

# BAUXITE RESOURCES LIMITED

ACN 119 699 982

ASX Perth

Company Advisers Section

Attention Mr Peter Tranter

By facsimile: 9221 2020

## Price and Volume Query

Dear Peter

In response to the Price and Volume Query issued by your office today and specifically the announcement earlier today of the MOU signed with Hongfan Holdings Ltd (Hongfan) we advise as follows:

*Question 1 – Does the company believe that the information contained in the Announcement was material to the Company.*

*Question 2 – If the answer to question 1 is “no” please advise the basis on which the Company does not consider the Announcement to be material.*

**Response – Hongfan is one of a number of potential customers that Bauxite Resources Ltd has identified in China and the Company is pleased to sign the MOU. The Company has made it clear in the announcement that the MOU is not binding on either party and cannot operate to the detriment of any other MOU or arrangement. In this regard the Company believes that the MOU announcement was not material but the Company has always as a matter of course released all such arrangements to the ASX.**

*Question 3 – If the answer to question 1 is “yes”, please address each of the following questions:*

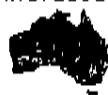
- a) *When did the Company first enter into discussions with HFH, as detailed in the Announcement?*
- b) *When did the Company’s Board consider an initial draft of the MOU.*
- c) *When did the Company’s Board consider a final draft of the MOU.*
- d) *When did HFH sign the MOU.*
- e) *When did the Company sign the MOU.*

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[www.bauxiteresources.com.au](http://www.bauxiteresources.com.au)



# BAUXITE RESOURCES LIMITED ACN 119 699 982

**Response – A response is not necessary as the response to question 1 is No however see our further response to Question 4.**

*Question 4 – If the Company became aware of any other matters detailed in 3(a) to 3(e) above, why was the information not released to the market at an earlier time? Please address each matter separately and comment specifically on the application of listing rule 3.1 and the exceptions to the rule in listing rule 3.1A.*

**Response:**

Over the last 6 months our marketing department has identified a number of potential customers in China that may wish to speak to Bauxite Resources. As a result of this research our Managing Director and two key managers have travelled to China to meet with as many potential customers as possible. Hongfan was one of these potential customers and a meeting was arranged on Tuesday of this week but prior to this the Company has had no meetings with Hongfan.

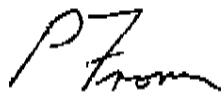
The China visit is expected to last 2 weeks or more after the Bauxite Resources team arrived in China on Monday this week. It is hoped that a number of non binding MOU's will be signed during the course of this visit. The Company notes that the Board has not reviewed any draft or final version of the MOU on the basis that the MOU's are non binding. The Managing Director signed a non binding MOU to provide recognition to the start of a business relationship. He did not consider the non-binding MOU to be material.

The MOU was signed on 11 August 2009 but was not provided to the Company in Perth until late evening, 13 August 2009. An ASX release was drafted and approved for release by the Chairman, and the announcement was made in line with the policy set out in the response to Question 2. The Company did not wait for Board approval and in fact none was sought on the basis the MOU was non binding. As a matter of courtesy a copy was circulated to the Board after the announcements release. The Company notes that Bauxite Resources profile has lifted significantly since our announcement of the commencement of mining last week.

The Company notes that in its opinion the signing of a non binding MOU is a typical business transaction for Chinese companies which provides the groundwork for an ongoing business relationship.

**Question 5 - Please confirm that the Company is in compliance with the listing rules, and in particular, listing rule 3.1.**

**Response – Yes the Company is in compliance with the listing rules and in particular listing rule 3.1 which deals with the Company's continuous disclosure obligations.**



Paul Fromson

Company Secretary

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14 August 2009

Mr Paul Fromson  
Company Secretary  
Bauxite Resources Limited  
3/159 Adelaide Terrace  
EAST PERTH WA 6892

By: Facsimile: 08 9221 4385

Dear Paul

**Bauxite Resources Limited (the "Company")**

ASX Limited ("ASX") refers to the following:-

1. The change in the price of the Company's securities from 45 cents on 6 August 2009 to a high of 68 cents on 14 August 2009. We also note the increase on the volume of trading in the securities over this period;
2. The ASX Price and Volume Query dated 10 August 2009 and released to the market on 10 August 2009 at 17:34 (EST);
3. The Company's response to the Price Query dated 10 August 2009 and released to the market on 10 August 2009 at 17:34 (EST); and
4. The Company's announcement entitled "Memorandum of Understanding signed with Hongfan Holdings Limited" released to the market on 14 August 2009 at 12:33 (EST) in which the Company announced that it had signed a memorandum of understanding (MOU) with Hongfan Holdings Limited ("HFH") (the "Announcement"). The Announcement details that HFH wishes to source a long term supply of bauxite from the Company and sets out various key targets in respect of this.

Further we wish to draw your attention to listing rule 3.1 which requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in listing rule 3.1A.

**Australian Securities Exchange**

Australian Stock Exchange  
Sydney Futures Exchange

Australian Clearing House  
SFE Clearing Corporation

ASX Settlement and Transfer Corporation  
Austraclear

Furthermore, paragraph 17 of Guidance Note 8 states:

*"Once a director or executive officer becomes aware of information, he or she must immediately consider whether that information should be given to ASX. An entity cannot delay giving information to ASX pending formal sign-off or adoption by the board, for example."*

Please note that for disclosure not to be required under listing rule 3.1, all of the exceptions under listing rule 3.1A must apply:

- 3.1A.1 *A reasonable person would not expect the information to be disclosed.*
- 3.1A.2 *The information is confidential and ASX has not formed the view that the information has ceased to be confidential.*
- 3.1A.3 *One or more of the following applies.*
- *It would be a breach of a law to disclose the information.*
  - *The information concerns an incomplete proposal or negotiation.*
  - *The information comprises matters of supposition or is insufficiently definite to warrant disclosure.*
  - *The information is generated for the internal management purposes of the entity.*
  - *The information is a trade secret."*

Having regard to the above definition, listing rule 3.1 and Guidance Note 8 -continuous Disclosure, we ask that you answer the following questions in relation to the Announcement in a format suitable for release to the market in accordance with listing rule 18.7A.

1. Does the Company believe that the information contained in the Announcement was material to the Company?
2. If the answer to question 1 is "no", please advise the basis on which the Company does not consider the Announcement to be material.
3. If the answer to question 1 is "yes", please address each of the following questions:
  - a. When did the Company first enter into discussions with HFH, as detailed in the Announcement?
  - b. When did the Company's Board consider an initial draft of the MOU?
  - c. When did the Company's Board consider a final draft of the MOU?
  - d. When did HFH sign the MOU?
  - e. When did the Company sign the MOU?
4. If the Company became aware of any of the matters detailed in 3(a) to 3(e) above, why was the information not released to the market at an earlier time? Please address each matter separately and comment specifically on the application of listing rule 3.1 and the exceptions to the rule in listing rule 3.1A.
5. Please confirm that the Company is in compliance with listing rule 3.1.

Your response should be sent to me by email on [peter.tranter@asx.com.au](mailto:peter.tranter@asx.com.au) or by facsimile on **facsimile number (08) 9221 2020**. It should not be sent to the Company Announcements Office.

A response is requested as soon as possible and, in any event, **not later than 12.00 noon WST on Tuesday 18 August 2009**.

If you have any queries regarding any of the above, please let me know.

Yours sincerely



Peter Tranter

**Senior Adviser, Issuers (Perth)**