

BAUXITE RESOURCES LIMITED

ABN 72 119 699 982

Interim Financial Report

For the half-year ended 31 December 2014

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 2014 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*.

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DIRECTORS' REPORT

Your directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Bauxite Resources Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2014.

DIRECTORS

The names of the Company's directors who held office at the end of the half-year are as follows.

Robert Nash – Non Executive Chairman	Cunliang Lai – Non Executive Director
Peter Canterbury – Chief Executive Officer & Executive Director	Neil Lithgow – Non Executive Director
Luke Atkins – Non Executive Director	Zhaozhong Wang – Non Executive Director

REVIEW OF OPERATIONS

BUSINESS DIRECTION AND BOARD STRATEGY

During the half year ending 31 December 2014 the Company continued to focus primarily on the exploration and evaluation of bauxite prospectivity in the Company's extensive tenement holding in WA's Darling Range, the largest bauxite and alumina producing region in the world. At the reporting date the Company held exploration tenements over 6,351 km² (3,618 km² granted). The Company undertakes this exploration and evaluation both in its own right and through participation in three joint ventures.

Two of these joint ventures are carrying out exploration for bauxite, while the third joint venture was formed to examine the feasibility of building and operating an alumina refinery in Western Australia to process bauxite sourced from the Darling Range region.

The Company's exploration efforts during the 6 months to 31 December 2014 yielded a 4% increase in JORC Code compliant bauxite resources, with activities focussed on a range of baseline and technical studies. Total quoted resources at 31 December 2014 stood at 396.5 million tonnes. Of this total resource, 40.2 million tonnes are held by the Company in its own right, 268.5 million tonnes are held in the Bauxite Resources Joint Venture ("BRJV"), and 87.8 million tonnes are held in the BRL-HD Mining joint venture ("HDMI").

During the reporting period the Company made significant progress in the assessment of the viability for development of its 100% owned Fortuna deposit. The Company commissioned AMC Consultants to undertake a Scoping study on the Fortuna Deposit, the results of which were released to the market on 21 January 2015 and 5 February 2015. In addition the Company engaged MWH to undertake Level 2 springtime flora and Fauna studies on the Fortuna deposit. Both these studies were undertaken to progress the evaluation of the commercial development of the Fortuna deposit as a DSO export project. This work forms part of extensive information required for the Company to further evaluate development potential for the project.

The Company also continued discussions with landowners in respect to converting properties from Exploration Access Agreements to Mining Agreements. These discussions are not yet complete and Mining Access Agreements will need to be in place prior to any commercial extraction of bauxite.

In June 2014 the Company announced that, subject to shareholder approval, it would make a four cents (\$0.04) per share capital return to shareholders. This decision was made after the Board satisfied itself that the Company's operating and funding requirements for the next few years were adequately funded and after considering the Company's potential exposure under the IMF funded claim. The capital return was approved by shareholders at the Company's EGM held on 29 August 2014. The return to shareholder was made on 11 September 2014.

During the reporting period Company announced that it has reached a conditional commercial settlement of the claim being advanced by IMF on behalf of a number of claimants who acquired shares in the Company in the October 2009 placement and subsequently on market. All conditions of settlement were satisfied during the reporting period and settlement of the claim was finalised.

During the December half, the Company maintained its prudent approach to expenditure and has completed the year with cash balance of over \$24.6 million in hand and no bank debt. This strong financial position will allow the Company to confidently pursue its strategic objectives over the next two years.

In addition due to its significant cash reserves the Company remains well positioned to take up any opportunities that may arise where the Directors are satisfied that these will be value accretive for shareholders.

There was no significant change in the nature of the Group's activities during the year.

DIRECTORS' REPORT CONT.

