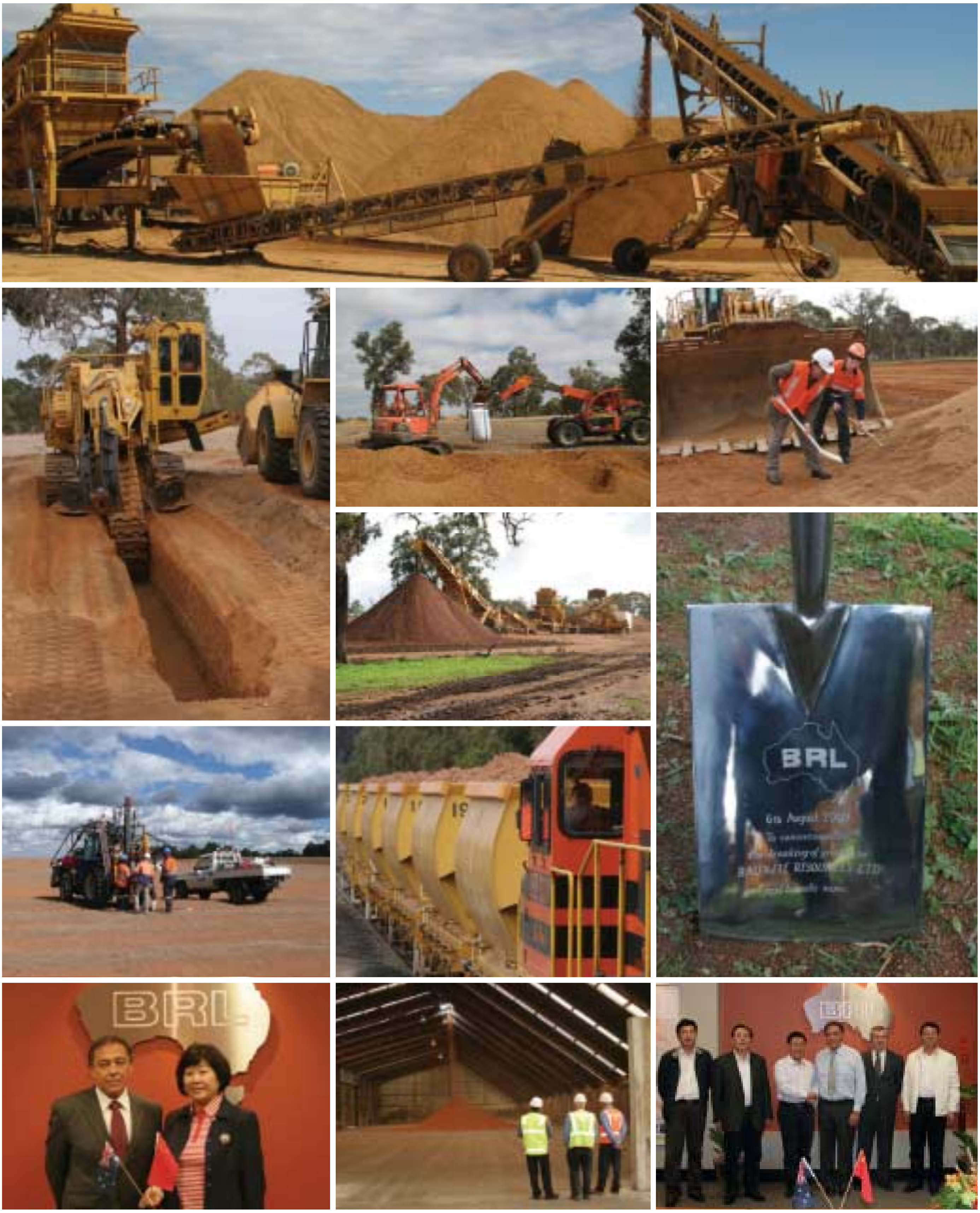
# BAUXITE RESOURCES LIMITED

## ANNUAL REPORT 2009

ACN 119 699 982



# CORPORATE DIRECTORY

**DIRECTORS**

Daniel Tenardi
**Managing Director**

Luke Atkins
**Executive Chairman**

Neil Lithgow
**Non-executive Director**

David McSweeney
**Non-executive Director**

Robert Nash
**Non-executive Director**

Xiangsan Meng
**Non-executive Director**

**COMPANY SECRETARY**
Paul Fromson

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**STOCK EXCHANGE LISTING**
ASX Code: BAU (Ordinary Shares)

# BAUXITE RESOURCES LTD 2009 ANNUAL REPORT

## *"21 MONTHS FROM ASX LISTING TO MINING"*

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|---|---|

## OUR VISION:

*"To be a sustainable generator of economic and social prosperity to all stakeholders through the responsible development of resources"*

## OUR MISSION:

*" To be the bauxite supplier of choice, providing consistent quality and value in use to our customers"*

*"To be a low cost supplier of bauxite, alumina and aluminium to the global market"*

*"To create superior shareholder value"*

*FIRST MINE STOCKPILE BINDOON NORTH*

# BAUXITE RESOURCES LIMITED

## 2009 ANNUAL REPORT EXECUTIVE SUMMARY AND OVERVIEW

★ **Direct Shipping Ore (DSO) bauxite -** Business case supported by increasing world demand for bauxite - particularly China.
Spot trial sample shipment scheduled for commencement Q4 2009.
Business case and methodology for calcined bauxite well advanced.

★ **Alumina Refinery -** Bankable Feasibility Study (BFS) commenced - Preferred refinery site identified at Kemerton Industrial Park (Subject to LandCorp and other regulatory approvals)- Funds secured for BFS by way of placement subject to shareholder approval - BRL to manage BFS in-house.

★ **Experienced Board & Management Team -** experienced personnel with considerable Darling Range bauxite and alumina experience to manage projects in-house.

★ **Strong Financial Position -** $16.5 million cash at bank as at 30 June 2009.
$57M committed by way of institutional and sophisticated investors placement.

★ **Foreign Investment in Bauxite Resources Ltd -** Placement to Shandong No1 Institute for Prospecting of Geology and Minerals (SDGM) raising $9.85M.

★ **Memorandum of Understanding signed with Yankuang Group Corp Ltd** for a 50/50 alumina refinery Joint Venture in the Darling Range - 25% free carried interest in $1.5B refinery project, value $375M - BRL to manage and operate with bauxite supply at cost plus 15%.

★ **Bauxite demand outstripping supply in China -** China will exhaust local bauxite in 9 years.
China's imported bauxite from India and Indonesia has supply and quality issues.
Shandong Province alone imported 26Mtpa of bauxite in 2008.

★ **Darling Range Gibbsite Ore - Easy to refine - Low reactive silica** - Low energy and refining costs. Every percentage reduction in reactive silica substantially reduces refining costs by reducing caustic soda consumption and increases alumina recovery.

★ **Substantial Darling Range Holdings** - Exploration Licences (ELs) in the Darling Range cover ~16,800km$^2$ in the largest bauxite mining and alumina producing region in the world.

★ **Maiden JORC compliant inferred resource** announced in the North Darling Range Project area.

★ **Mining Operations commenced on 6 August 2009 -** trial mining and crushing with road and rail bauxite haulage successfully completed to Kwinana Port.

★ **Existing Infrastructure -** Established road and rail networks adjacent or close to ELs servicing all ports - Logistical supply chain tested with movement of bauxite from mine to Kwinana Port.

★ **Ports -** 3 Alternatives - Kwinana, Bunbury, Albany.

★ **Freight** - Shipping freight costs remain competitive on the China C5 sea route.

***First Shandong Bureau MOU Nov 2008***


***Shandong Bureau MOU signed March 2009 in China***

***Exploration Drilling***

***Bauxite bulka bag samples for customers from Bindoon North Trial Mining***

## CHAIRMAN'S LETTER

Dear Shareholder,

Please find herein the 2009 Annual Report and Financial Statements of the Company for the year ended 30 June 2009.

It has been another eventful year for the Company and its shareholders as the Company, through its hardworking and dedicated team, has continued expeditiously and efficiently on the path of implementing its direct shipping of bauxite and alumina refinery business plans as outlined in the prospectus leading to the Company's ASX listing in October 2007.

Mining veteran, Mr Daniel Tenardi, who has extensive Darling Range bauxite mining and refining experience was appointed Managing Director of the Company in September last year following a lengthy and comprehensive search.

Since his appointment Mr Tenardi has overseen the establishment of a highly experienced management team covering all aspects of the Company's business. The key members of this management team are now in place and acting on the Company's business plans.

Exploration has continued across the Darling Range with the Company now holding approximately 16,800 square kilometres of ground both in application and granted status. This has raised considerable foreign interest, particularly from Chinese parties, culminating with a direct equity investment by Shandong No1 Institute for Prospecting of Geology and Minerals (SDGM) of $9.85M and a Memorandum of Understanding (MOU) reached with the Yankuang Group Corporation Ltd (Yankuang) within the past six months.

The MOU with Yankuang provides in essence for a direct equity investment of $9.85M by way of placement, a 50/50 Darling Range Alumina Joint Venture with a 25% free carried interest to Bauxite Resources Ltd (BRL) in an alumina refinery, a cost plus 15% bauxite supply contract and a management and operating contract for the Company. These negotiations are proceeding to the Heads of Agreement stage for which the placement is linked.

***Shandong MOU May 2009***

## CHAIRMAN'S LETTER CONT...

The Company's first bauxite mine opened on 6 August 2009, with the first "trial rail" delivery of bauxite, testing all aspects of the logistical supply chain from mine to port, successfully reaching the Kwinana port in September, with the first trial spot sample shipment planned for later this year.

The Company continues to actively market and promote its activities to export markets, particularly China. The characteristics of premium Darling Range bauxite with its very low reactive silica and low boehmite translate to substantial refinery operating cost savings making the existing Darling Range refinery operators amongst the most cost efficient in the world. The Company's planned Direct Shipping Ore (DSO) operation continues to be supported by strong demand for bauxite from China, particularly Shandong, which is wholly reliant on imported bauxite coupled to reports that China will exhaust its own bauxite reserves in nine years.

The Company has commenced a Bankable Feasibility Study (BFS) for the Stage 2 Alumina Refinery project planned in Kemerton, and has recently gained recognition from the WA State Government confirming the importance of the Alumina Refinery project to the State.

As at 30 June 2009, the company has $16.5M cash on hand, and in early September a further $57M was committed by way of a placement of 60M shares at 95 cents to institutions and sophisticated investors which is subject to shareholder approval. This has all occurred despite the global economic crisis and slowdown in the world's industrial growth.

I thank you for your past support and look forward to your continued interest and involvement. Your board of directors believe the Company has an exciting future and have a positive outlook for the future of DSO bauxite, calcined bauxite, alumina and aluminium. I look forward to meeting you at the Company's Annual General Meeting.

Yours sincerely,

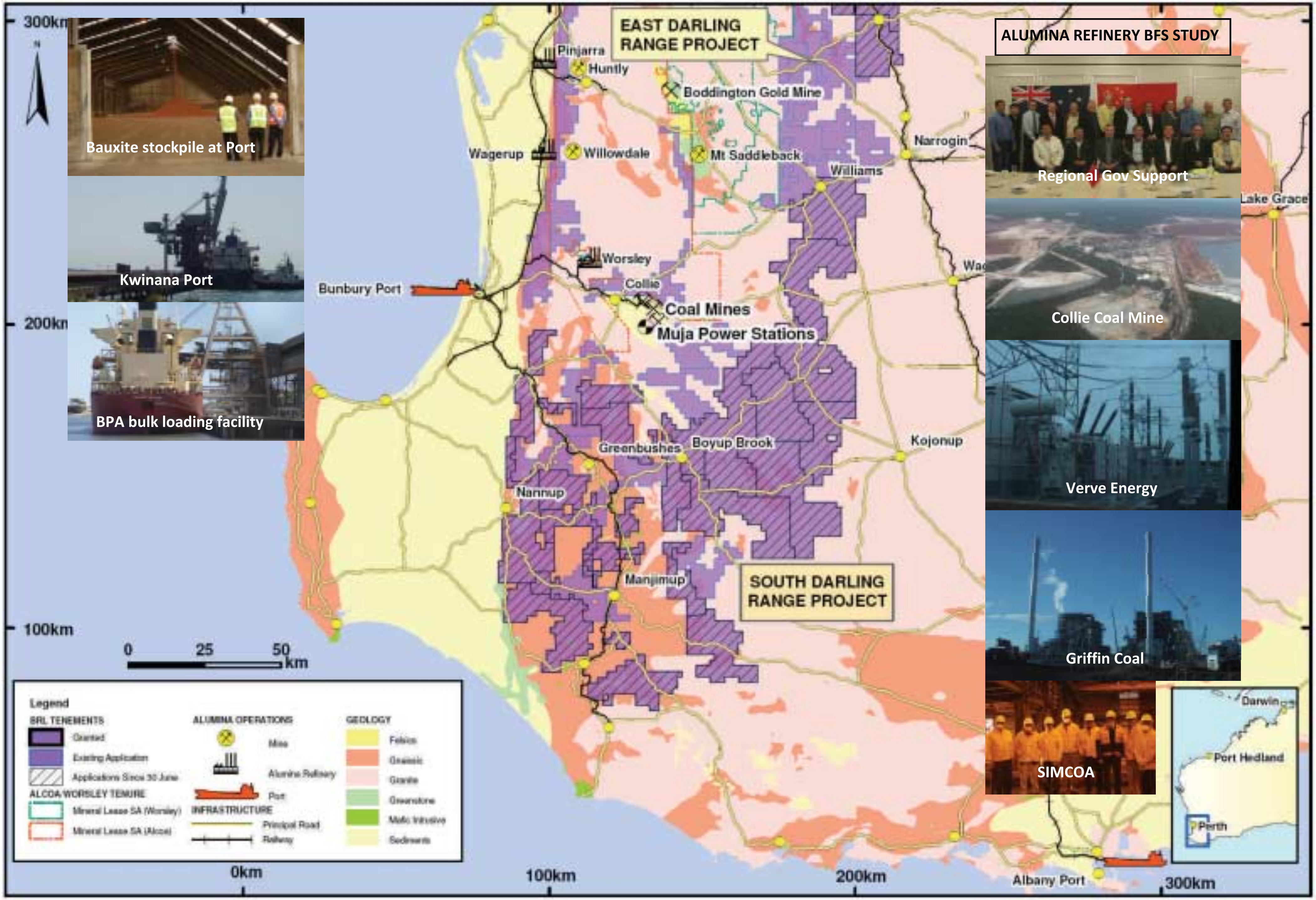
Luke Atkins,
Executive Chairman

***Yankuang Group MOU June 2009***

***Mining commences 6 August 2009***

***First Mine stockpile above and trial rail to port delivery below***


BAUXITE RESOURCES LTD DARLING RANGE TENEMENT HOLDINGS
0km
100km
200km
300km
500km
400km
DSO PROCESS
Bauxite Road to Rail
Loading Bauxite at Railsiding
Rail Unload at Port
Conveyor system at Port
MINE PROCESS
Exploration
Processing Plant
Bauxite stockpile
Haul Road construction
Dalwallinu
Moora
Wongan Hills
Lancelin
E70/3007
E70/3064
Gingin
Bindoon Operation
E70/3003
NORTH DARLING RANGE PROJECT
Toodyay
Northam
E70/3002
York
Merredin
PERTH
KWINANA PORT AND REFINERY
Jarrahdale
0
25
50
km



ALUMINA REFINERY BFS STUDY
EAST DARLING RANGE PROJECT
SOUTH DARLING RANGE PROJECT
Bauxite stockpile at Port
Kwinana Port
BPA bulk loading facility
Regional Gov Support
Collie Coal Mine
Verve Energy
Griffin Coal
SIMCOA
Pinjarra
Huntly
Boddington Gold Mine
Wagerup
Willowdale
Mt Saddleback
Narrogin
Williams
Lake Grace
Worsley
Collie
Bunbury Port
Coal Mines
Muja Power Stations
Greenbushes
Boyup Brook
Kojonup
Nannup
Manjimup
Albany Port
Darwin
Port Hedland
Perth
300km
200km
100km
0km
0
25
50
km
Legend
BRL TENEMENTS
Granted
Existing Application
Applications Since 30 June
ALCOA WORSLEY TENURE
Mineral Lease SA (Worsley)
Mineral Lease SA (Alcoa)
ALUMINA OPERATIONS
Mine
Alumina Refinery
Port
INFRASTRUCTURE
Principal Road
Railway
GEOLOGY
Felsic
Gneissic
Granite
Greenstone
Mafic Intrusive
Sediments

## **BAUXITE** RESOURCES LTD **OVERVIEW**

***Darling Range surface bauxite***

**Background to the Darling Range**

The Darling Range area is the world's largest bauxite mining and alumina refining region and home to the world's largest bauxite mine, Alcoa's Huntly mine. This produces approximately 23 Million tonnes per annum (Mtpa) of bauxite and supplies the world's second largest alumina refinery, Alcoa's Pinjarra refinery as well as their Kwinana refinery.

