

PROPOSED MATERIAL PLACEMENT OF SHARES

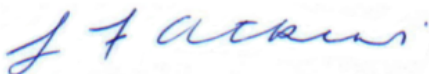
The Board of Bauxite Resources Limited ("BRL") has received a formal written offer of a placement of 19,700,000 shares at an issue price of 50 cents per share ("Placement Offer"). The Placement Offer has been made by an Australian entity controlled by the Shandong No 1 Institute for Prospecting of Geology and Minerals (Shandong), a government agency in China.

The Placement Offer will require a number of regulatory approvals in both Australia and China and also some conditions precedent to be satisfied. BRL will keep the market informed as material developments occur. A significant amount of due diligence has already been undertaken by Shandong over the last 5 months and BRL is finalising some amendments to the key terms of the Farm In and Joint Venture Agreements previously released to the market. The key amendment revolves around a proposed separate joint venture for "greenfields" exploration of 1000km² out of BRL's total existing tenement holding of around 13,500 km² in the Darling Range. The BRL board advises that it will accept the Placement Offer subject to satisfactory agreement of these terms and the appropriate regulatory approvals.

As the Placement Offer has been made by a Chinese government agency a formal submission has been made for FIRB approval. The FIRB guidelines provide that an application can take up to 30 days to process and longer in complex cases. Shandong have appointed BRL as their agent to obtain the FIRB approval and assist wherever possible with the application process.

The Board is pleased to build upon the growing relationship with Shandong and views the Placement Offer as an extremely positive development for the Company. The cash injection would allow the Company to aggressively pursue its exploration program and its Stage 1 direct shipping operation.

The Placement Offer will not require shareholder approval because it will be accommodated under the ASX rules which allow placements equivalent of up to 15% of current issued capital to be issued without shareholder approval.



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