Bauxite resources for the group as at 31 December 2014 total of 396.5Mt

	Size Mt	Al ₂ O ₃ (total) %	Al ₂ O ₃ (available at 148°c) %	SiO ₂ (reactive at 148°c) %
Total Measured	122.7	39.9	31.6	1.7
Total Indicated	97.2	37.9	31.7	2.6
Total Inferred	176.6	40.4	31.3	2.9
Attributable to BRL #				
BRL	40.2	38.8	32.1	1.8
BAJV	80.6	39.9	31.1	2.2
HDMJV#	87.8	41.6	31.9	3.3
Total	208.6	40.4	31.6	2.6

Note: Totals may differ due to rounding

Available Alumina figures were based on low temperature (148°) caustic digest- High temperature digestion may result in higher available alumina however the exact extent of this increase is not known at this time

BRL - BRL retain 100% beneficial interest in bauxite

BAJV - Bauxite Alumina Joint Venture area with Yankuang Resources Ltd where BRL retains 30% beneficial interest in the bauxite rights.

HDMJV – Resources within joint venture with HD Mining & Investments Pty Ltd, the wholly owned subsidiary of Shandong Bureau No.1 Institute for Prospecting of Geology & Minerals. At the time of writing the Company retains 100% beneficial interest. HD Mining can earn up to 60 % of bauxite rights upon completion of certain milestones including completion of a BFS leading to a decision to mine.

BOARD AND MANAGEMENT CHANGES

On the 7 October 2014 Mr John Sibly announced his intention to retire from the Board as Non-Executive Director of the Company at the AGM held on 7 November 2014. The Board expressed their sincere thanks to Mr Sibly for his significant contribution to the Company during his nearly four years as a Director.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4 for the half-year ended 31 December 2014.

Signed in accordance with a resolution of the directors.



Robert Nash

Chairman

Perth, 25 February 2015

DIRECTORS' REPORT CONT.

COMPETENT PERSON STATEMENT

The information in this report that relates to Cardea1&2, Juturna, Minerva and Rusina Mineral Resources is based on information compiled by Peter Senini who is a member of the Australian Institute of Geoscientists. Mr Senini was an employee of the Company at the time of resource estimation and remains competent person for the above mentioned resources. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Senini consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Felicitas, Cardea3, Aurora, Ceres, Cronus, Fortuna, Dionysus and Athena Mineral Resources is based on information compiled by Graham de la Mare who is a Member of the Australian Institute of Geoscientists. Mr de la Mare is employed by RungePincockMinarco (RPM). Mr de la Mare has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr de la Mare consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Exploration results is based on information compiled by Mark Menzies. Mr Menzies is a qualified geologist and a full time employee of Bauxite Resources Limited (BRL). He is a shareholder in BRL and is entitled to participate in BRL's employee performance plan, details of which are included in BRL's 2014 Remuneration Report. Mr Menzies is a member of the Australian Institute of Geoscientists, and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Menzies has consented to the inclusion in this announcement of the Exploration Information in the form and context in which it appears.

JORC CODE COMPLIANT PUBLIC REPORTS

The Company advises that this report contains summaries of Exploration Results and Mineral Resources as defined in the 2012 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code). The JORC Code compliant Public Reports released to the ASX declaring the exploration results or JORC resources referred to can be viewed on both the ASX and the Company websites, free of charge.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources that all material assumptions and technical parameters underpinning the estimate in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not materially modified from the original market announcement.

AUDITORS' INDEPENDENCE DECLARATION

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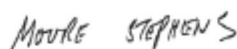
AUDITOR'S INDEPENDENCE DECLARATION UNDER S307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF BAUXITE RESOURCES LIMITED

As lead auditor for the review of Bauxite Resources Limited for the half-year ended 31 December 2014, 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.