The Darling Range is also the location of Alcoa's Willowdale mine supplying its Wagerup refinery and BHP's Mount Saddleback mine which supplies BHP's Worsley refinery.

In total these four refineries combine to produce approximately 18% of the world's alumina and contributed $4.6 Billion in gross sales to the Western Australian economy during the last financial year.

***Kwinana Refinery***

***Pinjara Refinery***

***Wagerup Refinery***

***Worsley Refinery***

**Darling Range Bauxite**

**Simple Surface Bauxite Mining Techniques**

Bauxite mining in the Darling Range is a relatively simple, cost effective surface mining operation with little overburden and minimal stripping ratio. Bauxite deposits generally average three to four metres deep and appear in clusters or pods of confined occurrences.

Once bauxite deposits are determined the area for mining has the top ~30cms of topsoil and organic material removed and stockpiled to one side, retained for reseeding and revegetation purposes.

The Company has the option to use new continuous mining equipment as illustrated below which will alleviate the need for light blasting. This new technology strips and crushes ore in one process avoiding double handling, reducing costs and environmental impact.

In areas where bauxite ore occurs at the surface and is free digging, as in many parts of the Darling Range, simple surface scrapers are used to gather the ore into stockpiles for crushing of oversize.

Restoration of flora and fauna post mining activities follows established environmental stewardship practices to manage and minimise environmental impacts.

*Bauxite Resources First Bauxite Mine*

*Typical Darling Range bauxite showing overburden bauxite intersection*

**Darling Range Bauxite**
**World Class Attributes and Qualities**
**Gibbsite Ore - Low Reactive Silica**

There are three main forms of bauxite that require different specific treatments of the Bayer Refining Process to produce alumina. The easiest and most cost efficient form of bauxite to treat is Gibbsite or trihydrate alumina. Darling Range bauxite is gibbsitic in nature being a true aluminium hydroxide, $Al(OH)_3$, and is extremely low in reactive silica. The other types, Boehmite and Diaspore are both monohydrate in form being aluminium-oxide hydroxides $AlO(OH)$.

Current reports suggest that bauxite from the Huntly mine has reactive silica averaging 1.5% and total recoverable, extractable alumina running at an average of 32% .

The low reactive silica content of Darling Range bauxite reduces caustic soda consumption in the refinery process.

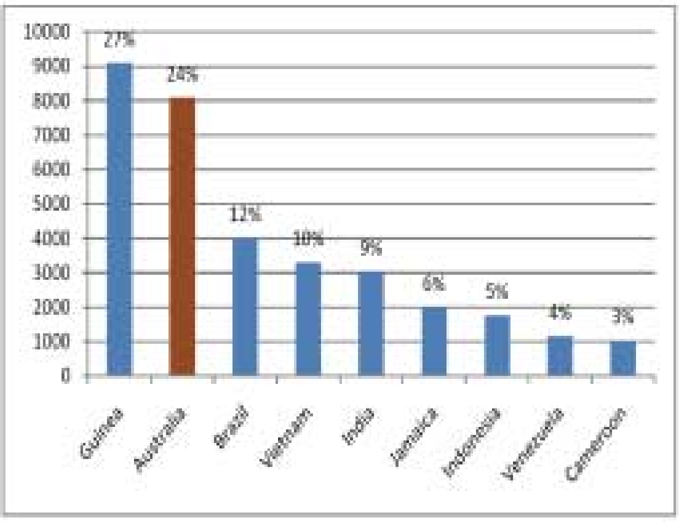
**Darling Range Bauxite**
**Substantial Alumina Refining Cost Savings**
**Easy to Liberate**

In an alumina refinery, Darling Range bauxite is digested using the established Bayer Process, this involves digesting the ore with a pressurised hot solution of caustic soda (sodium hydroxide). The two main reasons why refineries that use Darling Range bauxite typically operate in the World's lowest production cost quartile are:

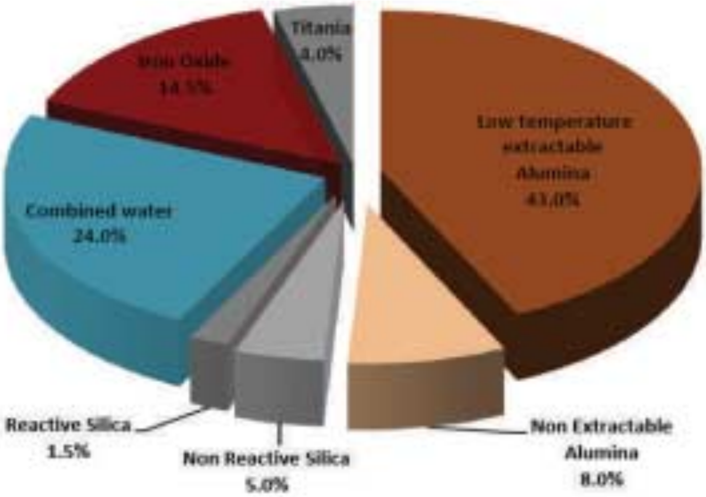
1. Lower energy requirements - the gibbsitic nature of Darling Range bauxite requires lower temperatures and lower pressures for alumina refining therefore substantially saving costs on energy requirements.
2. Lower caustic soda requirements - low reactive silica minimises the caustic soda use as well as maximising the recovery of alumina, again saving on production costs.

Chinese diaspore bauxite has a different crystalline structure to both gibbsite and boehmite, it is both denser and harder requiring a Bayer-Sinter process for refining; requiring higher temperatures and higher pressures for digestion.

## GLOBAL BAUXITE RESERVES




## TYPICAL DARLING RANGE “DSO” BAUXITE COMPOSITION



## BUSINESS PLAN OVERVIEW

### Stage 1 - DSO Business Case

The Company continues to advance its business case of defining an economic >30 Million tonne (Mt) bauxite resource as Stage One necessary to support a >3Mt per annum DSO bauxite operation to take advantage of cost savings attributed to economies of scale. During the year China has emerged as the principal potential market buyer of bauxite ore. China is estimated to run out of bauxite in nine years and has defied the global economic downturn with government fuelled investments that have generated an enviable 7% GDP growth.

The DSO operation projected to start by way of trial sample spot sales in the fourth quarter 2009 will be as raw bauxite. A beneficiated product is currently being developed for future bauxite sales in conjunction with a calcined bauxite value add product.

### Stage 2 - Alumina Refinery Business Case

Bauxite Resources Ltd's (BRL's) ultimate longer term goal is to define a resource necessary to support a Darling Range alumina refinery. This brings the "customer to the resource", eliminating shipping freight costs and provides both long term employment and economic benefit through value adding for the Western Australian economy.

To this end, a Bankable Feasibility Study (BFS) has been initiated utilising BRL's in-house team in conjunction with leading external consultants experienced in this field. By managing the process in-house BRL retains control and seeks to ensure time and cost efficiencies in the process.

The BFS will address and evaluate such issues as available energy requirements (coal or gas), potential sites, and assessment of opportunities to develop a refinery in conjunction with other energy providers.

*Bauxite trial rail load, haul and unload 10 August 2009*

## BUSINESS CASE OBJECTIVE

### STAGE 1 - DSO

The DSO business case is considerably advanced following the commencement of mining on 6 August 2009.

BRL's marketing team continue to source buyers for bauxite ore and field ongoing enquiries for both bauxite and calcined bauxite.

Negotiations continue with refineries for spot trial sample sales which will allow them to fully evaluate the attributes and cost benefits of Darling Range bauxite following refining of the Darling Range low reactive silica gibbsitic style bauxite.

A number of potential overseas bauxite customers have visited the North and South Darling Range project areas to witness first hand the Company's tenement areas, operating plant and BRL's starter pit, the feedback to date has been positive.

***South West Development Commission meeting May 2006 with Yankuang Group and members from Department of State Development, Bunbury Port Authority, Bunbury Chamber of Commerce and members from BRL.***


*Yankuang Group signs a MOU with BRL, June 2009*

## BUSINESS CASE OBJECTIVE
## STAGE 2 - REFINERY

**Feasibility Study for Stage 2 Alumina Refinery**
**"Bringing the customer to the resource"**

Global production of aluminium is predicted to increase from 36Mtpa to 76Mtpa over the next ten years resulting in an increase in demand for alumina to feed aluminium smelters. Greenhouse issues and carbon tax will impact on the cost of power to process materials and will continue to be a major global issue.

Darling Range bauxite is gibbsitic, low in reactive silica (1-3%) and whilst refinery grade bauxite is relatively low in extractable alumina (30-33%) it requires less energy and caustic soda in the refining process.

These factors combined present a compelling argument in support of BRL's decision to commence a BFS into down-stream processing of material in Western Australia. The BFS is progressing with State government support and Kemerton Industrial Park (KIP), 17km north east of Bunbury has been identified as a suitable site.

This south west region of Western Australia is well placed for power generation sources with ample supplies of thermal coal located within the region, adding further weight to the Stage 2 business case objective.

On 26 June 2009, BRL entered into a non-binding alumina refinery MOU with the Yankuang Group Corporation Ltd (Yankuang), a multi million dollar power generation and aluminium smelter business employing over 100,000 people. A subsequent MOU was entered into on the 30 August 2009.

The MOUs follow a visit made by a Yankuang delegation of BRL's projects. Negotiations are continuing towards a Heads of Agreement, the non-binding MOU's can be summarised as follows:

*Griffin Coal's Blue Waters 1& 2 Power Plants near Collie*

*Verve Energy's gas fired power plant in KIP*

- 50/50 Joint Venture for the development of an alumina refinery situated in the Darling Range.
- Yankuang to fund 75% of the total refinery construction costs.
- BRL to have a 25% free carried interest.
- BRL and Yankuang to fund the bauxite exploration on a 51/49 basis respectively to prove up 150Mt to support a refinery.
- BRL to manage the exploration.
- BRL to commit funding towards the engineering component of the BFS for the refinery.
- BRL to supply the bauxite to the refinery on a cost plus 15% basis, with BRL operating the refinery.

*FIRST ORE FROM BAUXITE RESOURCES FIRST MINE, 6 AUGUST 2009*

# MINING OPERATIONS

**Darling Range Bauxite Mining**

Operations commenced on 6 August 2009, with the first load of bauxite fed through the crushing and processing plant following the grant of an Extractive Industries Licence (EIL) and Project Mine Plan (PMP) for the North Bindoon bauxite mine.

The initial EIL allows for the extraction of 130,000 tonnes of bauxite ore and the construction of a haul road from the mine site to the main access road. Further EILs for Stage 2 will be applied for in due course.

Site infrastructure has been installed by BRL's mining contractors, these include a site office, ablution block, lunch room and weigh bridge.

The removal of overburden is complete, topsoil has been stockpiled along the northern boundary of the mine site with over 200 trees planted in a greenbelt corridor as part of the revegetation and regeneration process.

A crushing and screening plant has been mobilised to process the bauxite and stockpiles of export high grade ore are ready for transport.

The haul road from mine site to Great Northern Highway is well advanced for completion early October.

Since commencement of mining, bauxite has been trucked to the rail siding for trial rail loading and this ore has been transported via rail to Kwinana port for trial rail unloading prior to shipment. All trial operations were successfully completed and the stockpiling of ore continues as planned.

**Acquisition of Property**

During the year the Company acquired a freehold farmland property north of Bindoon. In addition to the property containing bauxite mineralised laterites (with pre-existing CRS/Pacminex historical data), the property provides an ideal operating base necessary for the commencement of spot shipment and DSO mining operations.

The property provides significant cost savings in accommodation and equipment storage, and is used as a base for sample ore storage and laboratory studies associated with the DSO program.

The Company has longer term plans to develop the site for the proposed Mooramurra Wildlife Sanctuary and sandalwood rehabilitation post mining.

*Mine haul road construction above and below*

*Mine site slot dozing ore ready for processing*

*Current bauxite stockpile as at 24 September 2009*

# INFRASTRUCTURE FOR DIRECT SHIPPING ORE (DSO)

## SIMPLE LOW IMPACT MINING OPERATION

**MINE** → **RAIL** → **PORT**


**DIG** → **HAUL** → **SHIP**

## LOGISTICAL SUPPLY CHAIN - SEEKING LOW CAPITAL COST SOLUTIONS FOR DSO START UP

BRL has continued to work closely with key providers of infrastructure for proposed initial start up low capital cost options to support BRL's DSO operation planned to commence in the Q4 2009. Bauxite ore has been successfully transported from mine to port utilising these existing infrastructure providers.

The recent capital raising by the Company will be utilised in infrastructure investment to drive production costs down, principally centred around port and rail where economies of scale can be brought into play. A summary of the position of the Logistical Supply Chain is detailed in the table below:

| LOGISTICAL SUPPLY CHAIN MINE TO PORT | CURRENT STATUS | |
|---|---|---|
| **MINING ORE:** Involves removal of overburden layer, excavating and loading the bauxite in to a crusher. The crusher is used to break the ore down to a size suitable for blending to meet an agreed product specification and stockpiled. | **MINING UNDERWAY:** Mining agreement in place with "key terms" with a recognised and experienced operator with many years of experience in the Darling Range, for a mine to port "turn key" solution. |  |
| **ROAD TRANSPORT TO PORTS OR RAIL:** In certain project areas close to ports, trucks and trailers will be used to transport from the mine site direct to the port loading area. | **TRIAL TRANSPORT OF ORE:** The same agreement for Mining Ore includes the "key terms" for truck transport to the rail or port loading area. Successful mine to rail siding road transport trial completed. |  |
| **RAIL TRANSPORT TO PORTS:** In project areas further afield, mined ore is delivered by road to rail sidings, the Company is con-centrating on utilising existing rail sidings. These sidings need to include appropriate loading equipment. | **RAIL TRIAL COMPLETED:** Working groups have been formed with a rail and above-rail operator. Trial loading at rail siding and transport of ore by rail to Kwinana Port successfully completed. |  |
| **SHIP LOADING & TRANSPORT TO OVERSEAS MARKETS:** The crushed bauxite product will be received at the port and loaded onto the contracted ships for export on a Free on Board (FOB) basis | **PORT OPTIONS:** Kwinana Port unloading facility and conveyor system successfully trialled with bauxite ore. BRL is working through three port options to utilise existing capacities in order to initiate and establish the DSO business at a minimal capital cost. |  |

## INFRASTRUCTURE PROJECTS

During the year a Quality Standard Procedure (QSP) has been compiled to capture all documents and data associated with the Logistical Supply Chains (LSC) options associated with BRL projects. The document outlines the available key input options for establishing the logistical supply and distribution chain needed to support the BRL projects. Components of this supply chain include:

**Kwinana Port DSO**

LSC options have continued to be refined with the input of the key providers of infrastructure and services required to support the Kwinana Port DSO. The main DSO operation is targeted to commence in Q4 2009.

**Bunbury Port DSO**

A General Agreement was formulated with the Bunbury Port Authority (BPA) with long term commercial terms to be put forward for consideration in Q4.

An interim LSC has been agreed to support an interim Bunbury Port DSO whilst the storage and handling infrastructure requirements needed to support a preferred longer term LSC are arranged.

