

## DISPUTE NOTICE ISSUED TO YANKUANG RESOURCES

**Bauxite Resources Limited (ASX: BAU)** has issued a dispute notice to Yankuang Resources Pty Limited ("YRPL") pursuant to the terms of the Joint Venture Resource Agreement (JRVA) and the Alumina Refinery Joint Venture Agreement (ARJVA).

The disputes relate to:

- (a) the differing views as to how to interpret the terms of the JRVA and ARJVA given that the parties cannot agree on the Annual Program and annual budget for 2015/16, specifically what Annual Program the Manager is required to adopt as governing the activities and expenditure of the joint ventures until such time as the dispute between the parties can be resolved; and
- (b) the interpretation of the obligations of the parties under the ARJVA to approve an Annual Program and budget which is designed to see a full Refinery BFS completed by the contractual completion date.

At a joint venture committee meeting held last week, the joint venture Manager proposed the budget for the Refinery BFS. This budget was approved by Bauxite Resources Limited ("BRL") however YRPL did not approve the budget.

The Company has issued the dispute notice in an attempt to resolve above issues to ensure that YRPL performs its obligations under the JRVA and ARJVA.

The Company believes given the quality and size of the Felicitas bauxite deposit, the present time represents an exceptional opportunity for the parties to undertake the Refinery BFS. The current market conditions and exchange rate for the Australian dollar are such that the input costs for a Refinery BFS, the availability of service providers, and staffing costs are all likely to be substantially lower than they have been in recent years.

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**ASX Code: BAU**

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## **Background**

BRL and YRPL signed a Heads of Agreement on 8 January 2010 (“HOA”) under which YRPL would earn 49% of the Bauxite Rights in BRL’s southern Darling Range tenements with a view to establishing a 150 million tonne resource in the southern Darling Range to provide a source of bauxite to a proposed Alumina Refinery. Under that original HOA, BRL had agreed to complete a Refinery Bankable Feasibility Study (Refinery BFS) at BRL’s cost.

Subsequent to the HOA, the terms were renegotiated with YRPL after BRL expressed to YRPL its’ concern as to its’ capacity to fund a complete Refinery BFS. YRPL agreed to fund 90% of the Refinery BFS costs provided that BRL agreed to grant YRPL a 70% interest in the Bauxite Rights across a much larger tenement package than was the subject of the original HOA. The larger package includes the tenements on which the Felicitas deposit is located.

The parties thereafter entered into the detailed joint venture agreements, being the JVRA and ARJVA on 23 January 2011 (in the terms which have been previously announced).

BRL considers that YRPL’s promise to fund 90% of a completed Refinery BFS was fundamental obligation of the renegotiated agreement.

As previously advised to the market BRL has been working with YRPL for some time to progress the Alumina Refinery Joint Venture. Unfortunately at this time YRPL have not approved the Annual Program and budget proposed by the BAJV Manager for carrying out the Refinery BFS.

YRPL have maintained that a minimum expenditure budget should be approved in light of the present economic conditions.

BRL is seeking resolution of the dispute through the dispute resolution processes set out in the JVRA and ARJVA. BRL has also placed YRPL on notice that it reserves all its’ legal rights.