Suan-Lee Tan
Partner



Moore Stephens
Chartered Accountants

Signed at Perth this 25th day of February 2015

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

HALF-YEAR ENDED 31 DECEMBER 2014

	Notes	Consolidated Group	
		31/12/2014 \$	31/12/2013 \$(Restated)
Continuing operations			
Recoupment of exploration costs	2	185,424	303,724
Other income	2	110,594	172,367
Interest income	2	573,913	858,313
Employee benefits expense		(578,838)	(629,783)
Exploration expenses as incurred		(1,195,771)	(1,729,327)
Bankable feasibility and other studies		(153,004)	(36,964)
Administration expenses		(833,103)	(978,736)
Litigation settlement	3	(5,250,000)	-
Depreciation and amortisation expense		(191,231)	(259,247)
Gain/(loss) on disposal of fixed assets		91	21,680
Share-based payments expense		(84,433)	(15,460)
Profit / (loss) before income tax		(7,416,358)	(2,293,433)
Income tax expense		-	-
Profit / (loss) for the period	2	(7,416,358)	(2,293,433)
Profit / (loss) attributable to:			
Members of the parent entity		(7,416,358)	(2,293,433)
Non-controlling interests		-	-
		(7,416,358)	(2,293,433)
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income/(loss) for the period		(7,416,358)	(2,293,433)
Earnings per share			
From continuing and discontinued operations:			
Basic earnings per share (cents)		(3.20)	(0.99)
Diluted earnings per share (cents)		(3.17)	(0.98)
From continuing operations:			
Basic earnings per share (cents)		(3.20)	(0.99)
Diluted earnings per share (cents)		(3.17)	(0.98)

The above statements should be read in conjunction with the notes to the financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Notes	Consolidated Group	
		31/12/2014 \$	30/06/2014 \$
CURRENT ASSETS			
Cash and cash equivalents		24,643,683	40,935,260
Trade and other receivables		769,666	984,754
TOTAL CURRENT ASSETS		25,413,349	41,920,014
NON CURRENT ASSETS			
Other financial assets		360,358	360,358
Property, plant and equipment		4,929,941	5,117,596
TOTAL NON CURRENT ASSETS		5,290,299	5,477,954
TOTAL ASSETS	2	30,703,648	47,397,968
CURRENT LIABILITIES			
Trade and other payables		166,482	259,421
Provisions		86,448	72,252
TOTAL CURRENT LIABILITIES		252,930	331,673
TOTAL LIABILITIES		252,930	331,673
NET ASSETS		30,450,718	47,066,295
EQUITY			
Contributed equity	4	78,368,064	87,651,716
Reserves		665,386	580,953
Retained earnings / (accumulated losses)		(48,582,732)	(41,166,374)
TOTAL EQUITY		30,450,718	47,066,295

The above statements should be read in conjunction with the notes to the financial statements.

STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2014

Consolidated Group	Notes	Issued Ordinary Capital	Option Reserve	Retained Earnings	Total
		\$	\$	\$	\$
Balance at 1 July 2013		87,872,818	469,219	(36,611,782)	51,730,255
Loss for the period		-	-	(2,293,433)	(2,293,433)
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	-	(2,293,433)	(2,293,433)
Shares repurchased and cancelled during the period		(220,002)	-	-	(220,002)
Transaction costs associated with share issue		(1,100)	-	-	(1,100)
Employee share options issued during the period		-	15,460	-	15,460
Balance at 31 December 2013		87,651,716	484,679	(38,905,215)	49,231,180
Balance at 1 July 2014		87,651,716	580,953	(41,166,374)	47,066,295
Loss for the period		-	-	(7,416,358)	(7,416,358)
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	-	(7,416,358)	(7,416,358)
Return of capital	4	(9,275,908)	-	-	(9,275,908)
Transaction costs associated with return of capital		(7,744)	-	-	(7,744)
Employee share options issued during the period		-	84,433	-	84,433
Balance at 31 December 2014		78,368,064	665,386	(48,582,732)	30,450,718

The above statements should be read in conjunction with the notes to the financial statements.

STATEMENT OF CASH FLOW

HALF-YEAR ENDED 31 DECEMBER 2014

	Notes	Consolidated Group	
		31/12/2014 \$	31/12/2013 \$ (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		519,229	1,454,462
Payments to suppliers and employees		(1,621,095)	(1,720,252)
Payments for exploration expenditure		(1,307,577)	(1,764,022)
Payment for litigation settlement	3	(5,250,000)	-
Interest received		655,003	917,551
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		(7,004,440)	(1,112,261)
CASH FLOWS FROM INVESTING ACTIVITIES			
Recoup/(payment) of security deposit		-	19,570
Receipts from sales of property, plant & equipment		91	46,000
Payments for property, plant and equipment		(3,576)	(18,964)
NET CASH INFLOW/ (OUTFLOW) FROM INVESTING ACTIVITIES		(3,485)	46,606
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment for return of capital	4	(9,283,652)	-
Payment for buyback of shares		-	(221,102)
NET CASH INFLOW FROM FINANCING ACTIVITIES		(9,283,652)	(221,102)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(16,291,577)	(1,286,757)
Cash and cash equivalents at the beginning of the financial year		40,935,260	43,486,003
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		24,643,683	42,199,246

The above statements should be read in conjunction with the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated financial statements and notes of Bauxite Resources Limited and controlled entities ("Consolidated Group" or "Group"). The financial statements were authorised for issue on 25 February 2015 by the directors of the Company.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of 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 2014, together with any public announcements made during the following 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.