With the Port by-pass road scheduled for completion in November 2009 the targeted commencement date for a spot trial sample shipment is late Q4 2009.

**Albany Port DSO**

BRL have made a presentation to the Albany Port Authority (APA) Board and have continued to liaise with the APA on the transport, storage and port handling options for a long term DSO.

An exploration program in the BRL eastern tenements is scheduled to indentify targeted areas to support DSO out of Albany Port post 2010.

***BPA covered conveyor loading system below***

**Refinery/Smelter Project**

Based on identified suitable sites, a scoping document for a Refinery/Smelter Project has been compiled as the Company has initiated its BFS. The document outlines the available key input options for establishing a suitable logistical supply and distribution chain needed to support the project.

In unison, relationships and discussions have been advanced with credible infrastructure, goods and services providers associated with the key inputs whilst the approval process requirements have been clarified with State and Local Authorities.

In anticipation that BRL will be obtaining an appropriate partner to complete the project the QSP template methodology has been implemented in preparation of completing the refinery BFS.

***Kwinana Port bulk loading terminal above***

***Bunbury Port Berth 8 loading facility above and BPA meeting outlining the Ports growth plans below***

# ENVIRONMENT SAFETY AND COMMUNITY

Bauxite Resources Ltd is committed to the practice of environmental stewardship in its bauxite mining methods. This is demonstrated by working towards sustainable bauxite extraction in employing environmental specialists, supporting environmental research, development projects, and employing best practise methods to manage environmental impacts.

BRL believes that establishing and actively fostering environmental and social best practice is the cornerstone to the Company's ongoing success and sustainability. To date, BRL have diligently set out to create meaningful and enduring relationships with all of our stakeholders through transparency, proactive partnerships and social responsibility. The success of this approach has been quietly noted across the public domain with BRL enjoying support from government, media and within the business and broader community.

BRL's Darling Range DSO operations are subject to various Federal, State and Local laws governing the protection of the environment that include flora and fauna, air and water quality, mine rehabilitation and social amenity. There have been no material breaches of BRL licences and all mining and exploration activities have been undertaken in compliance with the relevant environmental regulations.

**Established Environmental Benchmarks for Bauxite Mining**

Once mining is completed the shallow pits are re-contoured, the edges landscaped and the top soil containing the organics and seed bed replaced. The revegetation and replanting is conducted according to established environmental benchmarks which has been shown to improve the viability of the soil post mining operations and inhibit the spread of die-back a major threat to the Western Australian Jarrah forests.

***Community site meeting to ensure project sustainability***

***The BRL Environment team uses GPS mapping and intensive site inspections to identify any critically endangered flora and fauna habitats.***

***Dr Mandy Page of the Australian Wildlife Conservancy joins leading DEC scientist Dr Adrian Wayne from Manjimup, to assess Woylie and wildlife colonisation habitats at Juilmar State Conservation Area and at BRL's proposed 'Mooramurra Sanctuary' site near Bindoon.***

***Inspection of the extensive tree planting along the existing mine site boundary.***

***Juvenile Woylie (Image courtesy Sabrina Trocini)***

The Company's bauxite mining operations aim to restore the pre-mining environment and self-sustaining ecosystems consisting of native flora and fauna or any other land use to the benefit of the local community.

BRL have contributed to regional Biodiversity Strategies in association with local Landcare and municipal officers. BRL has sought qualified advice from expert consultants to ensure best environmental practice and also maintains a close working relationship with key government agencies and Ministerial advisors to ensure open communications and regulatory compliance.

**Woylie Rescue Campaign**

This signature project, in association with various stakeholders including the Department of Environment and Conservation (DEC), is the BRL *'Bindoon Wildlife Sanctuary'.* This will greatly assist with the conservation of the Woylie which is once again relisted by the Commonwealth as 'critically-endangered'. Sandalwood plantations in the agricultural sector for post mining rehabilitation will also demonstrate the economically beneficial and environmental synergies of both these species, once endemic to WA.

BRL will advocate and promote a revival of these significant WA icons.

***Sandalwood plantations***

## COMMUNITY CONT.

**Supporting Local Communities**

Community engagement partly through key sponsorship is actively promoted with BRL becoming the principal supporter of the 2009 Annual Bindoon Show with its "*Bauxite Shovelling Competition*" and the "*Bindoon Ute Muster*" – just a few of the broader links within the Shire of Chittering and surrounding rural and regional communities. Other opportunities for community engagement and social impact assessment have been identified in the Southern and Eastern Darling Range.

BRL's strategic objective is to produce highest standard outcomes for all stakeholders through the responsible use of resources. This will be created via strong stakeholder links which will have positive lasting impact for all Western Australians while also delivering social benefits for BRL employees, share-holders and the wider community into the future.

The next year will see BRL consolidate its environmental and social vision building a credible reputation locally and globally while enhancing strong relationships with key Chinese partners, who recognise this vision and value the importance of protecting the social and natural environment of BRL activities.



**BAUXITE**

**ALUMINA**

**ALUMINIUM**

**METAL OF THE FUTURE**

**Aluminium - Unique Properties**

**Lightweight - Totally Recyclable - Part of the Solution for a Sustainable Future**

First produced in 1888, aluminium has become the second most-used metal after steel due to its light weight, high strength and recyclability. Three-quarters of all aluminium ever produced is still in productive use today.

Aluminium is the preferred metal for use in the transportation industry because of its durability, strength and light weight. Aluminium weighs one third of steel or cast iron and taking into account increased thickness of the aluminium parts compared to steel, 1kg of aluminium replaces 2kg of steel, leading to lighter cars, trucks, ships and aircraft with reduced fuel consumption and greenhouse gas emission generation.

For example the new A380 aircraft , is made with 66% of aluminium in the airframe, while a Boeing 747 contains 75 tons of aluminium.

Aluminium is one of the best materials for use in building construction, chiefly because of its strength and anti corrosive properties. With new design applications its use is steadily increasing in a wide variety of building situations both internally and externally becoming the metal of choice by leading designers, architects and engineers.

Aluminium is also used extensively in packaging; in both rigid form and pliable foils. In 2007, 54 billion aluminium cans were recycled making aluminium the most recycled consumer product and the most valuable recycled metal.

# TECHNICAL BAUXITE MARKETING

### Bauxite Samples

Customer samples have been distributed predominantly to refineries in China as well as commodity traders, and positive feedback has been received from prospective customers. The grade and characteristics of the samples as determined by BRL matched with customer analysis. Further samples from the start up mine are currently being evaluated.

### Beneficiation Process

Beneficiation is the process whereby bauxite ore is passed through a plant to remove contaminants and upgrade the ore. The process occurs before the initial grinding phase and can pass through several options. These include:

- Size separation;
- Magnetic separation;
- Reverse flotation;
- High pressure water washing;
- Combinations of the above processes.

The primary objectives of beneficiation is to reduce handling costs, improve process efficiency and create a high in use value for the refinery customer.

The Company aims to mitigate any freight issues by providing a competitive quality ore in terms of available alumina and reactive silica.

### Beneficiation testing

Test screening of bauxite indicates that effective separation of high silica fraction is possible using conventional wire deck screens.

The higher silica fraction can also be beneficiated by silica removal using high pressure water washing whilst the coarse fraction can be beneficiated by relative low intensity magnetic separation. The combined processes produce a substantially improvement in available alumina and reactive silica. Tests to optimise the beneficiation processes are in progress.

As part of the Company's Stage 1 DSO bauxite program, under the direction of Ben Ziegelaar, the Company has initiated the development of a calcined bauxite product.

Bauxite ore viewed under microscope before beneficiation above and after beneficiation below

### Calcined bauxite

The beneficiation processes described above is moving forward providing a feed to produce a calcined bauxite product.

Further removal of iron oxide will produce a high grade calcined product.

Leaching and chlorination options are currently being investigated. Progress has been made in establishing potential sources of co-generation (Power & Heat) providers. A number of rotary kilns have been identified for use in calcinations.

Market research has been conducted and confirms a growing customer base and pricing structure that has the potential to make this an economical and worthwhile venture.

### Analytical Testing

As the Company is expanding rapidly the economics for owning and operating the Company's own laboratory and testing facilities are becoming more viable. Rapid progress has been made to source cost effective analytical support.

## BAUXITE MARKET IN CHINA

**Chinese bauxite running out**

The biggest issue in the Chinese aluminium industry is availability of raw materials. All bauxite ore feeding the Shandong Province's refineries is imported from foreign countries. China's own bauxite resources predominantly from the Shanxi and Henan Provinces are fast running out. In the future the majority of China's refineries will rely on imported bauxite.

**Chinese Shandong Refineries to Relocate to Coastal Regions to Save on Freight**

The refinery companies along the coast occupy advantageous access of raw materials. For example a refinery adjacent to port can save around 120RMB (AU$21) per ton for ground freight. Apart from the Nanshan refinery, all the refineries in the Shandong Province are in the inland areas which incur more logistical costs. It becomes crucial for these factories to relocate into the coastal regions closer to the bauxite resource.

**Shandong seek overseas bauxite resources**

The Shandong Provincial government report that it is a fundamental goal to build their own resource bases in the resources-rich countries by funding solely in projects or taking equity in the local companies. Only with such bases in place can the refineries tide over the economic fluctuations with ease. These bases will profit if bauxite price surges and the refineries will benefit if bauxite prices go down. This will help create a hedge mechanism similar to that adopted by Japan to remain viable whatever happens.

**China seeks reliable supplies**

Chinese refineries are seeking reliable, long term bauxite suppliers in politically secure countries, geographically close to China. Australia is the largest bauxite producer, however, none of the Darling Range gibbsite material is currently exported.

## BRL's CHINESE RELATIONSHIPS

**Shandong Provincial Bureau of Geology & Mineral Resources (SDGM) Share Placement of $9.85M**

Bauxite Resources Ltd held a formal Signing Ceremony in Perth on 13 May, 2009, cementing the Placement Agreement reached with SDGM. The terms of the placement, equivalent to 15% of BRL's current issue share capital, being 19,700,000 shares at an issue price of 50c, raised $9.85M, a substantial premium to the prevailing share price at the time. The Signing Ceremony coincided with BRL's 3rd birthday celebrations and was attended by Ms Zheng, Director-General of SDGM, Mr Meng, General Manager of Shandong No.1 Institute for Prospecting of Geology & Minerals and their 11 person Shandong delegation.

Foreign Investment Review Board (FIRB) and Chinese Government regulatory approval were subsequently received on 26 June, 2009, and SDGM were issued 19,700,000 BRL shares at $0.50 each. The $9.85M received from SDGM places BRL in a strong position for continued expansion.

***Mr Meng Xiangsan, General Manager of the No1. Geology & Minerals Prospecting Institute of Shandong Province shakes hands with BRL's MD, Dan Tenardi.***

## CHINA BAUXITE IMPORTS AND PRICE (CIF TO CHINESE PORT)

## CHINESE RELATIONSHIPS CONT.

**Refinery and Placement MOU with Yankuang Group Corporation Ltd (Yankuang)**

BRL have also further developed relations with Yankuang who have continued to express strong interest in a refinery and smelter Joint Venture development.

The Yankuang Group visited Perth from 18-25 June, 2009. They were provided with a comprehensive tour of the North Darling Range Bindoon operation, a fly over by chartered aircraft over the Darling Range tenements and shown the extensive infrastructure facilities surrounding the Bunbury area, as a possible location of a refinery/smelter.

The successful trip culminated in the signing of a MOU on 26 June 2009, outlining steps to negotiate a possible direct equity investment in BRL by way of share placement and a possible Heads of Agreement for a Joint Venture for the development of an alumina processing plant in the south west of Western Australia.

MD Dan Tenardi took a BRL delegation to China in August and on 15 August 2009, a further MOU was signed with Yankuang.

**Yankuang Group Corp Ltd Background**

Established in 1976, Yankuang Group is a Chinese state-owned conglomerate with coal mining, coal-based chemicals, machinery manufacturing, electricity generation and aluminium as its main businesses.

Yankuang has total assets of 58 billion RMB (AU$10.5 billion) and there are 37 subsidiary companies with a staff of 100,000. Its Coal Mining Company is listed on New York Stock Exchange, Hong Kong Stock Exchange and Shanghai Stock Exchange as of 1998. The annual output of coal is about 40 million tons.

The Electricity & Aluminium Company has 9 peat coal and coal-gangue fired power stations with a total installed generation capacity of 527 Mega Watts and has thus established itself as the largest power producer of its kind in China.

The Chinese Aluminium smelter has an annual production capacity of 140,000 tons of aluminium and 100,000 tons of baked anodes for aluminium purpose. A large aluminum extrusion project with the world largest (150MN) double-action forward extrusion press is under construction. Upon completion in May 2011, the fabrication plant is set to extrude 133,000 tons of aluminium and cast 14,500 tons of ingots. The finished products include high performance heavy section material for train carriage and high performance tubes and bars for other industrial uses.

*Yankuang MOU June 2009*

*Yankuang MOU August 2009*

*Yankuang Group tour of BRL's tenements, June 2009*

*Western Australia's Premier, Colin Barnett, meets Yankuang Group Corp Ltd in China, July 2009*

# EXPLORATION PROGRAM

## OVERVIEW

**Combined Project Areas of 18,800km$^2$**

Bauxite Resources has had a large expansion in its tenement applications and the Company's project areas have increased from three to five areas, the total square kilometres covered by Exploration Licences (ELs) in the Darling Range has more than doubled since June 2008.

The Company now has three Darling Range project areas and two project areas in the North of Australia.

As at 30 September 2009, the company has 93 ELs of which four have been granted in the North Darling Range Project area, the site of inaugural mining. BRL's total tenement package now covers over 18,800km$^2$.

The Company has completed the historical data review and target generation phase and is now conducting reconnaissance mapping, rockchip sampling and vacuum drilling of targets in the North and South Darling Range projects.

The exploration program objective is to define sufficient bauxite mineralisation to support the Company's current business objective of three projects; a greater than 3Mtpa DSO operation in the North Darling Range Project, a refinery in the South Darling Range Project and a 1Mtpa calcined bauxite operation in the North Darling Range Project.

***Low Impact vacuum drilling***

**Maiden 18.2Mt Inferred Bauxite Resource Defined At North Darling Range Project, WA.**

On 16 January 2009, BRL announced that an assessment of BRL's Bindoon and Avon granted and pending exploration licences in the Darling Range hosts a JORC-Compliant Inferred Resource of 18.2 million tonnes at 43.1% Total $Al_2O_3$, 31.6% Available $Al_2O_3$ and 3.2% Reactive $SiO_2$.

The maiden resource has been estimated by Ravensgate Mineral Industry Consultants and represented a major step forward for the company in achieving its Stage 1 objective of exporting DSO bauxite at an initial rate of 1Mtpa increasing to 3Mtpa in 2010.

**BRL's Highly Experienced Geological Team.**

The geological team lead by Exploration Manager Mr Peter Bleakley, now has four fulltime geologists and one consulting geologists including Mr Peter Senini, one of the most experienced Darling Range bauxite geologists.

Mr Senini previously held the position of Alcoa's head geologist with 28 years experience working in the Darling Range. Mr Senini's understanding of bauxite mineralisation and exploration has been invaluable to the Company.

The bauxite areas targeted by the Company include substantial areas of degraded, uneconomic to sub-economic farmland and areas of Crown Land of the same environmental category and classification as that currently mined for bauxite by Alcoa and BHP.

**Historical Data Review**

The Company has focussed on reviewing the substantial volumes of historical data relating to exploration and drilling, conducted by companies exploring for bauxite in the Darling Range including; CSR/Pacminex, Vam Ltd, Project Mining Corporation, Hancock and Wright, Bridge Oil Ltd, Alcoa and BHP.

This historical data goes back some 40 years being part of a concerted bauxite exploration campaign involving all of these companies, and in that regard, the various competitive project holdings were disjointed and fragmented with significant encroachments of Alcoa's State Agreement "leased area" at that time.

The team have electronically captured this data and digitally overlayed it onto BRL's tenements identifying numerous drill targets for both DSO and refinery feed.

