



AUSTRALIAN **BAUXITE** LIMITED

**NOTICE OF THE
ANNUAL GENERAL MEETING
AND
EXPLANATORY STATEMENT**

The Annual General Meeting of
Australian Bauxite Limited
ACN 139 494 885
will be held at Level 2 131 Macquarie Street Sydney
at 1.00pm on 31 May 2016

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NOTICE OF THE ANNUAL GENERAL MEETING

Australian Bauxite Limited ACN 139 494 885

Notice is hereby given that the Annual General Meeting of members of Australian Bauxite Limited (the **Company**) will be held at the registered office of the Company, Level 2 131 Macquarie Street Sydney at 1.00 pm on 31 May 2016.

Ordinary Business

1. Financial Statements and Reports

To receive the Company's financial statements and the reports of the Directors and the Auditors thereon for the financial year ended 31 December 2015.

2. Resolution 1: Ordinary resolution to adopt the Remuneration Report

To consider and, if thought fit, pass the following resolution **as a non-binding resolution**.

"That the Directors' Remuneration Report for the year ended 31 December 2015 be and is hereby adopted for the purposes of the Corporations Act 2001 (Cth)".

NOTE: this Remuneration Report is set out on pages 15 to 17 of the Directors' Report contained in the 2015 Annual Report in accordance with Section 250R(3) of the *Corporations Act 2001 (Cth)*.

Voting Exclusion Statement

The company will disregard any votes cast on Resolution 1 (in any capacity, whether as proxy or as shareholder) by any of the following:

- (a) Key Management Personnel; and
- (b) Closely Related Parties of Key Management Personnel.

However, the Company need not disregard a vote if it is:

- (c) Cast by a person as a proxy appointed in accordance with the directions of the proxy form that specifies how the proxy is to vote on Resolution 1; and the vote is not cast on behalf of a person described in subparagraphs (a) and (b) above; or
- (d) Cast by the chair of the Meeting as proxy appointed in accordance with the directions of the proxy form for a person who is entitled to vote, and such appointment on the proxy form expressly authorises the chair to exercise the proxy even if the resolution is connected directly with the remuneration report; and the vote is not cast on behalf of a person described in subparagraphs (a) and (b) above.

3. Election of Directors

Resolution 2: Ordinary resolution to elect Mr Paul Lennon as a Director of the Company

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

"That Paul Lennon, retiring in accordance with Article 49.1.3 of the Company's Constitution, be elected as a Director of the Company".

Note: the qualifications and experience of Mr Lennon are provided in the 2015 Annual Report tabled at this Annual General Meeting.

4. Issue of Shares to Directors

a) Resolution 3: Ordinary Resolution to Issue Shares to Director Paul Lennon

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

"That, for the purposes of section 195 (4), section 208 of the Corporations Act, ASX Listing Rules 10.11 and any other purposes, approval is given to grant Paul Lennon (or his nominee), a director of the Company, 386,416 shares and otherwise on the terms outlined in this Explanatory Statement".

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 3 by any person who has participated in the share issue under this Resolution 3 or a person who has obtained a benefit, except a benefit solely in the capacity of a security holder, if Resolution 3 is passed or an associate of any of those persons. However, the Company will not disregard the vote if:

- a) 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
- b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

b) Resolution 4: Ordinary Resolution to Issue Shares to Director Ken Boundy

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

“That, for the purposes of section 195 (4), section 208 of the Corporations Act, ASX Listing Rules 10.11 and any other purposes, approval is given to grant Ken Boundy (or his nominee), a director of the Company, 276,007 shares and otherwise on the terms outlined in this Explanatory Statement”.

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 4 by any person who has participated in the share issue under this Resolution 4 or a person who has obtained a benefit, except a benefit solely in the capacity of a security holder, if Resolution 4 is passed or an associate of any of those persons. However, the Company will not disregard the vote if:

- a) 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
- b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

5. Other Business

To transact any other business that in accordance with the Company's Constitution and the Corporations Act, may be legally brought before an Annual General Meeting.