(b) New and Amended Accounting Policies Adopted by the Group

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, subject to the following changes:

The Group adopted the following Australian Accounting Standards, together with the relevant consequential amendments arising from related Amending Standards, from the mandatory application date of 1 January 2013:

- AASB 10: Consolidated Financial Statements;
- AASB 11: Joint Arrangements
- AASB 12: Disclosure of Interests in Other Entities; and
- AASB 127: Separate Financial Statements.

AASB 10 provides a revised definition of "control" and may result in an entity having to consolidate an investee that was not previously consolidated and/or deconsolidate an investee that was consolidated under the previous accounting pronouncements.

The Group has applied these Accounting Standards with retrospective effect in accordance with their transitional requirements. The Group has:

- presented quantitative information of the comparative period reflecting the adoption of AASB 10; and
- with respect to any previously unconsolidated investee that is a business, measured the assets, liabilities and non-controlling interests as if the investee had been consolidated in accordance with the applicable version of AASB 3: Business Combinations from the date when the Group gained control of the investee. When the date that control was obtained was earlier than the beginning of the immediately preceding period, the Group recognises, as an adjustment to equity at the beginning of the comparative period, any difference between:
 - the amount of assets, liabilities and non-controlling interests recognised; and
 - the previous carrying amount of the Group's involvement with the investee.

The first-time application of AASB 10 has not resulted in any material changes to the Group's financial statements:

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

NOTES TO THE FINANCIAL STATEMENTS CONT.

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of AASB 11. The directors concluded that the Group's investment in Bauxite Alumina Joint Ventures Pty Ltd, which was classified as a jointly controlled entity under AASB 131 and was accounted for using the proportionate consolidation method, should be classified as a joint venture under AASB 11 and accounted for using the equity method.

The change in accounting of the Group's investment in Bauxite Alumina Joint Ventures Pty Ltd has been applied in accordance with the relevant transitional provisions set out in AASB 11. Comparative amounts for 2013 have been restated to reflect the change in accounting for the Group's investment in Bauxite Alumina Joint Ventures Pty Ltd. The initial investment as at 1 July 2012 for the purposes of applying the equity method is measured as the aggregate of the carrying amounts of the assets and liabilities that the Group had previously proportionately consolidated (see the tables below for details).

(i) Adjustments made to statement of profit or loss and other comprehensive income

	Year ended 31 December 2013		
	Under previous accounting policy	AASB11 ¹	As presented
	\$	\$	\$
Continuing operations			
Recoupment of exploration costs	303,724	-	303,724
Other income	172,367	-	172,367
Interest income	865,835	(7,522)	858,313
Employee benefits expense	(881,828)	252,045	(629,783)
Exploration expenses as incurred	(1,714,740)	(14,587)	(1,729,327)
Bankable feasibility and other studies	(36,964)	-	(36,964)
Administration expenses	(726,691)	(252,045)	(978,736)
Depreciation and amortisation expense	(273,891)	14,644	(259,247)
Impairment of property, plant & equipment	-	-	-
Gain/(loss) on disposal of fixed assets	21,680	-	21,680
Share-based payments expense	(15,460)	-	(15,460)
Share of net profits of associates and joint venture entities	-	-	-
Profit / (loss) before income tax	(2,285,968)	(7,465)	(2,293,433)
Income tax expense	-	-	-
Profit / (loss) for the period	(2,285,968)	(7,465)	(2,293,433)
Profit / (loss) attributable to:			
Members of the parent entity	(2,285,968)	(7,465)	(2,293,433)
Non-controlling interests	-	-	-
	(2,285,968)	(7,465)	(2,293,433)
Other comprehensive income			
Other comprehensive income for the period, net of tax	-	-	-
Total comprehensive income/(loss) for the period	(2,285,968)	(7,465)	(2,293,433)
Earnings per share			
From continuing and discontinued operations:			
Basic earnings per share (cents)	(0.99)	-	(0.99)
Diluted earnings per share (cents)	(0.98)	-	(0.98)
From continuing operations:			
Basic earnings per share (cents)	(0.99)	-	(0.99)
Diluted earnings per share (cents)	(0.98)	-	(0.98)