**Darling Range Ground now totals over 16,800km$^2$**

Since listing in October 2007, and after gaining a detailed knowledge and understanding of the historical data following its electronic capture and interpretation, the Company has substantially increased its tenement holding from 6,731km$^2$ to 16,800km$^2$ in the Darling Range. These fresh applications have concentrated on areas with underlying historical data showing bauxite mineralisation, are close to existing infrastructure and include areas of the same land category as Alcoa's and BHP's current mining operations where the established environmental benchmarks have been set and can be similarly implemented. These areas allow the company a variety of choices as to selecting a suitable mine site with supporting infrastructure.

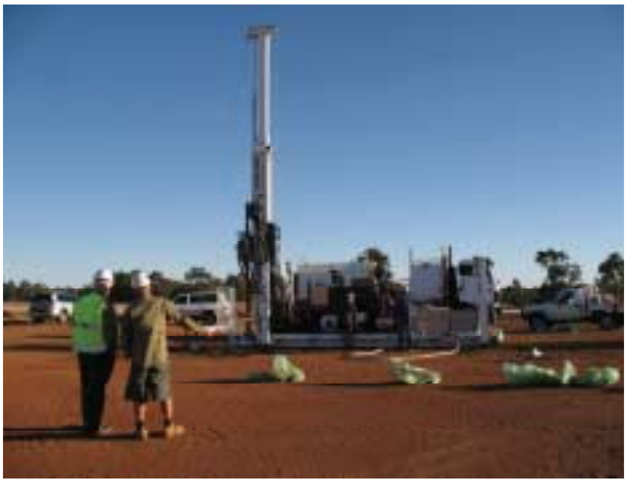
**Target Generation**

The initial Stage 1 exploration program is targeting sufficient bauxite mineralisation to support the commencement of a >3Mtpa DSO operation for 10 years in the North Darling Range Project. The priority targets are those areas with historical data on Crown and freehold sub-economic degraded farmland close to existing infrastructure and services.

The Stage 2 exploration program is targeting sufficient bauxite mineralisation to support the commencement of a refinery in the South Darling Range Project and a 1Mtpa calcined bauxite project in the North Darling Range. Exploration will focus on a combination of Crown Land and freehold farm-land close to existing infrastructure and services.

The target generation phase, (post 30 June 2008) has moved to systematic drill out of defined targets in the North Darling Range Project and commencement of drilling in the South Darling Range Project.

To this end a number of Native Title Agreements relating to the areas have been successfully negotiated and a strategy has been implemented in conjunction with the Company's tenement managers to expedite the grant of priority applications and approaches to relevant landowners as and where necessary.



***Diamond drill rig above with drill cores below***

***MD Dan Tenardi & Yankuang representatives inspect diamond drill cores***

***Bulk samples collected from mine site***

## North Darling Range Project - 29 ELs Covering approximately 4,100km²

Exploration has focused on completing the digital capture of historical exploration, reconnaissance mapping and rockchip sampling (294 samples) of priority targets. Exploration and resources definition drilling has commenced with the completion of 381 vacuum holes (2,274 metres) and 18 PQ diamond holes (140.3 metres) in the Bindoon region.

This drilling consisted of first-pass drilling (100 metre by 100 metre) of the high-grade Hare's Hill and North Bindoon prospects through to grade control drilling of the Stage 1 pit on the Hare's Hill prospect. Drilling of these targets is ongoing and BRL continues to review other high-grade targets on the North Darling Range Project.

### Hare's Hill Prospect

A total of 183 vacuum holes for 1,048.5 metres were drilled to complete grade control and geostatistical drilling of the Stage 1 pit. Results from this close-spaced drilling demonstrated excellent continuity to high-grade bauxite mineralisation.

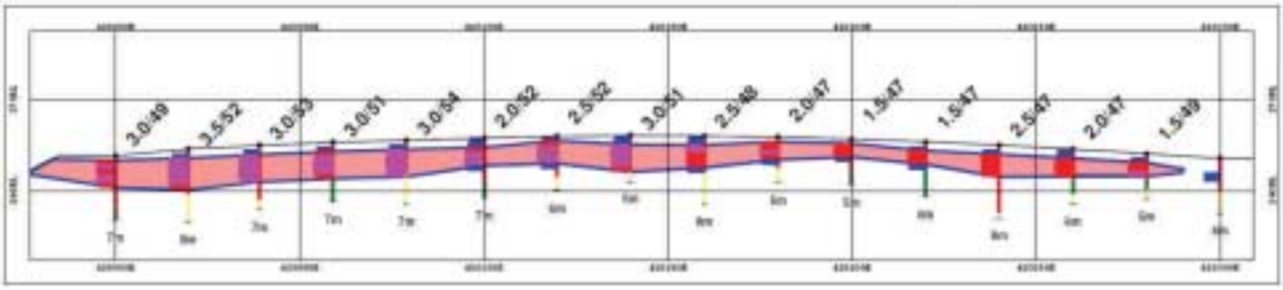
First-pass drilling on 100 metre by 100 metre spacing was completed over the remainder of Hare's Hill prospect with 89 vacuum holes for 570.5 metres drilled. Results from this program returned extensive zones of high grade bauxite mineralisation to 7.5 metres thickness suitable for the DSO operation.
Better intersections from drilling are tabulated below. (Note these are not beneficiated)

| Hole ID | MGA N (Zone 50) | MGA E (Zone 50) | Depth (m) | Intersections | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | From (m) | To (m) | Interval (m) | Avail. $Al_2O_3$% | Re. $SiO_2$% | Total $Al_2O_3$% | Total $SiO_2$% | $Fe_2O_3$% | LOI% |
| **Stage 1 Pit** | | | | | | | | | | | | |
| BDD130 | 6530751 | 420048 | 6.4 | 0.5 | 2.8 | 2.3 | 43.4 | 2.0 | 52.8 | 5.3 | 12.3 | 24.7 |
| BDD132 | 6530750 | 420225 | 8.9 | 1 | 3.9 | 2.9 | 42.1 | 3.1 | 51.9 | 7.8 | 12.7 | 23.7 |
| BDV174 | 6530760 | 420020 | 7 | 0.5 | 4 | 3.5 | 44.5 | 1.4 | 53.2 | 4.9 | 13.4 | 24.1 |
| BDV177 | 6530820 | 420020 | 7 | 1 | 4 | 3 | 46.9 | 1.5 | 54.3 | 3.8 | 12.9 | 25.8 |
| BDV179 | 6530799 | 420040 | 7 | 1 | 4.5 | 3.5 | 46.7 | 2.4 | 53.9 | 5.4 | 11.7 | 25.8 |
| BDV196 | 6530780 | 420079 | 7 | 1 | 4 | 3 | 47.3 | 2.1 | 54.2 | 5.6 | 10.5 | 25.8 |
| BDV261 | 6530760 | 420240 | 7.5 | 1 | 5 | 4 | 42.3 | 2.5 | 50.6 | 7.9 | 13.4 | 23.5 |
| BDV262 | 6530740 | 420240 | 7 | 1 | 5.5 | 4.5 | 42.5 | 2.3 | 50.9 | 7.5 | 13.8 | 23.3 |
| BDV263 | 6530720 | 420240 | 7 | 1.5 | 5.5 | 4 | 40.7 | 2.7 | 49.7 | 7.4 | 15.4 | 23.0 |
| BDV268 | 6530720 | 420260 | 8 | 1.5 | 5.5 | 4 | 37.4 | 4.2 | 47.5 | 9.5 | 17.2 | 21.1 |
| BDV358 | 6530740 | 420320 | 8.5 | 1 | 5 | 4 | 38.6 | 3.5 | 48.8 | 8.0 | 17.3 | 21.9 |
| **Regional Drilling** | | | | | | | | | | | | |
| BDD137 | 6530648 | 420424 | 7.9 | 1 | 4.5 | 3.5 | 34.4 | 2.1 | 50.4 | 9.3 | 16.7 | 19.0 |
| BDD139 | 6530751 | 420045 | 5 | 0.8 | 3 | 2.3 | 47.7 | 2.1 | 54.6 | 5.8 | 9.1 | 25.5 |
| BDV293 | 6530959 | 420000 | 8.5 | 1.5 | 5.5 | 4 | 40.1 | 1.7 | 49.6 | 3.6 | 20.0 | 22.0 |
| BDV296 | 6530700 | 420399 | 10 | 1 | 7 | 6 | 33.2 | 1.6 | 50.7 | 6.1 | 20.2 | 17.8 |
| BDV477 | 6529700 | 419000 | 7 | 1.5 | 4.5 | 3 | 39.4 | 3.0 | 48.5 | 6.4 | 18.5 | 22.1 |
| BDV478 | 6529800 | 419000 | 6.5 | 1 | 4 | 3 | 41.9 | 2.4 | 49.4 | 6.3 | 15.8 | 23.6 |
| BDV482 | 6530000 | 419000 | 9 | 1.5 | 6 | 4.5 | 36.5 | 2.4 | 50.1 | 7.5 | 17.6 | 20.4 |
| BDV483 | 6530000 | 419100 | 7 | 0.5 | 2.5 | 2 | 38.8 | 2.6 | 49.0 | 7.3 | 17.8 | 21.5 |
| BDV496 | 6530498 | 420250 | 5.5 | 0.5 | 4 | 3.5 | 41.4 | 2.4 | 50.3 | 7.6 | 14.6 | 23.0 |
| BDV497 | 6530444 | 420253 | 6 | 1 | 5 | 4 | 42.2 | 2.2 | 52.0 | 6.3 | 13.3 | 23.4 |
| BDV498 | 6530399 | 420248 | 6.5 | 1 | 5 | 4 | 39.3 | 2.4 | 50.4 | 7.5 | 15.9 | 21.7 |

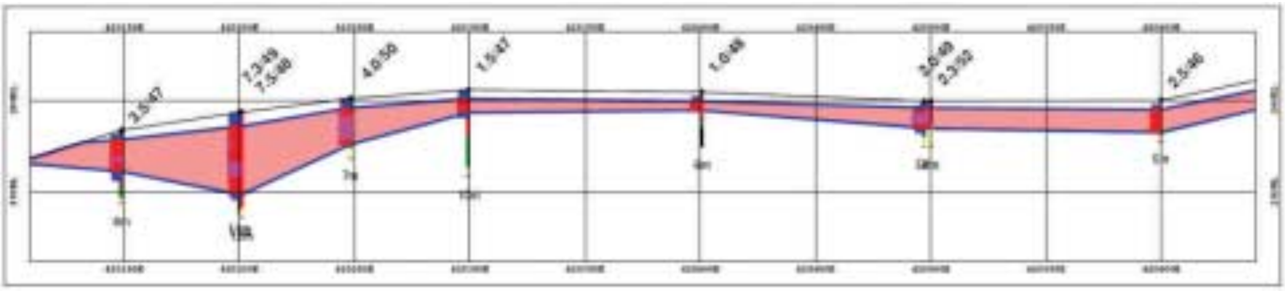
*Samples submitted to Ultra Trace for FTIR analysis with 10% checks by bomb digest at 148°C / ICP05 for Available $Al_2O_3$ and Reactive $SiO_2$ analysed by and XRF for Total $Al_2O_3$, $SiO_2$ and $Fe_2O_3$. Intersections calculated using a lower cutoff of 45% Total $Al_2O_3$, minimum width of 1.5m and maximum of 0.5m internal waste.*

***Trench digging for bulk samples left & sample collection right***

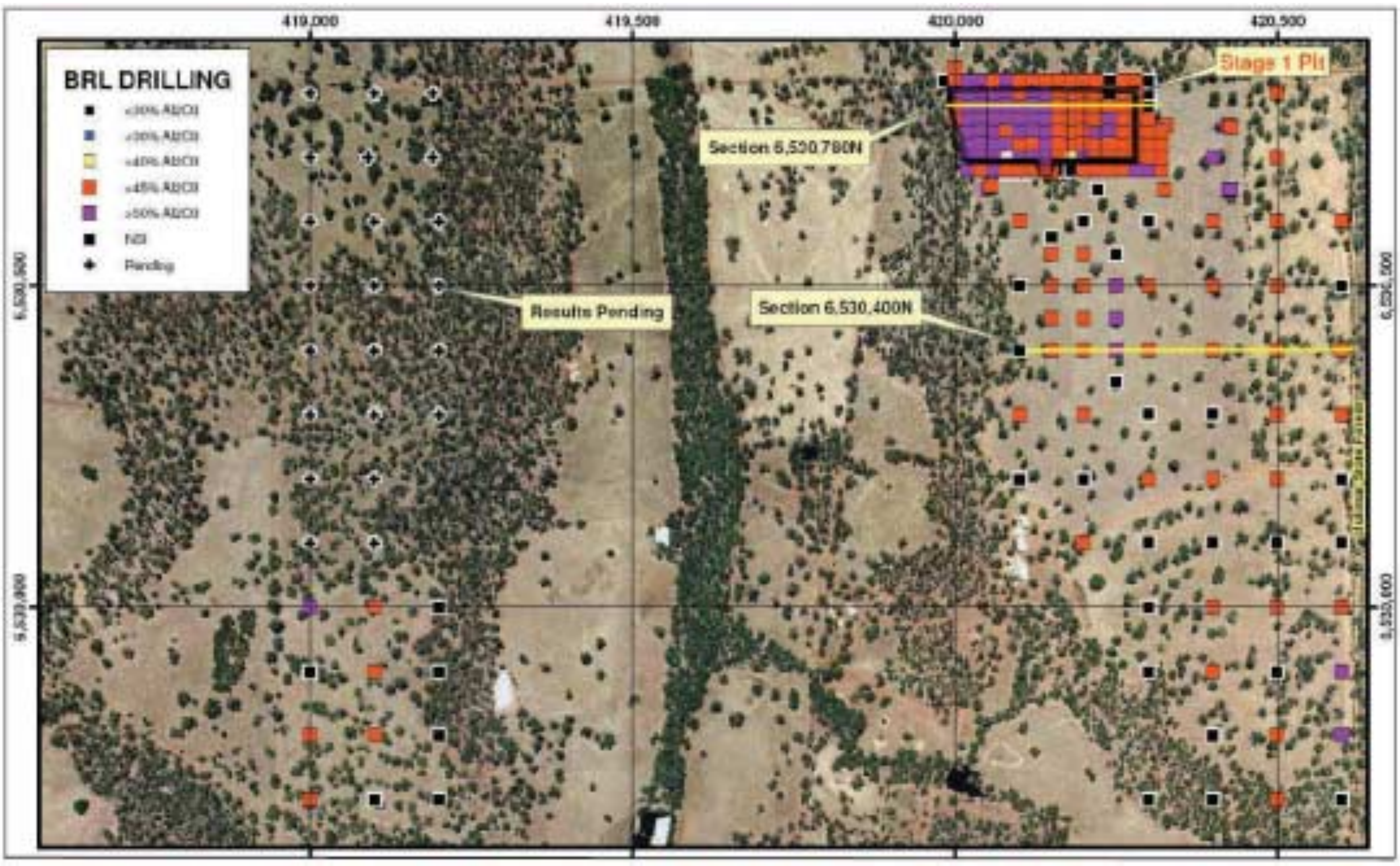
Typical sections through the Hare’s Hill prospect and collar locations are detailed below.



