



BAUXITE RESOURCES LIMITED

**Bauxite Resources Limited ABN 72 119 699 982
and Controlled Entities**

**Interim Financial Report
for the half-year ended 31 December 2010**

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the period ended 30 June 2010 and any public announcements made by Bauxite Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

**Bauxite Resources Limited ABN 72 119 699 982
and Controlled Entities**

Interim Financial Report

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2010.

DIRECTORS

The names of directors who held office during or since the end of the half-year:

Mr Barry Carbon	Mr Neil Lithgow
Mr Scott Donaldson (appointed 31 January 2011)	Mr David McSweeney (resigned 5 January 2011)
Mr Luke Atkins	Mr Robert Nash
Mr Ding Feng (appointed 24 August 2010)	Mr John Sibly (appointed 23 December 2010)
Mr Yan Jitai	Mr Meng Xiangsan (resigned 24 August 2010)

REVIEW OF OPERATIONS

Business Direction and Board Strategy

During the half year ended 31 December 2010 the Board continued with its strategy to accelerate the joint venture with Yankuang Group Corporation ("Yankuang") involving a Bankable Feasibility Study into a proposed alumina refinery in the South West of Western Australia. This provides a dual strategy continuing a bulk commodity bauxite direct shipping option with a secondary long term refinery business option. The change to more emphasis on the secondary processing strategy was brought by a number of factors including:

- Improved margins involved in downstream processing;
- Continued lower bauxite prices into China since the GFC;
- The more rigorous environmental approval process request by the WA Environmental Protection Authority for proposed future direct shipping ore operations; and
- The advantages in de-risking the company, preserving cash and reducing the planned expenditure during the feasibility phase of the joint venture with Yankuang.

The above change in strategy was negotiated through a revised Heads of Agreement as detailed below, and overwhelmingly supported by shareholders at the annual general meeting.

Further Heads of Agreement and Subsequent Detailed Agreements Signed with Yankuang

On 24th September 2010 the company signed a further heads of agreement with Yankuang Group Corporation. This was a binding heads of agreement that amended an earlier heads of agreement signed in January 2010. The key points of the revised heads of agreement and the intention of the parties is summarized as follows:

- BRL and Yankuang, will jointly complete a feasibility study into the viability of constructing and operating a 1.1mtpa alumina refinery in the south west of Western Australia;
- The costs of the Bankable Feasibility Study and the approvals process for the modern refinery project is anticipated to be between 3-5% of the final project cost with Yankuang contributing 90% and BRL 10% of the costs;
- Subject to the feasibility results, BRL and Yankuang will design and build a modern refinery in the south west of Western Australia to refine Darling Range bauxite into alumina;
- The approximate refinery design capacity will be 1.1mtpa of alumina requiring approximately 3.5mtpa of bauxite;
- Elsewhere, similar refineries have cost between A\$1.5 and A\$2.0bn, when scaled for size;
- Yankuang to pay 91% of the refinery construction cost and receive 70% of the alumina product;
- BRL will fund 9% of the refinery construction cost and will receive 30% of the alumina product;
- Yankuang has arranged finance for its 91% and will assist BRL obtaining finance for its 9%;
- Yankuang will sign an off-take agreement for half of BRL's 30% of alumina for 10 years providing security for repayment of BRL's debt for its 9%. The remaining 15% remains uncommitted;
- This is a binding agreement requiring shareholder and regulatory approval; and

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DIRECTORS' REPORT

- Yankuang will pay 70% of past and future bauxite exploration costs and earn 70% of the bauxite rights for BRL's Darling Range tenements.