By Order of the Board of Directors



Henry Kinstlinger
Company Secretary
28 April 2016

This Notice of Meeting is accompanied by an Explanatory Statement that explains the purpose of the Meeting and the resolutions to be considered at the Meeting.

EXPLANATORY STATEMENT

This Explanatory Statement is intended to provide shareholders of Australian Bauxite Limited (**the Company**) with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of Annual General Meeting of the Company.

The Directors recommend that shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

If you have any queries regarding the matters set out in this Explanatory Statement or the preceding Notice please contact the Company or your professional advisor.

1. Financial Statements and Reports

The Corporations Act 2001 (Cth) requires the Financial Report, Directors' Report and Auditor's Report for the past financial year to be tabled before the Annual General Meeting, and the Company's Constitution provides for such reports to be received and considered at that meeting. Neither the *Corporations Act 2001* (Cth) nor the Company's Constitution requires a vote of shareholders at the Annual General Meeting on such Reports. The Annual General Meeting provides a forum for shareholders to ask questions and make comments on the Company's reports and accounts and on the business and operations of the Company for the year ended 31 December 2015.

In addition, shareholders may, at the meeting, ask questions of the auditor in relation to the following matters:

- the conduct of the audit;
- the content of the auditor's report;
- the accounting policies adopted by the Company for the preparation of the financial statements; and
- the auditor's independence in relation to the above items.

Shareholders may view the Company's Annual Financial Report on the Company's website www.australianbauxite.com.au/investors

2. Resolution 1 – Adoption of Directors' Remuneration Report

In accordance with Section 250R(2) of the *Corporations Act 2001* (Cth) a resolution that the Remuneration Report be adopted must be put to a vote at the Company's Annual General Meeting. The vote on this resolution is advisory only and does not bind the Directors or the Company. The Remuneration Report is set out in the Company's year 2015 Annual Report and is also available from the Company's website <http://www.australianbauxite.com.au/Media.htm>.

The Remuneration Report:

- describes the policies behind, and the structure of, the remuneration arrangements of the Company and the link between the remuneration of executives and the Company's performance;
- sets out the remuneration arrangements in place for each director and for certain members of the senior management team; and
- explains the difference between the bases for remunerating non-executive directors and senior executives, including the Chief Executive Officer.

If the Company's Remuneration Report resolution receives 'NO' votes of 25% or more of the votes cast at the meeting, the Company's subsequent remuneration report will include a report on actions taken by the Board in the Company's next annual report.

The Board will take the outcome of the vote, even if it received a less than 25% 'NO' vote into consideration when reviewing the Company's remuneration policy. A 'NO' vote of 25% or more **was not** received at the Company's 2014 Annual General Meeting.

3. Election of Directors

3.1. Resolution 2 – Election of Mr Paul Lennon as a Director

Mr Paul Lennon retires in accordance with Article 49.1.3 of the Company's Constitution, which provides that one third of the directors automatically retire at the end of each Annual General Meeting of the Company.

Mr Lennon was appointed as a non-executive director of the company on 28 November 2014. Being eligible, Mr Lennon offers himself for re-election.

4. Resolutions 3-4: Issue of Shares to Directors

4.1 Background

The Company is of the belief that its remuneration policies should align the interests of Australian Bauxite Limited Shareholders with that of Directors to promote the long-term growth and prosperity of the business.

4.2 Regulatory Framework

Chapter 2E

Chapter 2E of the Corporations Act requires that for a public company to give a financial benefit to a related party, the public company must obtain the approval of members in the manner set out in Sections 217 to 227 of the Corporations Act and 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.

Directors rely on Section 211 of the Corporations Act and confirm that the grant of securities contemplated by Resolutions 3 and 4 is reasonable remuneration for services rendered as Directors by Paul Lennon and Ken Boundy. As a result, shareholder approval for these resolutions is not sought under Chapter 2E.

ASX Listing Rules 10.11

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.

ASX Listing Rules 7.1

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

s195(4) Directors Restrictions on Voting

As two of the three Directors have a material personal interest in the issue of the Shares, the Company seeks approval under Section 195 of the Corporations Act so that the Shareholders may pass a resolution to deal with this matter.