*Section 6,530,780N showing grade and continuity of mineralisation through the Stage 1 pit on the Hare’s Hill prospect. Legend 3.0/49.1 is 3.0 metres at 49.1% Total $Al_2O_3$ and histograms display Total $Al_2O_3$ with magenta >50%, red 45 – 50% and blue 40-45%.*



*Section 6,530,400N showing tenure and width of mineralisation present on Stage 2 of the Hare’s Hill prospect. The legend is as above.*




*Collar locations and grade of drill intersection (>1.5 metres at 45% Total $Al_2O_3$) for the Hare’s Hill prospect.*

***North Bindoon Prospect***

First-pass drilling on 100 metre by 100 metre spacing was completed on the North Bindoon prospect with 109 vacuum holes for 655 metres drilled. Results from this program returned broad zones of high grade bauxite mineralisation to a maximum of 7.5 metres thickness. Better results are tabulated below.

| Hole ID | MGA N (Zone 50) | MGA E (Zone 50) | Depth (m) | Intersections | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | From (m) | To (m) | Interval (m) | Avail. $Al_2O_3$% | Re. $SiO_2$% | Total $Al_2O_3$% | Total $SiO_2$% | $Fe_2O_3$ % | LOI% |
| BDV378 | 6533800 | 418700 | 6.5 | 1 | 4 | 3 | 38.9 | 1.0 | 50.0 | 3.7 | 20.1 | 21.4 |
| BDV384 | 6533800 | 418100 | 6 | 2.5 | 6 | 3.5 | 34.5 | 0.7 | 46.3 | 1.9 | 29.8 | 18.4 |
| BDV392 | 6533900 | 418800 | 6 | 0.5 | 3.5 | 3 | 40.9 | 2.6 | 51.2 | 6.0 | 15.6 | 22.3 |
| BDV393 | 6533900 | 418900 | 6.5 | 1.5 | 5.5 | 4 | 41.7 | 1.2 | 54.0 | 2.9 | 16.0 | 21.9 |
| BDV429 | 6534200 | 418700 | 12.5 | 3 | 10.5 | 7.5 | 39.5 | 0.7 | 51.6 | 2.3 | 21.4 | 20.6 |
| BDV438 | 6534300 | 419300 | 8 | 2 | 6 | 4 | 38.8 | 1.0 | 52.2 | 5.6 | 15.8 | 20.7 |
| BDV440 | 6534300 | 419100 | 7 | 1.5 | 5.5 | 4 | 37.8 | 3.4 | 47.9 | 8.8 | 16.9 | 21.1 |
| BDV444 | 6534300 | 418600 | 10 | 1 | 7.5 | 6.5 | 35.2 | 0.4 | 47.9 | 1.6 | 28.9 | 18.2 |
| BDV451 | 6534400 | 419300 | 9.5 | 3 | 8.5 | 5.5 | 36.4 | 0.7 | 49.9 | 3.6 | 24.0 | 18.7 |
| BDV452 | 6534400 | 419400 | 9 | 2 | 7 | 5 | 37.6 | 2.3 | 49.7 | 6.2 | 19.9 | 20.1 |

*Samples submitted to Ultra Trace for FTIR analysis with 10% checks by bomb digest at 148°C / ICP05 for Available $Al_2O_3$ and Reactive $SiO_2$ and XRF for Total $Al_2O_3$, $SiO_2$ and $Fe_2O_3$. Intersections calculated using a lower cutoff of 45% Total $Al_2O_3$, minimum width of 1.5m and maximum of 0.5m internal waste.*

***Left: Diamond drilling in the North Darling Range project area with drill cores from the drilling below***

## South Darling Range Project

### 44 ELs Covering approximately 9,200km²

The South Darling Range project covers large areas of ground adjoining Alcoa and Worsley Alumina's mineral leases and extends from Jarrahdale in the north to south of Manjimup.

The dual aims of the project are:

- DSO - suitable high grade deposits within acceptable transport corridors to the Bunbury Port, and
- to indicate that sufficient refinery grade bauxite mineralisation is available within the region as part of the BFS for the BRL refinery project in the South-West.

Although many prospective lateritic areas, as defined by the Geological Survey of WA, exist in the region, previous exploration is limited. Information to cover land tenure, aerial photography, and detailed topographic coverage is being acquired. A land access strategy has been developed and is being implemented to facilitate access to prospective land.

Reconnaissance field trips have already been undertaken to evaluate the private property target areas and assess the optimum process of evaluating Crown Land. Several lateritic caprock samples were collected and have been submitted for assay with encouraging results.

This together with the historical data has identified a number of priority target areas for drilling. Some restrictions on timing access to State Forest exist, however good planning to sequence private property and crown land activities will allow all year round exploration.

The management of this project will be under the supervision of Mr Peter Senini, Principal Advisor, Geological and Technical Services, who has extensive experience in exploration and evaluation of Darling Range, Australian and International bauxite deposits. A highly motivated and experienced team of geologists and technical people is being formed to undertake this project.

All data management and data manipulation requirements are in place with experience personnel to use these. In addition BRL has personnel in house with the required experienced and qualifications to undertake Resource/Reserve Estimation, Geostatistical, Mine Planning/ Mine Design and Technical investigations.

It is envisaged the proposed initial 18 month program will achieve the target of having 150Mt to a JORC compliant resource in the Indicated/Inferred categories.

Work conducted during the year consisted of surface mapping and sampling, target generation and the drilling of 595 holes for 2,759 metres in the Brunswick Junction region.

*Vacuum drilling in the South Darling Range project area*

***Brunswick Junction – Shenton Ridge***

A total of 451 vacuum holes for 2,144 metres were completed at the Shenton Ridge Prospects where historic drilling by Project Mining Corporation (PMC) intersected bauxite mineralisation up to 5m at 36.4% Available $Al_2O_3$ from an extensive laterite plateau.

A close spaced drill pattern has been completed over high-grade bauxite mineralisation at Blackboy Hollow and regional drilling has been completed over the remainder of the laterite plateau where access agreements are in place. The objectives of the drilling program are to confirm historical drill results, determine significance of mineralisation present and obtain samples for mineralogical characteristics studies.

Results from drilling defined a high-grade pod of bauxite mineralisation at Blackboy Hollow within an existing Planning Consent and Extractive Industries Licence. Mineralisation is open to the east at Blackboy Hollow requiring further evaluation.

Assay results from regional drilling at Shenton Ridge were disappointing intersecting only patchy zones of bauxite mineralisation. Better results from Blackboy Hollow and Shenton Ridge regional drilling are tabulated below.

| Hole ID | MGA N (Zone 50) | MGA E (Zone 50) | Depth (m) | Intersections | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | From (m) | To (m) | Interval (m) | Avail. $Al_2O_3$% | Re. $SiO_2$% | Total $Al_2O_3$% | Total $SiO_2$% | $Fe_2O_3$ % | LOI % |
| **Shenton Ridge – Blackboy Hollow** | | | | | | | | | | | | |
| SRV013 | 6317400 | 397340 | 6 | 2 | 6 | 4 | 35.2 | 2.8 | 41.6 | 21.3 | 14.7 | 21 |
| SRV022 | 6317500 | 397250 | 5 | 1 | 5 | 4 | 35.6 | 4.3 | 42.7 | 23.8 | 9.7 | 21.9 |
| SRV028 | 6317550 | 397298.3 | 5 | 0 | 5 | 5 | 34.8 | 2.6 | 41 | 22.8 | 13.1 | 21.3 |
| SRV033 | 6317450 | 397349.7 | 6 | 1 | 6 | 5 | 32.7 | 2.1 | 42.6 | 20 | 15.6 | 20.2 |
| SRV086 | 6317425 | 397302.9 | 6 | 0.5 | 6 | 5.5 | 31.5 | 2.9 | 39.2 | 29.2 | 10.9 | 19.6 |
| SRV089 | 6317450 | 397299.1 | 8 | 0 | 7 | 7 | 33.4 | 3.8 | 39.5 | 27.1 | 11.3 | 20.6 |
| SRV094 | 6317475 | 397300 | 6.5 | 0 | 4.5 | 4.5 | 35.4 | 3.6 | 40.5 | 27.1 | 9.2 | 21.9 |
| SRV102 | 6317550 | 397298 | 7.5 | 0 | 6 | 6 | 34.8 | 4.1 | 42.2 | 22.1 | 11 | 22.9 |
| SRV169 | 6317625 | 397300 | 6 | 1 | 6 | 5 | 35.1 | 5 | 39.2 | 12.9 | 21.9 | 21.9 |
| SRV444 | 6317500 | 397300 | 7 | 0 | 3.5 | 3.5 | 33.2 | 4.3 | 37.8 | 32.5 | 8.4 | 19.5 |
| SRV445 | 6317550 | 397300 | 9 | 0 | 7 | 7 | 43.3 | 4.8 | 49.3 | 11 | 10.9 | 26.6 |
| SRV447 | 6317500 | 397375 | 7.5 | 1 | 5.5 | 4.5 | 30.6 | 4.8 | 44.6 | 17.8 | 16.9 | 18.3 |
| **Shenton Ridge – Regional Drilling** | | | | | | | | | | | | |
| SRV063 | 6316999 | 397799.9 | 3 | 1 | 3 | 2 | 33.6 | 2.9 | | | | |
| SRV230 | 6315400 | 397800 | 5 | 0.5 | 5 | 4.5 | 33.7 | 3.5 | | | | |
| SRV272 | 6316300 | 397800 | 4.5 | 1.5 | 4 | 2.5 | 30.2 | 1.7 | | | | |
| SRV291 | 6317100 | 397900 | 5 | 0.5 | 4.5 | 4 | 31.7 | 7 | | | | |
| SRV429 | 6317300 | 401910 | 5 | 1 | 4 | 3 | 29.9 | 3.2 | | | | |

*Available $Al_2O_3$ and Reactive $SiO_2$ analysed by bomb digest at 143°C / ICP05 by SGS. Total $Al_2O_3$, $SiO_2$ and $Fe_2O_3$ analysed by XRF at SGS. Intersections calculated using a lower cutoff of 27.5% Available $Al_2O_3$, minimum width of 1.5m and maximum of 0.5m internal waste.*

***Aircore drilling rig South Darling Range project area***

### *Brunswick Junction – Martin Road*

Historic drilling by Project Mining Corporation at the Martin Road prospect intersected significant bauxite mineralisation associated with lateritic ridges in the Mornington Ridge region. BRL completed 144 holes for 615 metres to complete first pass drilling and infill of areas of anomalous bauxite mineralisation.

BRL drilling has delineated significant mineralisation over a 1.2 kilometres long by 0.5 kilometre wide zone. Bauxite mineralisation within this zone is typically 2 – 5 metre thick with grades ranges of 27 – 35% Available $Al_2O_3$.

Better results from Martin Road drilling are tabulated below.

| Hole ID | MGA N (Zone 50) | MGA E (Zone 50) | Depth (m) | Intersections | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | From (m) | To (m) | Interval (m) | Avail. $Al_2O_3$% | Re. $SiO_2$% | Total $Al_2O_3$% | Total $SiO_2$% | $Fe_2O_3$ % | LOI % |
| **Mornington Ridge – Martin Road** | | | | | | | | | | | | |
| MR062 | 6328725 | 401666 | 5 | 1 | 5 | 4 | 45.9 | 1.4 | | | | |
| MR105 | 6329300 | 399200 | 5 | 1 | 5 | 4 | 36.9 | 3.3 | 44.7 | 17.8 | 12.3 | 23 |
| MR107 | 6329319 | 399392 | 7 | 3 | 7 | 4 | 32.4 | 3.7 | 38.9 | 22.9 | 15.6 | 20. |
| MR109 | 6329400 | 399400 | 6 | 1 | 4 | 3 | 36 | 2.5 | 43.1 | 15.8 | 16.6 | 23 |
| MR115 | 6329500 | 399100 | 7 | 2 | 4 | 2 | 33.5 | 1.9 | 43 | 12.5 | 23.4 | 19. |
| MR118 | 6329500 | 399400 | 5 | 1 | 4 | 3 | 34.5 | 4 | 39.4 | 29.8 | 8.1 | 21. |
| MR120 | 6329600 | 399300 | 7 | 1 | 7 | 6 | 33.3 | 2.6 | 42.4 | 24.7 | 8.9 | 22. |
| MR127 | 6329700 | 399200 | 5 | 0 | 5 | 5 | 30.6 | 2.9 | 40.7 | 20.7 | 18.7 | 18. |
| MR128 | 6329700 | 399300 | 5 | 1 | 5 | 4 | 32.1 | 3.5 | 40.4 | 28.4 | 8.1 | 21. |
| MR140 | 6329900 | 399400 | 5 | 1 | 4 | 3 | 35.7 | 4.1 | 42.4 | 25.5 | 7.8 | 22. |
| MR143 | 6330000 | 399100 | 5 | 1 | 5 | 4 | 34.6 | 3.6 | 44.5 | 19.7 | 13.2 | 21 |

*Available $Al_2O_3$ and Reactive $SiO_2$ analysed by bomb digest at 143°C / ICP05 by SGS. Total $Al_2O_3$, $SiO_2$ and $Fe_2O_3$ analysed by XRF at SGS. Intersections calculated using a lower cutoff of 27.5% Available $Al_2O_3$, minimum width of 1.5m and maximum of 0.5m internal waste.*

***Site visit by Yankuang delegation, June 2009***

## East Darling Range

## 12 ELs Covering Approximately 3,300km$^2$

The East Darling Range project encompasses areas that lie to the east of the Alcoa and BHP Alumina State Agreement mineral leases east of Perth. This project covers large areas of broad-acre privately owned farmland in the vicinity of the Northam - Albany railway line providing access to the Albany Port.

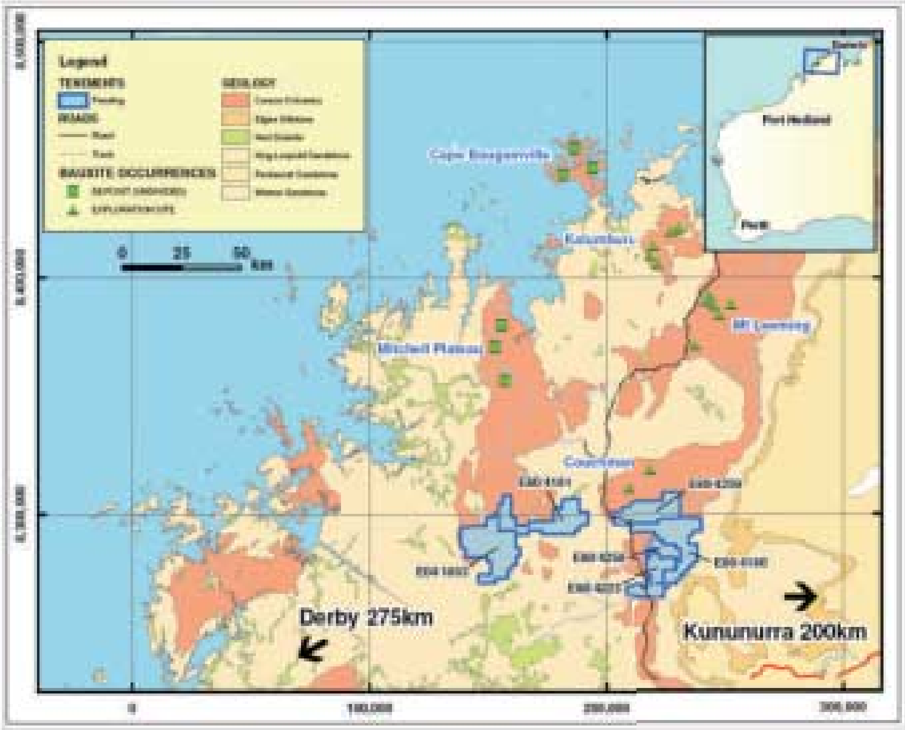
The project area contains significant bauxite mineralisation identified by BHP in the 1960s and 1970s. BHP conducted exploration programs over the project area consisting of geological mapping, surface sampling and reconnaissance drilling. Reconnaissance exploration conducted by BRL confirms that remnant laterite occurs over much of the project area where historic drilling intersected substantial thicknesses of bauxitic laterite. Better intersections from historic drilling in the Williams region include 7.9m at 32.7% Available $Al_2O_3$ and 7.3m at 36.1% Available $Al_2O_3$.

Future work will focus on surface mapping and sampling of targets followed by reconnaissance drilling subject to procurement of necessary regulatory approvals.