The changes needed to allow the strategy were approved by shareholders at the AGM held on 25 November 2010. The Company subsequently proceeded with finalising the detailed agreements and on 23 January 2011 it executed a number of Detailed Agreements with Yankuang Corporation for the design and construction of a modern refinery in the South West of Western Australia to refine Darling Range bauxite into alumina. The detailed agreements are consistent with the Heads of Agreement and are as follows:

- Joint Venture Resource Agreement;
- Alumina Refinery Joint Venture Agreement;
- Shareholders Agreement (for Bauxite Resource Joint Venture Pty Ltd);
- Management Agreement for Joint Venture Resource Agreement;
- Management Agreement for Alumina Refinery Joint Venture Agreement;
- Rules for United Management Committee;
- Joint Venture Resource Agreement - Deed of Cross Charge;
- Alumina Refinery Joint Venture Agreement - Deed of Cross Charge;
- Voluntary Restriction Deed;
- BRL Subsidiaries Deed.

The agreement to proceed to construction of the refinery is subject to all necessary government and regulatory approvals.

The agreements have a number of conditions precedents yet to be satisfied. Once these are satisfied the company will receive reimbursement of past expenditure (expected to be in excess of \$6 million) and will commence to share future expenditure in accordance with the agreements. The expected reimbursement of funds and reduced future spending will result in the company maintaining a strong cash balance and cash asset backing.

Exploration and Approvals

The company completed its trial mining operations in the Bindoon WA area in February 2010 and is now preparing and submitting a full mining proposal to the Environmental Protection Authority to be assessed as a Public Environmental Review. The proposal under review is for extraction of 2mtpa of bauxitic laterite. Mining applications will be submitted to relevant government departments once the PER process has been completed and the results of the recommended studies incorporated with the mine plan.

The revised agreement with Yankuang is for both the mining of directly exportable bauxite and the development of a refinery business in Western Australia. This has allowed an expanded exploration program that is now designed to cover both the directly exportable bauxite and the refinery grade mineralization within the BRL leases. The current exploration program has emphasis on wide spaced regional drilling programs to cover a larger component of the company's large tenement holding. This is a necessary step towards achieving the publicly stated goal of a 90mt refinery grade bauxite resource by the end of Sept 2013 to underpin the business case for the alumina refinery.

The company has negotiated a large number of land access agreements and it has also sought to accelerate the granting of the large number tenements that were under application. The company now has 275 land access agreements in place with landowners (farmers) and was recently granted a further 13 tenements for exploration taking the total number of granted tenements to 28 (total area 2,560 km²) in the Darling Range. The company also has further 80 tenements under application with the tenements granted or under application totalling 108 and the total tenement area is approximately 24,000 km² in the Darling Range.

Shandong Agreement

On 30 July 2010, the previous non binding Memorandum of Understanding strategic cooperation with Shandong No 1 Institute of Geology and Minerals ("SDGM") was replaced with a binding farm-in and joint venture agreement. The agreement allocates specific tenements over an area of 1,000 km² and SDGM will sole fund exploration and Feasibility Studies to earn up to a 60% interest in the bauxite on the tenements. Two of the tenements have been granted and exploration is in progress.

Management and Board Changes

Chairman Barry Carbon acted as Chief Executive Officer through the 6 month reporting period. Following an extensive executive search the board appointed a CEO and Mr Carbon was has returned to his non executive chairman role. The Board was also strengthened with an additional board member with industry expertise. The two appointments are detailed as follows: -

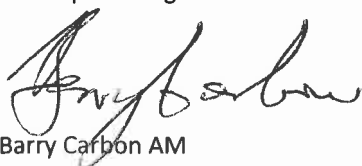
On 31 January 2011 Scott Donaldson commenced as CEO and Executive Director of the company. Mr Donaldson is a qualified mining engineer with a graduate diploma in business. Scott has more than 20 years experience in the mining industry in Australia and New Zealand with a variety of minerals including gold, nickel, copper, zinc and lead sulphides, copper oxides, coal and chromite.

On 22 December 2010 the company announced the appointment to the Board of Perth-based Mr John Sibly. Mr Sibly is a highly experienced and well credentialed executive, with more than 35 years of operational and executive experience within the bauxite and alumina refinery sectors, including more than 15 years as a senior executive with Alcoa. In 2006 Mr Sibly retired from his role of President Global Manufacturing Alcoa World Alumina and Chemicals, based in New York. In this position he was responsible for nine refineries and five operating mines around the world. He was also accountable for engineering, construction, and research and development of Alcoa's mining and refineries.