4.3 ASX Listing Rule and Corporations Act Disclosures

The following information is provided in accordance with ASX Listing Rule 10.11 and Section 219 of the Corporations Act.

- a) The following person will be given securities under Resolution 3 and 4 respectively:
 - i. Paul Lennon (or their nominee) – 386,416 Fully Paid Ordinary Shares
 - ii. Ken Boundy (or their nominee) – 276,007 Fully Paid Ordinary Shares
- b) All securities to be issued under Resolution 3 and 4 will be issued within one month of approval.
- c) The persons receiving securities per Resolution 3 and 4 are Directors of the Company.
- d) A voting exclusion statement has been included for the purposes of Resolution 3 and 4.
- e) The relevant interests of the related parties in securities of the Company following the passing of Resolution 3 and 4 is outlined at Section 4.5
- f) No funds will be raised from the issue of Shares in Resolution 3 or 4. The securities to be issued to the Directors are being issued in lieu of cash remuneration. Please see Section 4.4 for further information.

4.4 Reasons for Share Issue to Directors

In order to preserve cash reserves, the Board is seeking approval to issue shares to Ken Boundy and Paul Lennon (or their nominees) in lieu of cash remuneration. The Directors believe that this form of remuneration is beneficial to the Company's operation.

The value of the shares has been based on the 3 months Volume Weighted Average Price (VWAP) of the Company to 19 April 2016 which has been calculated as 12.076864 cents per share.

Mr Lennon is owed \$46,667 in cash remuneration from October 2015 to April 2016. As a result, the number of shares to be received by Mr Lennon subject to Resolution 3 is 386,416 shares (rounded down).

Mr Boundy is owed \$33,333 in cash remuneration for the period from July 2015 to April 2016. As a result, the number of shares to be received by Mr Boundy subject to Resolution 4 is 276,007 shares (rounded down).

4.5 Effect of Issue of Shares on Interests of Related Parties

Effect of Issue of Shares on Interests of Related Parties		
	Paul Lennon	Ken Boundy
Current (19 Apr 16)	500,000 (Indirect)	180,000
Resolution 3	386,416	
Resolution 4		276,007
Total	886,416	456,007

All shares referenced to in the above table are Fully Paid Ordinary Shares.

4.6 Director's Recommendations

As two of the three Directors of the Company have a material personal interest in the issue of securities contemplated by Resolutions 3 and 4, the Company seeks approval as required by Section 195 of the Corporations Act so that shareholders may pass a resolution to deal with the matter.

Given the nature of Resolutions 3 and 4, the Directors do not make any recommendations on how Shareholders should vote on these Resolutions.

Voting Information:

Voting Entitlement at the Annual General Meeting in accordance with Regulation 7.11.37 of the Corporations Regulations 2001.

For the purpose of determining a person's entitlement to vote at the Annual General Meeting, a person will be recognised as a member of the Company and the holder of shares if that person is registered as a holder of those shares at 5.00 pm AEST on 29 May 2016, being within 48 hours of the Annual General Meeting.

Votes of Members

On a show of hands, each member present in person or by proxy (or, in the case of a body corporate, by a representative) at the Annual General Meeting shall have one vote.

On a poll, every member present in person or by attorney or by proxy (or, in the case of a body corporate, by a representative) shall have one vote for each share held provided that all shares are fully paid.

Voting

Please note that for a resolution to be passed, except where otherwise indicated, a simple majority of votes from shareholders attending in person or voting by proxy is required.

Amendments to proxy voting

Shareholders are advised that the Federal government has introduced the *Corporations Amendment (improving Accountability on Director and Executive Remuneration) Act 2011* (Cth) (the **CA Act**), which came into effect on 1 July 2011. The CA Act introduced new prohibitions on Key Management Personnel and their Closely Related Parties from voting their shares (or voting undirected proxies) on, amongst other things, remuneration matters.

