: _____**Contact name:** _____**Contact ph (daytime):** _____**E-mail address:** _____**Consent for contact by e-mail
in relation to this Proxy Form:** YES NO

Instructions for completing Proxy Form

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