AUDITOR'S DECLARATION

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 4 for the half-year ended 31 December 2010.

This report is signed in accordance with a resolution of the Board of Directors.



Barry Carbon AM

Chairman

Dated this 10th day of March 2011

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Interim Financial Report

MOORE STEPHENS
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**AUDITOR'S INDEPENDENCE DECLARATION UNDER
S307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF BAUXITE RESOURCES
LIMITED**

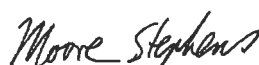
As lead auditor for the review of Bauxite Resources Limited for the half-year ended 31 December 2010, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Bauxite Resources Limited during the year.



**NEIL PACE
PARTNER**



**MOORE STEPHENS
CHARTERED ACCOUNTANTS**

Signed at Perth this 10th day of March 2011.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Note	Consolidated Group	
		31.12.2010	31.12.2009
		\$	\$
Revenue		105,940	858,575
Interest income		1,510,400	642,566
Other Income		309,736	202,578
Cost of sales		-	(2,185,457)
Employee benefits expense		(1,404,147)	(1,538,975)
Exploration written off		(2,698,912)	(1,703,206)
Bankable feasibility and other studies		(1,410,132)	(842,742)
Depreciation and amortisation expense		(660,143)	(113,326)
Other expenses		(1,738,581)	(1,255,453)
Profit / (loss) on sale of fixed assets		(55,683)	-
Share based payments expense		(161,278)	(780,562)
Profit before income tax		(6,202,800)	(6,716,342)
Income tax expense		-	-
Profit from continuing operations		(6,202,800)	(6,716,342)
(Loss)/Profit from discontinued operations		-	-
Profit for the period	2	(6,202,800)	(6,716,342)
Profit attributable to:			
Members of the parent entity		(6,202,800)	(6,716,342)
Non-controlling interest		-	-
		(6,202,800)	(6,716,342)
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		(6,202,800)	(6,716,342)
Total comprehensive income attributable to:			
Members of the parent entity		(6,202,800)	(6,716,342)
Non-controlling interest		-	-
		(6,202,800)	(6,716,342)
Earnings per share			
From continuing and discontinued operations:			
Basic earnings per share (cents)		(2.65)	(3.89)
Diluted earnings per share (cents)		(2.65)	(3.89)
From continuing operations:			
Basic earnings per share (cents)		(2.65)	(3.89)
Diluted earnings per share (cents)		(2.65)	(3.89)

The accompanying notes form part of this financial report.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	Consolidated Group	
	31.12.2010	30.06.2010
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	47,356,207	54,403,925
Trade and other receivables	951,621	728,891
Inventories	-	-
TOTAL CURRENT ASSETS	48,307,828	55,132,816
NON-CURRENT ASSETS		
Property, plant and equipment	11,968,353	11,935,188
Intangible assets	2,316	2,731
Other financial assets	765,270	494,192
TOTAL NON-CURRENT ASSETS	12,735,939	12,432,111
TOTAL ASSETS	61,043,767	67,564,927
CURRENT LIABILITIES		
Trade and other payables	866,806	1,283,253
Short-term provisions	82,130	145,322
TOTAL CURRENT LIABILITIES	948,936	1,428,575
TOTAL LIABILITIES	948,936	1,428,575
NET ASSETS	60,094,831	66,136,352
EQUITY		
Issued capital	87,861,698	87,861,698
Reserves	2,062,529	1,901,250
Retained earnings	(29,829,396)	(23,626,596)
Parent entity interest	-	-
Non-controlling interest	-	-
TOTAL EQUITY	60,094,831	66,136,352

The accompanying notes form part of this financial report.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2010