However, the chair of a meeting may vote an undirected proxy (ie. a proxy that does not specify how it is to be voted), provided the shareholder who has lodged the proxy has given informed consent, in the form of an express voting direction to the chair to exercise the undirected proxy, even if the resolution

is connected with the remuneration of a member of Key Management Personnel (**Informed Consent**).

In light of these legislative requirements, the Company recommends that shareholders consider the following options to ensure the validity of their votes:

- a) that shareholders direct proxies on a remuneration related resolution instead of leaving them undirected; or
- b) that shareholders nominate a proxy who is not a member of Key Management Personnel or any of their Closely Related Parties to vote on a remuneration related resolution; or
- c) that shareholders who wish to vest their undirected proxies in the chair on a remuneration related resolution ensure that they follow instructions provided on the proxy form in order to provide Informed Consent.

**AUSTRALIAN BAUXITE LIMITED
(ACN 139 494 885)**

**ANNUAL GENERAL MEETING OF SHAREHOLDERS
PROXY FORM**

Please complete, sign and return this document to:

To: The Secretary
Australian Bauxite Limited
Level 2, Hudson House
131 Macquarie Street
SYDNEY NSW 2000

fax executed form to: +61 (2) 9251 7500
email executed form to: corporate@australianbauxite.com.au
By 5.00 pm AEST on 29 May 2016.

I / We

being a member of Australian Bauxite Limited (the **Company**) appoint:

Name of proxy:

Address of proxy:

Or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my / our proxy to act generally at the Meeting on my / our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of the Company on 31 May 2016 and at any adjournment of or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions:

Where I / we have appointed the Chairman of the Meeting as my / our proxy (or the Chairman becomes my / our proxy by default), I / we expressly authorise the Chairman to exercise my / our proxy on Resolution 1 (except where I / we have indicated a different voting intention below) even though Resolution 1 is connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolution 1 by marking the appropriate box below.

The Chairman intends to vote all undirected proxies that he receives in favour of each resolution to be brought before the meeting, except where the Chairman is expressly forbidden to do so, under the *Corporations Act 2001 (Cth)*.

Items of Business

Please mark ☒ to indicate your directions

PLEASE NOTE: If you mark the Abstain box for an item, you are directing your proxy not to vote on your behalf on a show of hands or poll and your votes will not be counted in computing the required majority.

RESOLUTIONS	FOR	AGAINST	ABSTAIN
Resolution 1 – Ordinary Resolution to adopt the Directors' Remuneration Report	☐	☐	☐
Resolution 2 – Ordinary resolution to elect Mr Paul Lennon	☐	☐	☐
Resolution 3 - Ordinary Resolution to Issue Shares to Director Paul Lennon	☐	☐	☐
Resolution 4 – Ordinary Resolution to Issue Shares to Director Ken Boundy	☐	☐	☐

The Chairman of the meeting intends to vote all available proxies in favour of each item of business.

SIGNATURE OF MEMBER (S)

Individual or Member 1

Member 2

Member 3

Sole Director/Company Secretary

Director

Director/Company Secretary

Date: _____

Contact Name: _____

Contact Phone (daytime): _____

Notes on Proxies

1. Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box, your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.
2. A member entitled to attend and vote at this meeting is entitled to appoint not more than two proxies to attend and vote in his stead pursuant to the Constitution.
3. If a member appoints one proxy only, that proxy shall be entitled to vote on a show of hands, but if a member appoints two proxies neither shall be entitled to vote on a show of hands.
4. Where more than one proxy is appointed, each proxy must be appointed to represent a specific portion of the member's voting rights. Otherwise each proxy may exercise half of your votes.
5. A proxy need not be a security holder of the Company.
6. Signing instructions:

Individual: Where the holding is in one name, the security holder must sign.

Joint Holding: Where the holding is in more than one name, all of the security holders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry or the Company, 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, this form must be signed by that person. If the Company (pursuant to Section 204A of the *Corporations Act* 2001 (Cth)) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

For your vote to be effective, the completed proxy form must be received by 5.00 pm AEST on 29 May 2016.

Please advise of any change of address by completion of the section below:

My new address is: