

## BAUXITE RESOURCES LIMITED

## Proforma Balance Sheet based on audited accounts as at 30 June 2007

	Notes	Actual 30 June 2007 \$	Pro-forma 30 June 2007 \$
<b>Current Assets</b>			
Cash Assets	3	1,182,561	7,956,816
Receivables		3,240	3,240
<b>Total Current Assets</b>		<u>1,185,801</u>	<u>7,960,056</u>
<b>Non Current Assets</b>			
Tenement Acquisition & Exploration Costs		200,342	200,342
Plant & Equipment and intangibles		8,044	8,044
<b>Total Non Current Assets</b>		<u>208,386</u>	<u>208,386</u>
<b>Total Assets</b>		<u>1,394,187</u>	<u>8,168,442</u>
<b>Current Liabilities</b>			
Trade and Other Payables		117,320	16,575
<b>Total Current Liabilities</b>		<u>117,320</u>	<u>16,575</u>
<b>Total Liabilities</b>		<u>117,320</u>	<u>16,575</u>
<b>Net Assets</b>		<u>1,276,867</u>	<u>8,151,867</u>
<b>Equity</b>			
Contributed Equity	4	1,271,566	8,146,566
Accumulated Losses		5,301	5,301
<b>Total Equity</b>		<u>1,276,867</u>	<u>8,151,867</u>

To be read in conjunction with Appendix 1

## BAUXITE RESOURCES LIMITED

## NOTES TO THE BALANCE SHEETS

**Note 1 Statement of Accounting Policies**

The Balance Sheets have been prepared in accordance with applicable Accounting Standards, including the Australian Equivalents of International Financial Reporting Standards ("AIFRS"), the Corporations Act 2001 and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial information has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial information.

**a) Tenement Acquisition & Exploration Costs**

Exploration and evaluation expenditure incurred (including tenement acquisition costs) is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area of interest (or alternatively by its sale) or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, and active operations are continuing.

Accumulated costs in relation to an abandoned area are written off to the income statement in the period in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs will be determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

**b) Going Concern**

The financial statements have been prepared on a going concern basis, which anticipates the ability of the Company to meet its obligations in the normal course of business. The ability of the Company to meet its existing and future obligations will depend on the ability to raise funds pursuant to the Prospectus, or from other sources, and to raise further funds through the issue of additional share capital to meet future exploration commitments, as and when required.

## BAUXITE RESOURCES LIMITED

## NOTES TO THE BALANCE SHEETS

## c) Share Issue Costs

In accordance with Australian Accounting Standard AASB 132.37 Financial Instruments: Presentation, all transaction costs on the issue of equity instruments are to be recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate.

## d) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non assessable or disallowed items.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

## BAUXITE RESOURCES LIMITED

## NOTES TO THE BALANCE SHEETS

**d) Income Tax**

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognized directly in equity are recognised in equity and not in the income statement.

**e) Plant & Equipment**

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset at the following rates:

Plant and equipment – 20% to 40%

*Impairment*

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate the carrying value may be impaired.

An impairment exists when the carrying value of an asset or cash generating unit exceeds its estimated recoverable amount. The assets or cash-generating units are then written down to their recoverable amount.

*Derecognition and disposal*

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

**f) Impairment of Assets**

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Recoverable amount is the higher of its fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

## BAUXITE RESOURCES LIMITED

## NOTES TO THE BALANCE SHEETS

**f) Impairment of Assets**

Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset or cash generating unit exceeds its estimated recoverable amount the assets or cash generating unit is considered impaired and is written down to its recoverable amount.

**g) Provisions**

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reasonable estimate is made of the amount of the obligation.

The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**h) Cash and Cash Equivalents**

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

**i) Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*Interest*

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

**j) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

## BAUXITE RESOURCES LIMITED

## NOTES TO THE BALANCE SHEETS

**Note 2 The Preparation of the Pro-Forma Balance Sheet**

The 30 June 2007 Balance Sheet of the Company has been adjusted to reflect the impact of the following transactions:

- The issue pursuant to the Prospectus of 37,500,000 ordinary shares at 25 cents each, raising \$7,500,000 cash.
- The payment of an estimated \$625,000 in costs incurred by the Company in relation to the capital raising and the subsequent write off of these costs against the issued capital.
- The repayment of loans owing to related parties amounting to \$100,745.

**Note 3 Cash**

	<b>Actual 30 June 2007 \$</b>	<b>Pro-forma 30 June 2007 \$</b>
Cash	1,182,561	5,580,287

The movements in cash at bank are as follows:

Actual 30 June 2007	1,182,561
Issue of shares pursuant to Prospectus	7,500,000
Share issue costs	(625,000)
Repayment of related party loans	(100,745)
	<u>7,956,816</u>

**Note 4 Contributed Equity**

107,637,500 ordinary shares fully paid	<u>8,146,566</u>
--	------------------

**Movements during the Period:****Ordinary issued and paid up share capital**

	<b>No of Shares</b>	
Opening balance as at 30 June 2007	70,137,500	1,271,566
Issue of fully paid ordinary shares pursuant to the prospectus	37,500,000	7,500,000
Transaction costs relating to share issue	-	(625,000)
At reporting date	<u>107,637,500</u>	<u>8,146,566</u>