Note	Issued Capital Ordinary	Option Reserve	Retained Earnings	Total
	\$	\$	\$	\$
Balance at 1.7.2009	23,083,054	976,416	(5,910,907)	18,148,563
Total comprehensive income for the period	-	-	(6,716,342)	(6,716,342)
Shares issued during the period	57,777,084	-	-	57,777,084
Transaction costs associated with share issue	(2,970,581)			(2,970,581)
Employee share options issued during the period	-	780,562	-	780,562
Balance at 31.12.2009	77,889,557	1,756,978	(12,627,249)	67,019,287
Balance at 1.7.2010	87,861,698	1,901,250	(23,626,596)	66,136,352
Total comprehensive income for the period	-	-	(6,202,800)	(6,201,777)
Shares issued during the period	-	-	-	-
Transaction costs associated with share issue	-	-	-	-
Employee share options issued during the period	-	161,279	-	161,279
Balance at 31.12.2010	87,861,698	2,062,529	(29,829,396)	60,094,831

The accompanying notes form part of this financial report

**Bauxite Resources Limited ABN 72 119 699 982
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**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED
31 DECEMBER 2010**

	Consolidated Group	
	31.12.2010	31.12.2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	125,468	823,646
Expenditure on mining interests	(2,843,168)	(1,336,211)
Payments to suppliers and employees	(5,042,825)	(6,508,033)
Interest received	1,454,356	414,395
Income tax paid	281,539	192,412
Net cash (used in)/provided by operating activities	(6,024,620)	(6,413,791)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	126,008	-
Purchase of property, plant and equipment	(878,018)	(3,804,482)
Payment for other financial assets	(271,078)	(15,385)
Net cash used in investing activities	(1,023,088)	(3,819,877)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	54,806,503
Net cash used in/(provided by) financing activities	-	54,806,503
Net increase (decrease) in cash held	(7,047,718)	44,572,834
Cash and cash equivalents at beginning of period	54,403,925	16,502,907
Cash and cash equivalents at end of period	47,356,207	61,075,742

The accompanying notes form part of this financial report

**Bauxite Resources Limited ABN 72 119 699 982
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED
31 DECEMBER 2010**

NOTE 1: BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2010 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Bauxite Resources Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2010, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

NOTE 2: OPERATING SEGMENTS

(i) Segment performance

	Exploration	Operations	BFS & other studies	Administration & other	Total
	\$	\$	\$	\$	\$
Six months ended 31 December 2010					
Revenue					
External sales	100,000	-	5,940	-	105,940
Grant income	-	-	-	28,241	28,241
Other income	-	-	-	281,540	-
Interest revenue	-	-	-	1,510,400	1,510,400
Total segment revenue	100,000	-	5,940	1,820,181	1,616,340
Segment net profit before tax	(2,868,912)	-	(1,404,192)	(1,269,553)	(5,542,657)
<i>Reconciliation of segment result to group net profit/(loss) before tax</i>					
Amounts not included in segment result but reviewed by the Board:					
— depreciation and amortisation					(660,143)
Net profit before tax from continuing operations					(6,202,800)

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NOTE 2: OPERATING SEGMENTS

(i) Segment performance

	Exploration	Operations	BFS & other studies	Administration & other	Total
	\$	\$	\$	\$	\$
Six months ended 31 December 2009					
Revenue					
External sales	-	858,575	-	-	858,575
Other income	-	-	-	192,412	192,412
Interest revenue	-	-	-	642,226	642,226
Total segment revenue	-	858,575	-	834,638	1,693,213
Segment net profit before tax	(1,703,206)	(2,076,882)	(842,742)	(1,980,186)	(6,603,016)
<i>Reconciliation of segment result to group net profit/(loss) before tax</i>					
Amounts not included in segment result but reviewed by the Board:					
— depreciation and amortisation					(113,326)
Net profit before tax from continuing operations					(6,716,342)

(ii) Segment assets

	Exploration	Operations	BFS & other studies	Administration & other	Total
	\$	\$	\$	\$	\$
Opening balance 30 June 2010	141,136	5,073,963	1,818,554	60,521,274	67,564,927
Closing balance 31 December 2010	392,911	4,735,568	2,035,112	53,880,176	61,043,767

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NOTE 3: CONTINGENT LIABILITIES

On 25 June 2010, Bauxite Resources Ltd was notified that a litigation funder proposed to fund claims that current or former shareholders may have against the Company, in relation to the Company's October 2009 share placement. Since then, the litigation funder has not communicated further with the Company, and no legal proceedings have been commenced.