## Kimberley Project
## 6 ELs covering approximately 1,600km²

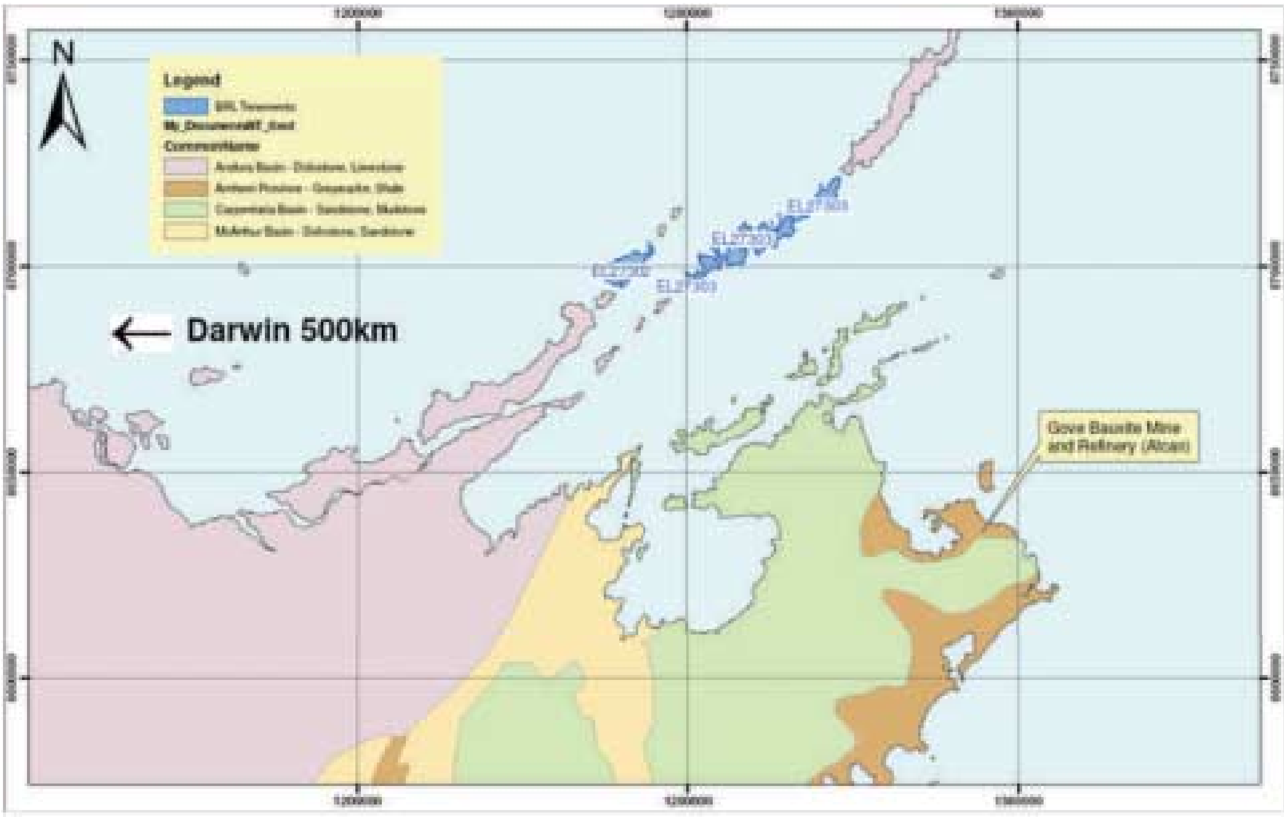
During 2009 financial year BRL acquired two new applications totalling 101 blocks (341 square kilometres) over laterite outcrops consolidating BRL's Kimberley project.

These tenements are for the Company's longer term staged business development. The present strategy is to focus on the Darling Range Project in the short term for establishment of a DSO operation, while securing tenure over highly prospective targets in the Kimberley.




## Northern Territory Project - 2 ELs covering approximately 390km²

BRL acquired two new applications totalling 122 blocks (393 square kilometres) over bauxitic laterite outcrops in the Northern Territory. These tenements are for the Company's longer term staged business development. The present strategy is to focus on the Darling Range Project in the short term for establishment of a DSO operation, while securing tenure over highly prospective targets elsewhere.




*COMPETENT PERSONS STATEMENT: In accordance with the Australian Stock Exchange requirements, the technical information contained in this report has been reviewed by Mr. Neil Lithgow, a director of the Company. The information in the report to which this statement is attached that relates to Mineralisation is based on information reviewed by Mr. Lithgow, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr. Lithgow 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 2004 JORC Code Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves." Mr. Lithgow consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.*

## THE BAUXITE RESOURCES TEAM

The Company has a small, dynamic and highly experienced team of fulltime staff, headed by Managing Director Mr Daniel Tenardi.

***Bauxite Resources Ltd board of Directors from left, Neil Lithgow, Non-Executive Director, David McSweeney, Non-Executive Director, Dan Tenardi, Managing Director, Rob Nash, Non-Executive Director, Luke Atkins, Chairman and Paul Fromson, Company Secretary. Absent Mr Meng Xiangsan, Non-Executive Director.***


***Bauxite Resources team from left; Kevin Woodthorpe, Infrastructure Manager; Helen Trlin, Administration and Communications; Ben Zeigelaar, Technical Marketing & Quality Control; Angela Jeffries, Technical Marketing and HR; Peter Bleakley, Exploration Manager; Paul Fromson, CFO; Debby Mason, Accounts; Shane Larmont, Operations Manager; Gemma Lee, Exploration Geologist; Chester Chen, Marketing & Logistics Manager; Lia Hsieh, Reception; Keith Gavan, HS&E; Peter Senini, Geological and Technical Advisor. Absent Brad Farmer, Public Affairs; Richard Russell, Consultant Geologist and Richard Millington, Exploration Geologist.***

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# BAUXITE RESOURCES LIMITED

ABN 72 119 699 982

# Annual Financial Report

## for the year ended 30 June 2009

# Corporate Information

### ABN 72 119 699 982

### Directors

Luke Atkins (Executive Chairman)
Daniel Tenardi (Managing Director)
Neil Lithgow (Non Executive Director)
Robert Nash (Non Executive Director)
David McSweeney (Non Executive Director)
Meng Xiangsan (Non Executive Director)

### Company Secretary

Paul Fromson

### Registered Office

Suite 3 Ground Floor,
159 Adelaide Terrace
EAST PERTH WA 6004
Telephone: +61 8 9221 5019
Facsimile: +61 8 9221 4385

### Solicitors

Steinepreis Paganin
Level 4, Next Building
16 Milligan Street
PERTH WA 6000

### Bankers

Australia and New Zealand Banking Group Limited
Shop 9, Ellenbrook Shopping Centre
Cnr Pinaster Parade & The Promenade
ELLENBROOK WA 6069

### Share Register

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153
Telephone: (08) 9315 2333
Facsimile: (08) 9315 2233

### Auditors

Moore Stephens
Level 3, 12 St George's Terrace
PERTH WA 6000

### Internet Address

www.bauxiteresources.com.au

### Securities Exchange Listing

Bauxite Resources Limited shares (ASX code:BAU) are listed on the Australian Securities Exchange.

# Contents

# 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 year ended 30 June 2009.

## DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Where applicable, all current and former directorships held in listed public companies over the last three years have been detailed below. Directors were in office for this entire period unless otherwise stated.

### Names, qualifications, experience and special responsibilities

**Luke Atkins**, LLB (Executive Chairman)

Mr Atkins is a lawyer by profession and was previously the principal of Atkins and Co Lawyers, a Perth based legal firm which he owned and managed for seven years. Mr Atkins brings to the Company extensive experience in capital raising and public listed companies.

Mr Atkins is currently a director of a number of public and private companies with involvement in the areas of mineral exploration, investment property development and manufacturing. Mr Atkins was a former director of Reclaim Industries Limited in the last 3 years

**Daniel Tenardi**, (Managing Director, appointed 8 September 2008)

Mr Tenardi comes from CITIC Pacific Mining Management (CITIC) where he held the position of Chief Operating Officer and prior to that General Manager Operations on its Sino Iron Project. These positions have helped CITIC on their way to developing the largest Magnetite iron ore mine in Australia.

Mr Tenardi has extensive experience in mining in a range of resources that includes iron, gold, copper and bauxite. He has had 15 years experience working with Alcoa of Australia, 13 years in mining bauxite at their Jarrahdale site and a further two years at their Kwinana alumina refinery.

In recent years Mr Tenardi has worked at executive level with Rio Tinto where, as General Manager he frequently acted as Managing Director (MD) of Robe River Iron Associates and on occasions as MD of Pilbara Iron. He was also appointed as a Director of Robe River in the latter years of his employment with Rio Tinto.

At the end of 2006, Mr Tenardi left Rio Tinto to join CITIC as General Manager of Operations. In this role he managed the sourcing of mobile equipment and the commencement of mining operations in December 2007. He also played a major part in securing Native Title Agreements with the three Native Title Claimants for the country on which the Project is situated. In March this year, he was promoted to the role of Chief Operating Officer, taking up a strategic accountability for the Project and other projects on a global basis.

Mr Tenardi has not held any former listed company directorships in the last 3 years.

**Neil Lithgow,** MSc, FFin, MAusIMM (Non Executive Director)

Mr Lithgow is a geologist by profession with over 20 years experience in mineral exploration, economics and mining feasibility studies covering base metals, coal, iron ore and gold. Mr Lithgow has previously worked for Aquila Resources Limited, Eagle Mining Corporation and De Grey Mining Limited, and is presently self employed in the mineral exploration industry. He is a member of the Australian Institute of Mining and Metallurgy and the Financial Services Institute of Australia.

Mr Lithgow has not held any former listed company directorships in the last 3 years.

**Robert Nash,** B Juris LLB, Public Notary (Non Executive Director)

Mr Nash is a lawyer by profession and currently practises as a barrister. He was a council member of the Law Society of Western Australia for 7 years, a Convenor of the Law Society Education Committee and a member of the Ethics and Professional Conduct Committees. Mr Nash has been a local government councillor and is a member of the Western Australian Navy Legal Panel. Mr Nash has been a director of a number of companies involved in the areas of property development and intellectual property.

Mr Nash has not held any former listed company directorships in the last 3 years.

**David McSweeney,** LLB MAusIMM (Non Executive Director)

Mr McSweeney holds a Bachelor of Law Degree and is a member of the Institute of Company Directors. He has over 20 years experience in the resource sector ranging from exploration to project management, project finance, commercial and legal structuring and corporate development. A founder of Gindalbie Metals, Mr McSweeney was the Managing Director from 1998 to December 2006 and oversaw the discovery and commissioning of two successful gold production centres.

Mr McSweeney is currently executive chairman of Avalon Minerals Limited, and has been a former director of Dynasty Metals Limited and Gindalbie Metals Limited within the last 3 years.

**Meng Xiangsan** (appointed 7 August 2009)

Meng Xiangsan has a Bachelor of Engineering from the China University of Geology and is currently the General Manager of No 1 Geo-Minerals Exploration Institute of Shandong Province, the entity which through an affiliated company recently took a placement of 19,700,000 shares in BRL. Mr Meng has held a number of senior executive positions and has extensive experience in administration and geology.

## COMPANY SECRETARY

**Paul Fromson**, BCom, CPA, DipCM, ACIS, (appointed 18 December 2008)

Paul Fromson is a finance professional with over 15 years experience in accounting and company administration for ASX Listed Companies involved in mining and exploration. He graduated from University of Western Australia with a Bachelor of Commerce and is a member of both the Certified Practising Accountants of Australia and the Institute of Chartered Secretaries and Administrators. Mr Fromson is also a licensed Tax Agent and a licensed Finance Broker having previously run businesses in both these areas. Mr Fromson has previous experience in the aluminium industry having worked for a part owner of the Worsley Alumina Refinery and Boddington Gold Mine in Western Australia and the Boyne Aluminium Smelter in Queensland.

## Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Bauxite Resources Limited were:

| | Ordinary Shares | Options over Ordinary Shares |
|---|---|---|
| Luke Atkins | 17,041,667 | 3,000,000 |
| Daniel Tenardi | 1,000,000 | 2,000,000 |
| Neil Lithgow | 19,366,666 | 3,000,000 |
| Robert Nash | 204,900 | 1,000,000 |
| David McSweeney | 627,500 | 6,000,000 |
| Meng Xiangsan | - | - |

## PRINCIPAL ACTIVITIES

During the year the Company carried out exploration on its tenements and applied for or acquired additional tenements with the objective of identifying economic bauxite deposits.

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

## DIVIDENDS

No dividends were paid or declared during the financial year. No recommendation for payment of dividends has been made.

## REVIEW OF OPERATIONS

### Finance Review

The Group began the financial year with a cash reserve of $7,641,339. Bauxite Resources Limited raised $9.85 million through the issue of 19.7 million ordinary shares at 50 cents each via a private placement. During the year 23,457,158 listed options were exercised at 20 cents each raising a further $4,691,432. The balance of the ASX listed options expired on 31 January 2009. Staff exercised 255,000 unlisted options at 30 cents each raising a further $76,500.

The Company allotted and issued unlisted options to a director and staff as follows.

| Recipient | Date options issued | Expiry date | Exercise price (cents) | Number of options |
|---|---|---|---|---|
| Managing Director | 19 December 2008 | 30 November 2013 | 35 | 666,668 |
| Managing Director | 19 December 2008 | 30 November 2013 | 45 | 666,666 |
| Managing Director | 19 December 2008 | 30 November 2013 | 55 | 666,666 |
| Staff | 19 March 2009 | 30 June 2012 | 25 | 525,000 |
| Staff | 19 March 2009 | 30 June 2012 | 35 | 350,000 |
| Staff | 19 March 2009 | 30 June 2012 | 30 | 2,870,000 |
| Staff | 1 May 2009 | 30 June 2012 | 30 | 600,000 |
| Staff | 29 May 2009 | 30 June 2012 | 35 | 450,000 |

On 31 January 2009 the remaining ASX listed options that hadn't been exercised by the due date expired.

The Group has recorded an operating loss after income tax for the year ended 30 June 2009 of $5,145,954 (2008: $770,254 loss).

At 30 June 2009 surplus funds available totalled $16,502,907.

### Operating Results for the Year

Summarised operating results are as follows:

| | 2009 | |
|---|---|---|
| | Revenues | Results |
| | $ | $ |
| Consolidated entity revenues and loss from ordinary activities before income tax expense | 442,619 | (5,145,954) |

### Shareholder Returns

| | 2009 | 2008 |
|---|---|---|
| Basic earnings per share (cents) | (4.4) | (0.8) |

### Risk Management

The board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the board.

The Company believes that it is crucial for all board members to be a part of this process, and as such the board has not established a separate risk management committee.

The board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders needs and manage business risk.
- Implementation of board approved operating plans and budgets and board monitoring of progress against these budgets.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Group during the financial year were as follows:

- A private placement of 19.7 million shares at $0.50 was completed on 26 June 2009.
- A total of 23,457,158 listed options exercisable at 20 cents each were exercised during the year raising a total of $4,691,432. The balance of the ASX Listed options expired on 31 January 2009.
- A total of 2,000,000 unlisted executive incentive options were issued to the Managing Director.
- A total of 5,100,000 unlisted incentive options were issued to staff.
- The Company changed its policy during the year on the treatment of tenement acquisition and exploration expenditure and now writes off all these costs as they are incurred.

## SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances, besides those disclosed at note 23, have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group is investigating the economics of developing an Alumina Refinery in South Western Australia and is in discussions with potential joint venture partners. The group has commenced work on a Bankable Feasibility Study (BFS) as part of the process of investigating the economics of a refinery and this BFS is a significant undertaking. Other than this the Group expects to maintain the present status and level of operations and there are no other likely developments in the Group's operations.

## ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is subject to significant environmental regulation in respect to its exploration activities.
The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Group are not aware of any breach of environmental legislation for the year under review.

## REMUNERATION REPORT

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements
D Share-based compensation
E Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

## A Principles used to determine the nature and amount of remuneration

***Remuneration Policy***

The remuneration policy of Bauxite Resources Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's financial results. The board of Bauxite Resources Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Group.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Group is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The board reviews executive packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract and retain the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently $250,000). Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

***Performance based remuneration***

The Managing Director has a milestone performance payment of $750,000 on the loading of the first shipload of bauxite within 3 years of commencement of service. It is anticipated that this performance payment will occur in the next 6 months.