Note 1 – Effect of change in accounting policy

NOTES TO THE FINANCIAL STATEMENTS CONT.

(ii) Adjustments made to statement of cash flows

Year ended 31 December 2013			
	Under previous accounting policy \$	AASB11 ¹ \$	As presented \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	1,124,163	330,299	1,454,462
Payments to suppliers and employees	(1,529,645)	(190,607)	(1,720,252)
Payments for exploration expenditure	(1,491,560)	(272,462)	(1,764,022)
Interest received	925,074	(7,523)	917,551
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	(971,968)	(140,293)	(1,112,261)
CASH FLOWS FROM INVESTING ACTIVITIES			
Recoup/(payment)of security deposit	20,266	(696)	19,570
Receipts from sales of property, plant & equipment	46,000	-	46,000
Payments for property, plant and equipment	(19,244)	260	(18,964)
NET CASH INFLOW/ (OUTFLOW) FROM INVESTING ACTIVITIES	47,042	(436)	46,606
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment for buyback of shares	(221,102)	-	(221,102)
NET CASH INFLOW FROM FINANCING ACTIVITIES	(221,102)	-	(221,102)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,146,028)	(140,729)	(1,286,757)
Cash and cash equivalents at the beginning of the financial year	43,881,153	(395,150)	43,486,003
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	42,735,125	(535,879)	42,199,246

Note 1 – Effect of change in accounting policy

NOTES TO THE FINANCIAL STATEMENTS CONT.

2. OPERATING SEGMENTS

i. Segment performance

	Exploration	Operations	BFS & other studies	Administration & other	Total
	\$	\$	\$	\$	\$
Half-year ended 31 December 2014					
REVENUE					
External sales	185,424	-	-	-	185,424
Interest revenue	-	-	-	573,913	573,913
Other revenue	-	-	-	110,594	110,594
Total segment revenue	185,424	-	-	684,507	869,931
Segment result	(1,010,347)	-	(153,004)	(811,776)	(1,975,127)
Reconciliation of segment result to group net profit / loss for the period					
Amounts not included in segment result but reviewed by Board					
- Litigation settlement					(5,250,000)
- Depreciation and amortisation					(191,231)
- Income tax expense					-
Profit / (loss) for the period					(7,416,358)

	Exploration	Operations	BFS & other studies	Administration & other	Total
	\$	\$	\$	\$	\$
Half-year ended 31 December 2013					
REVENUE					
External sales	303,724	-	-	-	303,724
Interest revenue	-	-	-	858,313	858,313
Other revenue	-	-	-	172,367	172,367
Total segment revenue	303,724	-	-	1,030,680	1,334,404
Segment result	(1,425,603)	-	(36,964)	(571,619)	(2,034,186)
Reconciliation of segment result to group net profit / loss for the period					
Amounts not included in segment result but reviewed by Board					
- Depreciation and amortisation					(259,247)
- Income tax expense					-
Profit / (loss) for the period					(2,293,433)

ii. Segment assets

	Exploration	Operations	BFS & other studies	Administration & other	Total
	\$	\$	\$	\$	\$
As at 31 December 2014					
Segment assets	263,426	-	-	30,440,222	30,703,648
Total group assets					30,703,648
As at 30 June 2014					
Segment assets	248,560	-	-	47,149,407	47,397,967
Total group assets					47,397,967

NOTES TO THE FINANCIAL STATEMENTS CONT.

3. LITIGATION SETTLEMENT

On the 10 September 2014, the Company announced that it had executed a conditional agreement to settle a proposed shareholder class action against the Company. This was detailed in the Company's contingencies note 20 of the 2014 Annual Report.