The Company has reviewed an outline of the funder's allegations which are said to support the potential claim. The allegations are incorrect and misconceived in several respects and the Company does not consider that they provide a proper foundation for a sustainable shareholder claim against the company. The Company has outlined its response to the threatened action both on its website and in ASX releases.

The funder has said that it will fund litigation only if the estimated losses by shareholders who sign up with it are sufficient to make the proceedings commercially viable for the funder. Current and former shareholders may be contacted by the funder to seek to persuade them to sign up to a funding agreement. Shareholders may also expect to see further media reports repeating the allegations as the funder seeks to generate publicity for its cause.

The Company will keep shareholders informed of any developments, including the commencement of any proceedings or any announcement that the litigation funder no longer proposes to involve itself in any action.

NOTE 4: EVENTS SUBSEQUENT TO REPORTING DATE

Signing of Detailed Joint Venture Agreements

On the 23rd January 2011, the Company executed a number of Detailed Agreements with Yankuang Corporation for the design and construction of a modern refinery in the South West of Western Australia to refine Darling Range bauxite into alumina. The detailed agreements are consistent with the Heads of Agreement and are as follows:

- Joint Venture Resource Agreement;
- Alumina Refinery Joint Venture Agreement;
- Shareholders Agreement (for Bauxite Resource Joint Venture Pty Ltd);
- Management Agreement for Joint Venture Resource Agreement;
- Management Agreement for Alumina Refinery Joint Venture Agreement;
- Rules for United Management Committee;
- Joint Venture Resource Agreement - Deed of Cross Charge;
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- Voluntary Restriction Deed; and
- BRL Subsidiaries Deed.

The agreement to proceed to construction of the refinery is subject to all necessary government and regulatory approvals.

The agreements have a number of conditions precedents yet to be satisfied. Once these are satisfied the company will receive reimbursement of past expenditure (expected to be in excess of \$6 million) and will commence to share future expenditure in accordance with the agreements. The expected reimbursement of funds and reduced future spending will result in the company maintaining a strong cash balance and cash asset backing.

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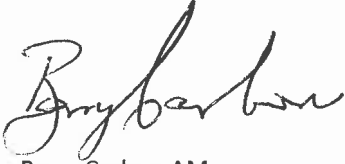
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DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 5 to 11 are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Barry Carbon AM
Chairman

Dated this 10th day of March 2011

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MOORE STEPHENS
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**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
BAUXITE RESOURCES LIMITED**

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Bauxite Resources Limited and Controlled Entities (the consolidated entity) which comprises the condensed statement of financial position as at 31 December 2010, the condensed statement of comprehensive income, condensed statement of changes in equity, the condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: Review of an Interim Financial Report Performed by the Independent Auditor of the Entity in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Bauxite Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit.

Accordingly, we do not express an audit opinion.

Matters Relating to Electronic Publication of the Audited Financial Report

This review report relates to the financial report of Bauxite Resources Limited for the half-year ended 31 December 2010 included on the website of Bauxite Resources Limited. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on its integrity. This review report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of the financial report are concerned with the inherent risk arising from publication on a website, they are advised to refer to the hard copy of the reviewed financial report to confirm the information contained in this website version of the financial report.

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the Corporations Act, provided to the directors of Bauxite Resources Limited on 9 March 2011, would be in the same terms if provided to the directors as at the time of this auditor's review report.

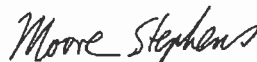
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Bauxite Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (ii) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.



**NEIL PACE
PARTNER**



**MOORE STEPHENS
CHARTERED ACCOUNTANTS**

Signed at Perth this 10th day of March 2011.