***Company performance, shareholder wealth and directors' and executives' remuneration***

No relationship exists between shareholder wealth, director and executive remuneration and Company performance.
The table below shows the gross revenue, losses and earnings per share for the current and prior year.

| | 2009<br>$ | 2008<br>$ |
|---|---|---|
| Revenue | 442,619 | 427,393 |
| Net profit/(loss) | (5,145,954) | (770,254) |
| Earnings per share (cents) | (4.4) | (0.8) |

## B Details of remuneration

Details of the remuneration of the directors, the key management personnel of the Group (as defined in AASB 124 *Related Party Disclosures*) and specified executives of Bauxite Resources Limited and the Bauxite Resources Group are set out in the following table.

The key management personnel of Bauxite Resources Limited and the Group include the directors and company secretary as per pages 3 and 4 above. The Managing Director and the Executive Chairman have full authority and responsibility for planning, directing and controlling the activities of the Group. Given the size and nature of operations of Bauxite Resources Limited and the Group, there are no other employees who are required to have their remuneration disclosed in accordance with the *Corporations Act 2001*.

## B Details of remuneration (continued)

***Key management personnel and other executives of Bauxite Resources Limited and the Group***

| | Short-Term | | Post Employment | | Share-based Payments | Total |
|---|---|---|---|---|---|---|
| | Salary & Fees | Non Monetary | Superannuation | Retirement benefits | Options | |
| | $ | $ | $ | $ | $ | $ |
| **Directors** | | | | | | |
| Luke Atkins | | | | | | |
| 2009 | **291,123** | **-** | **-** | **-** | **-** | **291,123** |
| 2008 | 206,308 | 2,798 | - | - | - | 209,106 |
| Neil Lithgow | | | | | | |
| 2009 | **30,000** | **-** | **2,700** | **-** | **-** | **32,700** |
| 2008 | 20,870 | 2,798 | 1,878 | - | - | 25,546 |
| Robert Nash | | | | | | |
| 2009 | **12,500** | **-** | **20,200** | **-** | **-** | **32,700** |
| 2008 | 34,000 | 2,798 | 2,812 | - | - | 39,610 |
| David McSweeney | | | | | | |
| 2009 | **30,000** | **-** | **2,700** | **-** | **267,200** | **299,900** |
| 2008 | 18,333 | 1,631 | 1,650 | - | 469,133 | 490,747 |
| Dan Tenardi (appointed 8 September 2008) | | | | | | |
| 2009 | **264,995** | **-** | **23,850** | **-** | **40,553** | **329,398** |
| 2008 | - | - | - | - | - | - |
| **Staff & Consultants** | | | | | | |
| Graeme Smith (resigned 18 December 2008) | | | | | | |
| 2009 | **43,694** | **-** | **-** | **-** | **-** | **43,694** |
| 2008 | 64,698 | - | - | - | - | 64,698 |
| Paul Fromson (appointed 18 December 2008) | | | | | | |
| 2009 | **71,992** | **-** | **-** | **-** | **8,633** | **80,625** |
| 2008 | - | - | - | - | - | - |
| **Total key management personnel compensation** | | | | | | |
| 2009 | **744,304** | **-** | **49,450** | **-** | **316,386** | **1,110,140** |
| 2008 | 344,209 | 10,025 | 6,340 | - | 469,133 | 829,707 |

## C Service agreements

The details of service agreements of the key management personnel of Bauxite Resources Limited and the Group are as follows:

Luke Atkins, Executive Chairman:

- Term of agreement – 2 years commencing 22 October 2007.
- Annual consultancy fee of $286,000 to be paid to Executive Mining Personnel Pty Ltd, a company controlled by Mr Atkins.
- Payment of termination benefit on early termination by the Company of up to six months remuneration, depending on the circumstances. The Consultant may terminate the agreement early by giving 2 month's written notice.

Daniel Tenardi

- Term of agreement – 3 years commencing 8 September 2008.
- Annual salary package of $350,000.
- One off performance milestone payment of $750,000 due on first shipment of bauxite.

## D Share-based compensation

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of directors and executives of Bauxite Resources Limited to increase goal congruence between executives, directors and shareholders. The Company does not have a formal policy in relation to the key management personnel limiting their exposure to risk in relation to the securities, but the Board actively discourages key personnel management from obtaining mortgages in securities held in the Company. The following options were granted to or vesting with key management personnel during the year:

## D Share-based compensation (continued)

| | Grant Date | Granted Number | Vested Number | Date vesting or vested and exercisable | Expiry Date | Exercise Price (cents) | Value per option at grant date (cents) | Exercised Number | % of Remuneration |
|---|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | | |
| Daniel Tenardi | 19/12/2008 | 2,000,000 | - | One third each year on anniversary of grant | 30/11/2013 | 35-55 | 2.0 | Nil | 12.3% |
| David McSweeney | 18/01/2008 | 2,000,000 | 2,000,000 | 18/01/2008 | 15/05/2012 | 25 | 17.9 | Nil | 72.9% |
| David McSweeney | 18/01/2008 | 4,000,000 | - | 06/02/2010 | 15/05/2012 | 40 | 13.4 | Nil | 22.7% |
| **Staff & Consultants** | | | | | | | | | |
| Paul Fromson | 19/03/2009 | 100,000 | 100,000 | 19/03/2009 | 30/06/2012 | 30 | 2.9 | Nil | 10.7% |

There were no ordinary shares issued upon exercise of remuneration options to directors or other key management personnel of Bauxite Resources Limited during the year.

## E Additional information

***Performance income as a proportion of total compensation***

No performance based bonuses have been paid to key management personnel during the financial year.

## DIRECTORS' MEETINGS

During the year the Company held 3 meetings of directors. The attendance of directors at meetings of the board were:

| | Directors Meetings | |
|---|---|---|
| | A | B |
| Luke Atkins | 3 | 3 |
| Dan Tenardi | 3 | 3 |
| Neil Lithgow | 3 | 3 |
| Robert Nash | 3 | 3 |
| David McSweeney | 3 | 3 |
| Meng Xiangsan (appointed 7/8/2009) | N/A | N/A |

**Notes**
A – Number of meetings attended.
B – Number of meetings held during the time the director held office during the year.

## SHARES UNDER OPTION

At the date of this report there are 21,795,000 unissued ordinary shares in respect of which options are outstanding.

| | Number of options |
|---|---|
| Balance at the beginning of the year | 68,530,180 |
| **Movements of share options during the year** | |
| Issued, exercisable at 35 cents, on or before 30 November 2013 | 666,668 |
| Issued, exercisable at 45 cents, on or before 30 November 2013 | 666,666 |
| Issued, exercisable at 55 cents, on or before 30 November 2013 | 666,666 |
| Issued, exercisable at 25 cents, on or before 30 June 2012 | 525,000 |
| Issued, exercisable at 35 cents, on or before 30 June 2012 | 800,000 |
| Issued, exercisable at 30 cents, on or before 30 June 2012 | 3,775,000 |
| Exercised at 20 cents (expiry date 31 January 2009) | (23,457,158) |
| Expired – exercisable at 20 cents | (29,973,022) |
| Exercised at 30 cents (expiry 30 June 2012) | (255,000) |
| Forfeited at 30 cents (expiry 30 June 2012) | (50,000) |
| Forfeited at 50 cents expiring 31 May 2012 | (100,000) |
| **Total number of options outstanding as at 30 June 2009 and the date of this report** | **21,795,000** |

## SHARES UNDER OPTION (continued)

The balance is comprised of the following:

| Date options issued | Expiry date | Exercise price (cents) | Number of options |
|---|---|---|---|
| 19 December 2008 | 30 November 2013 | 35 | 666,668 |
| 19 December 2008 | 30 November 2013 | 45 | 666,666 |
| 19 December 2008 | 30 November 2013 | 55 | 666,666 |
| 10 May 2007 | 31 May 2012 | 20 | 9,000,000 |
| 6 Feb 2008 | 15 May 2012 | 25 | 2,000,000 |
| 6 Feb 2008 | 15 May 2012 | 40 | 4,000,000 |
| 19 March 2009 | 30 June 2012 | 25 | 525,000 |
| 19 March 2009 | 30 June 2012 | 35 | 350,000 |
| 19 March 2009 | 30 June 2012 | 30 | 2,870,000 |
| 1 May 2009 | 30 June 2012 | 30 | 600,000 |
| 29 May 2009 | 30 June 2012 | 35 | 450,000 |
| **Total number of options outstanding at the date of this report** | | | **21,795,000** |

No person entitled to exercise any option referred to above has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

## INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, the Company has paid premiums insuring all the directors of Bauxite Resources Limited against costs incurred in defending proceedings for conduct involving:

(a) a wilful breach of duty; or

(b) a contravention of sections 182 or 183 of the *Corporations Act 2001*,

as permitted by section 199B of the *Corporations Act 2001*.

The total amount of insurance contract premiums paid is $11,577.

## NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Moore Stephens or associated entities. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:
All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor;
None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.
Moore Stephens received or are due to receive the following amounts for the provision of non-audit services:

| | 2009<br>$ | 2008<br>$ |
|---|---|---|
| Investigating Accountants Report | Nil | 8,000 |
| Taxation services | 2,158 | Nil |

## 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 10.

Signed in accordance with a resolution of the directors.

Luke Atkins
Executive Chairman

Perth, 25 September 2009

MOORE STEPHENS

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF BAUXITE RESOURCES LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2009, there have been:

(a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

Neil Pace

**NEIL PACE**
**PARTNER**

Moore Stephens

**MOORE STEPHENS**
**CHARTERED ACCOUNTANTS**

Signed at Perth this 25th day of September 2009.



Moore Stephens ABN 75 368 525 284
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Telephone: +61 8 9225 5355 Facsimile: +61 8 9225 6181
Email: perth@moorestephens.com.au Web: www.moorestephens.com.au

# Corporate Governance Statement

***The Board of Directors***

The Company's constitution provides that the number of directors shall not be less than three and not more than nine. There is no requirement for any share holding qualification.

As and if the Company's activities increase in size, nature and scope the size of the board will be reviewed periodically, and as circumstances demand. The optimum number of directors required to supervise adequately the Company's constitution will be determined within the limitations imposed by the constitution.

The membership of the board, its activities and composition, is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the board shall include quality of the individual, background of experience and achievement, compatibility with other board members, credibility within the Company's scope of activities, intellectual ability to contribute to board's duties and physical ability to undertake board's duties and responsibilities.

Directors are initially appointed by the full board subject to election by shareholders at the next general meeting. Under the Company's constitution the tenure of a director (other than managing director, and only one managing director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his or her last appointment. Subject to the requirements of the Corporations Act 2001, the board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A managing director may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, may revoke any appointment.

The board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees at this time. The board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards.

***Role of the Board***

The board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the board is responsible for oversight of management and the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

***Appointments to Other Boards***

Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other boards.

***Independent Professional Advice***

The board has determined that individual directors have the right in connection with their duties and responsibilities as directors, to seek independent professional advice at the Company's expense. With the exception of expenses for legal advice in relation to director's rights and duties, the engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably.

***Continuous Review of Corporate Governance***

Directors consider, on an ongoing basis, how management information is presented to them and whether such information is sufficient to enable them to discharge their duties as directors of the Company. Such information must be sufficient to enable the directors to determine appropriate operating and financial strategies from time to time in light of changing circumstances and economic conditions. The directors recognise that mineral exploration is an inherently risky business and that operational strategies adopted should, notwithstanding, be directed towards improving or maintaining the net worth of the Company.

***ASX Principles of Good Corporate Governance***

The board has reviewed its current practices in light of the Second Edition ASX Corporate Governance Principles and Recommendations with a view to making amendments where applicable after considering the company's size and the resources it has available.

As the company's activities develop in size, nature and scope, the size of the board and the implementation of any additional formal corporate governance committees will be given further consideration.

The board has adopted early the revised Recommendations and the following table sets out the company's present position in relation to each of the revised Principles.

# Corporate Governance Statement continued

| | ASX Principle | Status | Reference/comment |
|---|---|---|---|
| **Principle 1:** | **Lay solid foundations for management and oversight** | | |
| 1.1 | Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions | **A** | Matters reserved for the Board are included on the Company's website. |
| 1.2 | Companies should disclose the process for evaluating the performance of senior executives | **A** | The remuneration of executive and non-executive directors is reviewed by the board with the exclusion of the Director concerned. The remuneration of management and employees is reviewed by the Board and approved by the Chairman.<br><br>Acting in its ordinary capacity, the Board from time to time carries out the process of considering and determining performance issues including the identification of matters that may have a material effect on the price of company securities. Whenever relevant, any such matters are reported to ASX |
| 1.3 | Companies should provide the information indicated in the Guide to reporting on Principle 1 | **A** | |
| **Principle 2:** | **Structure the board to add value** | | |
| 2.1 | A majority of the board should be independent directors | **A** | |
| 2.2 | The chair should be an independent director | **N/A** | The Chairman was previously the CEO and for a period of three years will be classified as non-independent. |
| 2.3 | The roles of chair and chief executive officer should not be exercised by the same individual | **A** | |
| 2.4 | The board should establish a nomination committee | **N/A** | The nomination committee shall comprise of the full Board. Acting in its ordinary capacity from time to time as required the Board carries out the process of determining the need for screening and appointing new directors. In view of the size and resources available to the Company, it is not considered that a separate nomination committee would add any substance to the process. |
| 2.5 | Companies should disclose the process for evaluating the performance of the board, its committees and individual directors | **A** | The remuneration of executive and non executive directors is reviewed by the Board with the exception of the director concerned. |
| 2.6 | Companies should provide the information indicated in the Guide to reporting on Principle 2 | **A (in part)** | The skills and experience of Directors are set out in the Company's Annual Report and on its website. |
| **Principle 3:** | **Promote ethical and responsible decision-making** | | |
| 3.1 | Companies should establish a code of conduct and disclose the code or a summary of the code as to:<br>• the practices necessary to maintain confidence in the company's integrity<br>• the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders<br>• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices | **A** | The company has formulated a Code of Conduct which can be viewed on the company's website under Corporate Governance Policies. |

*A = Adopted*
*N/A = Not adopted*

# Corporate Governance Statement continued

| | ASX Principle | Status | Reference/comment |
|---|---|---|---|
| 3.2 | Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy | **A** | The company has formulated a Securities Trading Policy, which can be viewed on its website. |
| 3.3 | Companies should provide the information indicated in the Guide to reporting on Principle 3 | **A** | |
| **Principle 4:** | **Safeguard integrity in financial reporting** | | |
| 4.1 | The board should establish an audit committee | **A** | The Company has established an audit committee which comprises only non-executive directors. The charter for this committee is disclosed on the Company's website. |
| 4.2 | The audit committee should be structured so that it: | | |
| | • consists only of non-executive directors | **A** | |
| | • consists of a majority of independent directors | **A** | |
| | • is chaired by an independent chair, who is not chair of the board | **A** | |
| | • has at least three members | **A** | |
| 4.3 | The audit committee should have a formal charter | **A** | |
| 4.4 | Companies should provide the information indicated in the Guide to reporting on Principle 4 | **A** | |
| **Principle 5:** | **Make timely and balanced disclosure** | | |
| 5.1 | Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies | **A** | The company has formulated a Continuous Disclosure Policy, which can be viewed on its website. |
| 5.2 | Companies should provide the information indicated in the Guide to reporting on Principle 5 | **A** | |
| **Principle 6:** | **Respect the rights of shareholders** | | |
| 6.1 | Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy | **A** | The Company has formulated a Shareholders Communication Policy which can be viewed on the Company website. |
| 6.2 | Companies should provide the information indicated in the Guide to reporting on Principle 6 | **A** | |

*A = Adopted*
*N/A = Not adopted*

# Corporate Governance Statement continued

| | ASX Principle | Status | Reference/comment |
|---|---|---|---|
| **Principle 7:** | **Recognise and manage risk** | | |
| 7.1 | Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies | **A** | The Company has formulated a Risk Management and Internal Compliance & control Policy which can be viewed on its website. |
| 7.2 | The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks | **A** | |
| 7.3 | The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks | **A** | The Board has received the required assurance and declaration. |
| 7.4 | Companies should provide the information indicated in the Guide to reporting on Principle 7 | **A** | |
| **Principle 8:** | **Remunerate fairly and responsibly** | | |
| 8.1 | The board should establish a remuneration committee | **A** | The Company has established a Remuneration Committee Charter which can be viewed on its website. |
| 8.2 | Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives | **A** | |
| 8.3 | Companies should provide the information indicated in the Guide to reporting on Principle 8 | **A** | Refer to the Remuneration Report in the Company's Annual Report. |

*A = Adopted*
*N/A = Not adopted*

# Income Statements

| YEAR ENDED 30 JUNE 2009 | Notes | Consolidated | | Parent Entity | |
|---|---|---|---|---|---|
| | | 2009 | 2008 | 2009 | 2008 |
| | | $ | $ | $ | $ |
| **REVENUE FROM CONTINUING OPERATIONS** | 4 | **442,619** | 427,392 | **442,619** | 427,392 |
| **EXPENDITURE** | | | | | |
| Depreciation and amortisation expense | | **(73,665)** | (14,643) | **(71,254)** | (14,643) |
| Salaries and employee benefits expense | | **(880,873)** | (315,161) | **(880,873)** | (315,161) |
| Administration expenses | | **(1,860,877)** | (396,681) | **(1,849,391)** | (396,680) |
| Exploration written off | | **(2,267,903)** | - | **(1,779,551)** | - |
| Share-based payments expense | 26 | **(506,845)** | (469,571) | **(506,845)** | (469,571) |
| **PROFIT/(LOSS) BEFORE INCOME TAX** | | **(5,147,544)** | (768,664) | **(4,645,295)** | (768,663) |
| **INCOME TAX BENEFIT / (EXPENSE)** | 6 | **1,590** | (1,590) | **1,590** | (1,590) |
| **NET PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF BAUXITE RESOURCES LIMITED** | | **(5,145,954)** | (770,254) | **(4,643,705)** | (770,253) |
| Basic and diluted earnings per share for profit or loss attributable to the ordinary equity holders of the Company (cents per share) | 25 | **(4.4)** | (0.8) | | |

The above Income Statements should be read in conjunction with the Notes to the Financial Statements.