On the 24 October 2014 it was announced that the preconditions had been satisfied and settlement was completed during the period.

4. RETURN OF CAPITAL

The Company announced on 17 June 2014 that the BRL Board had recommended a capital return of 4 cents per share, subject to shareholder approval. This followed a funding requirements review of its operations, projects and working capital to determine where shareholders' funds would be best allocated to create short and long term shareholder value, sufficient funds were identified to support BRL's wholly owned projects and JV arrangements in the near term.

As a consequence of this review, the BRL Board has identified surplus cash to the Company's current requirements and therefore proposed to return 4 cents per share to shareholders in the form of a capital return. The Extraordinary General Meeting was held on the 29 August 2014 and shareholders approved the Capital return. An amount of \$9.276 million was returned to shareholders on 11 September 2014.

5. INTERESTS IN JOINT ARRANGEMENTS

(a) Bauxite Alumina Joint Venture Pty Ltd

The Group has a 50% interest in Bauxite Alumina Joint Venture Pty Ltd, a jointly controlled entity. This Joint Venture entity acts as the Manager of the Joint Operations in (b) and (c) below. The entity receives Management Fees for its services. In accordance with AASB11 this entity is Equity Accounted.

(b) Alumina Refinery Joint Venture

The Group has a 10% interest in the Alumina Refinery Joint Venture ("ARJV"), whose principal activity is to determine:

- i. the feasibility of planning, developing, constructing and operating an Alumina Refinery; and
- ii. if feasible, planning developing, constructing, operating and maintaining the Alumina Refinery.

Under the current terms of the ARJV, in the event that a bankable feasibility study is completed and the participants agree to construct a refinery, 9% of the capital expenditure will be met by BRL, however, it will be entitled to 30% of the alumina production and pay 30% of the operating costs.

(c) Bauxite Resource Joint Venture

The Group has a 30% interest in the Bauxite Resource Joint Venture, whose principal activity is exploring the tenements owned by BRL in the Darling Range of Western Australia (as specifically set out in the agreement) to support the development of bauxite mining and the conduct of mining operations to supply bauxite to an alumina refinery under the terms of the Agreement.

The Company has determined that the Bauxite Resource Joint Venture and the Alumina Refinery Joint Venture both meet the definition of "joint operation" under IFRS 11.

(d) HD Mining & Investment Pty Ltd

The Group has entered into a Farm-in arrangement with HD Mining & Investment Pty Ltd (HDMI) to carry out exploration on tenements, and if warranted, to develop and exploit the tenements and carry out mining operations for the purpose of deriving production of Bauxite from them. HDMI has agreed to fund all costs to earn up to a maximum of 60% Participating Interest.

6. CONTINGENCIES

The Company is not aware of any contingent liabilities as at 31 December 2014 or at the date of this report.

NOTES TO THE FINANCIAL STATEMENTS CONT.

7. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There has not been any other event that has arisen since 31 December 2014 which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

DIRECTORS' DECLARATION

In the opinions of the directors' of Bauxite Resources Limited (the "Company"):

1. the financial statements and notes as set on pages 5 to 14, 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 Company's and the consolidated entity's financial position as at 31 December 2014 and of their 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.



Robert Nash
Chairman

Perth, 25 February 2015

AUDITORS' DECLARATION

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF BAUXITE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Bauxite Resources Limited which comprises the consolidated condensed statement of financial position as at 31 December 2014, the consolidated condensed statement of profit or loss and other comprehensive income, consolidated condensed statement of changes in equity, the consolidated condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Bauxite Resources Limited are responsible for the preparation 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 internal 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 a 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Bauxite Resources Limited's financial position as at 31 December 2014 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 other 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.

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 2001*, which has been given to the directors of Bauxite Resources Limited, would be in the same terms if provided to the directors as at the time of this auditor's review report.

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AUDITORS' DECLARATION CONT.

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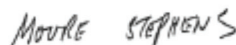
Conclusion

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 consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.



Suan-Lee Tan
Partner



Moore Stephens
Chartered Accountants

Signed at Perth this 25th day of February 2015

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