# Balance Sheets

## AT 30 JUNE 2009

| | Notes | Consolidated 2009 $ | Consolidated 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|---|
| **CURRENT ASSETS** | | | | | |
| Cash and cash equivalents | 7 | **16,502,907** | 7,641,339 | **16,502,907** | 7,641,339 |
| Trade and other receivables | 8 | **263,902** | 44,676 | **259,228** | 44,676 |
| **TOTAL CURRENT ASSETS** | | **16,766,809** | 7,686,015 | **16,762,135** | 7,686,015 |
| **NON-CURRENT ASSETS** | | | | | |
| Other financial assets | 9 | **110,510** | 72,110 | **2,537,444** | 121,098 |
| Property, Plant and equipment | 10 | **2,233,787** | 141,517 | **316,457** | 141,517 |
| Tenement acquisition and exploration | 11 | **-** | 612,292 | **-** | 563,305 |
| Intangible assets | 12 | **3,561** | 1,174 | **881** | 1,174 |
| **TOTAL NON-CURRENT ASSETS** | | **2,347,858** | 827,093 | **2,854,782** | 827,094 |
| **TOTAL ASSETS** | | **19,114,667** | 8,513,108 | **19,616,917** | 8,513,109 |
| **CURRENT LIABILITIES** | | | | | |
| Trade and other payables | 13(a) | **917,923** | 119,334 | **917,923** | 119,334 |
| Provisions | 13(b) | **48,181** | - | **48,181** | - |
| **TOTAL CURRENTLIABILITIES** | | **966,104** | 119,334 | **966,104** | 119,334 |
| **TOTAL LIABILITIES** | | **966,104** | 119,334 | **966,104** | 119,334 |
| **NET ASSETS** | | **18,148,563** | 8,393,774 | **18,650,813** | 8,393,775 |
| **EQUITY** | | | | | |
| Contributed equity | 14 | **23,083,054** | 8,689,156 | **23,083,054** | 8,689,156 |
| Reserves | 15(a) | **976,416** | 469,571 | **976,416** | 469,571 |
| Retained earnings / (accumulated losses) | 15(b) | **(5,910,907)** | (764,953) | **(5,408,657)** | (764,952) |
| **TOTAL EQUITY** | | **18,148,563** | 8,393,774 | **18,650,813** | 8,393,775 |

The above Balance Sheets should be read in conjunction with the Notes to the Financial Statements.

# Statements of Changes in Equity

| YEAR ENDED 30 JUNE 2009 | Notes | Consolidated 2009 $ | Consolidated 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|---|
| **TOTAL EQUITY AT THE BEGINNING OF THE FINANCIAL YEAR** | | **8,393,774** | 1,276,867 | **8,393,775** | 1,276,867 |
| **PROFIT/(LOSS) FOR THE YEAR** | | **(5,145,954)** | (770,254) | **(4,643,705)** | (770,253) |
| **TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF BAUXITE RESOURCES LIMITED** | | **(5,145,954)** | (770,254) | **(4,643,705)** | (770,253) |
| Transactions with equity holders in their capacity as equity holders: | | | | | |
| Shares issued during the year | 14 | **14,617,932** | 8,116,287 | **14,617,932** | 8,116,287 |
| Transaction costs | 14 | **(224,033)** | (698,697) | **(224,033)** | (698,697) |
| Employee share options | 15 | **506,845** | 469,571 | **506,845** | 469,571 |
| | | **14,900,744** | 7,887,161 | **14,900,744** | 7,887,161 |
| **TOTAL EQUITY AT THE END OF THE FINANCIAL YEAR** | | **18,148,564** | 8,393,774 | **18,650,814** | 8,393,775 |

The above Statements of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.

# Cash Flow Statements

| YEAR ENDED 30 JUNE 2009 | Notes | Consolidated 2009 $ | Consolidated 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Payments to suppliers and employees | | **(2,071,657)** | (723,364) | **(2,055,497)** | (723,363) |
| Interest received | | **401,660** | 427,392 | **401,660** | 427,392 |
| NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES | 24 | **(1,669,997)** | (295,972) | **(1,653,837)** | (295,971) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Payment of security deposit | | **(38,400)** | (72,110) | **(38,400)** | (72,110) |
| Incorporation costs of subsidiaries | | **(2,670)** | _ | **-** | - |
| Payment for purchase of shares in subsidiaries | | **-** | - | **(44)** | (1) |
| Loans to subsidiary | | **-** | - | **(2,377,902)** | (48,165) |
| Payments for property, plant and equipment | | **(2,165,652)** | (145,706) | **(245,901)** | (145,706) |
| Expenditure on mining interests | | **(1,655,611)** | (346,183) | **(1,216,246)** | (298,018) |
| NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES | | **(3,862,333)** | (563,999) | **(3,878,493)** | (564,000) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Proceeds from issues of ordinary shares | | **14,617,932** | 8,116,287 | **14,617,932** | 8,116,287 |
| Payment of share issue costs | | **(224,034)** | (696,793) | **(224,034)** | (696,793) |
| Repayment of borrowings | | **-** | (100,745) | **-** | (100,745) |
| NET CASH INFLOW FROM FINANCING ACTIVITIES | | **14,393,898** | 7,318,749 | **14,393,898** | 7,318,749 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | **8,861,568** | 6,458,778 | **8,861,568** | 6,458,778 |
| Cash and cash equivalents at the beginning of the financial year | | **7,641,339** | 1,182,561 | **7,641,339** | 1,182,561 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR** | 7 | **16,502,907** | 7,641,339 | **16,502,907** | 7,641,339 |

The above Cash Flow Statements should be read in conjunction with the Notes to the Financial Statements.

# Notes to the Financial Statements

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Bauxite Resources Limited as an individual entity and the consolidated entity consisting of Bauxite Resources Limited and its subsidiaries. The financial report is presented in the Australian currency. Bauxite Resources Limited is a company limited by shares, domiciled and incorporated in Australia. The financial report was authorised for issue by the directors on 25 September 2009. The directors have the power to amend and reissue the financial report.

**(a) Basis of preparation**

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

*Compliance with IFRS*

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of Bauxite Resources Limited complies with International Financial Reporting Standards (IFRS).

*Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

**(b) Principles of consolidation**

*Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Bauxite Resources Limited ("Company" or "parent entity") as at 30 June 2009 and the results of all subsidiaries for the year then ended. Bauxite Resources Limited and its subsidiaries together are referred to in this financial report as the Group or consolidated entity.

Subsidiaries are all of those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Bauxite Resources Limited.

**(c) Segment reporting**

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

# Notes to the Financial Statements continued

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (d) Revenue recognition

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

### (e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

### (f) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 20). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

### (g) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### (h) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts.

### (i) Trade and other receivables

Receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

# Notes to the Financial Statements continued

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**(j) Investments and other financial assets**

***Classification***

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

*(i) Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

*(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.
Collectability of loans and receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables or in an otherwise timely manner. The amount of the impairment allowance is the difference between the asset's carrying amount and the estimated future cash flows. None of the Group's loans and receivables has an applicable interest rate hence the cash flows are not discounted.
The amount of the impairment loss is recognised in the income statement within impairment expenses. When a loan or receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

*(iii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

*(iv) Available-for-sale financial assets*

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Investments are designated available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

***Recognition and derecognition***

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

***Subsequent measurement***

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.
Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of revenue from continuing operations when the Group's right to receive payments is established.

# Notes to the Financial Statements continued

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Details on how the fair value of financial investments is determined are disclosed in note 2.

***Impairment***

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

**(k) Plant and equipment**

All plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Depreciation of plant and equipment is calculated using the reducing balance method to allocate their cost, net of their residual values, over their estimated useful lives. The rates vary between 20% and 40% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(g)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

**(l) Tenement acquisition and exploration costs**

During the year the company changed policy. Prior to this year tenement acquisition and exploration costs incurred were accumulated in respect of each identifiable area of interest. These costs are now written off as incurred.

**(m) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are paid on normal commercial terms.

**(n) Employee benefits**

*(i) Wages and salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the balance sheet date are recognised in other payables in respect of employees' services up to the balance sheet date and are measured at the amounts expected to be paid when the liabilities are settled.

# Notes to the Financial Statements continued

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

*(ii) Share-based payments*

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'), refer to note 26.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of options that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

**(o) Contributed equity**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

**(p) Earnings per share**

*(i) Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

*(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

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

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

# Notes to the Financial Statements continued

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**(r) New accounting standards and interpretations**

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

- AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1,2,4,5,7,101,107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2008-7: Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136] (applicable for annual reporting periods commencing from 1 January 2009). These standards are applicable prospectively and so will only affect relevant transactions and consolidations occurring from the date of application. In this regard, its impact on the Group will be unable to be determined. The following changes to accounting requirements are included:
  - acquisition costs incurred in a business combination will no longer be recognised in goodwill but will be expensed unless the cost relates to issuing debt or equity securities;
  - contingent consideration will be measured at fair value at the acquisition date and may only be provisionally accounted for during a period of 12 months after acquisition;
  - a gain or loss of control will require the previous ownership interests to be remeasured to their fair value;
  - there shall be no gain or loss from transactions affecting a parent's ownership interest of a subsidiary with all transactions required to be accounted for through equity (this will not represent a change to the Group's policy);
  - dividends declared out of pre-acquisition profits will not be deducted from the cost of an investment but will be recognised as income;
  - impairment of investments in subsidiaries, joint ventures and associates shall be considered when a dividend is paid by the respective investee; and
  - where there is, in substance, no change to Group interests, parent entities inserted above existing groups shall measure the cost of its investments at the carrying amount of its share of the equity items shown in the balance sheet of the original parent at the date of reorganisation.

  The Group will need to determine whether to maintain its present accounting policy of calculating goodwill acquired based on the parent entity's share of net assets acquired or change its policy so goodwill recognised also reflects that of the non-controlling interest.
- AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038] (applicable for annual reporting periods commencing from 1 January 2009). AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's Board for the purposes of decision making. While the impact of this standard cannot be assessed at this stage, there is the potential for more segments to be identified. Given the lower economic levels at which segments may be defined, and the fact that cash generating units cannot be bigger than operating segments, impairment calculations may be affected. Management does not presently believe impairment will result however.
- AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the Group. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.

# Notes to the Financial Statements continued

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- AASB 123: Borrowing Costs and AASB 2007-6: Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12] (applicable for annual reporting periods commencing from 1 January 2009). The revised AASB 123 has removed the option to expense all borrowing costs and will therefore require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Management has determined that there will be no effect on the Group as a policy of capitalising qualifying borrowing costs has been maintained by the Group.
- AASB 2008-1: Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reporting periods commencing from 1 January 2009). This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.
- AASB 2008-2: Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidation [AASB 7, AASB 101, AASB 132 & AASB 139 & Interpretation 2] (applicable for annual reporting periods commencing from 1 January 2009). These amendments introduce an exception to the definition of a financial liability to classify as equity instruments certain puttable financial instruments and certain other financial instruments that impose an obligation to deliver a pro-rata share of net assets only upon liquidation.
- AASB 2008-5: Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-5) and AASB 2008-6: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-6) detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.
- AASB 2008-8: Amendments to Australian Accounting Standards – Eligible Hedged Items [AASB 139] (applicable for annual reporting periods commencing from 1 July 2009). This amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation as a hedged item should be applied in particular situations and is not expected to materially affect the Group.
- AASB 2008-13: Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners [AASB 5 & AASB 110] (applicable for annual reporting periods commencing from 1 July 2009). This amendment requires that non-current assets held for distribution to owners to be measured at the lower of carrying value and fair value less costs to distribute.
- AASB Interpretation 16: Hedges of a Net Investment in a Foreign Operation (applicable for annual reporting periods commencing from 1 October 2008). Interpretation 16 applies to entities that hedge foreign currency risk arising from net investments in foreign operations and that want to adopt hedge accounting. The interpretation provides clarifying guidance on several issues in accounting for the hedge of a net investment in a foreign operation and is not expected to impact the Group.
- AASB Interpretation 17: Distributions of Non-cash Assets to Owners (applicable for annual reporting periods commencing from 1 July 2009). This guidance applies prospectively only and clarifies that non-cash dividends payable should be measured at the fair value of the net assets to be distributed where the difference between the fair value and carrying value of the assets is recognised in profit or loss.

The Group does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the Group's financial statements.

# Notes to the Financial Statements continued

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**(s) Critical accounting estimates and judgements**

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

*Share based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in note 26.

## 2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the full Board of Directors as the Group believes that it is crucial for all board members to be involved in this process. The executive chairman, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the board on risk management.

**(a) Market risk**

*(i) Foreign exchange risk*

As all operations are currently within Australia neither the Group nor the parent entity are exposed to foreign exchange risk.

*(ii) Price risk*

Given the current level of operations, neither the Group nor the parent entity are exposed to price risk.

(iii) *Interest rate risk*

The Group is exposed to movements in market interest rates on cash and cash equivalents. The Group policy is to monitor the interest rate yield curve out to six months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entire balance of cash and cash equivalents for the Group and the parent entity $16,502,907 (2008: $7,641,339 ) is subject to interest rate risk. The proportional mix of floating interest rates and fixed rates to a maximum of six months fluctuate during the year depending on current working capital requirements. The weighted average interest rate received on cash and cash equivalents by the Group and the parent entity was 5.6% (2008: 6.3%).

*Sensitivity analysis*

At 30 June 2009, if interest rates had changed by -/+ 80 basis points from the weighted average rate for the year with all other variables held constant, post-tax loss for both the Group and the parent entity would have been $62,802 lower/higher (2008: $54,500 lower/higher) as a result of lower/higher interest income from cash and cash equivalents.

# Notes to the Financial Statements continued

## 2. FINANCIAL RISK MANAGEMENT (cont'd)

### (b) Credit risk

The maximum exposure to credit risk at balance date is the carrying amount (net of provision for impairment) of those assets as disclosed in the balance sheet and notes to the financial statements. The only significant concentration of credit risk for the Group and the parent entity is the cash and cash equivalents held with financial institutions. All material deposits are held with the major Australian banks for which the Board evaluate credit risk to be minimal.

As the Group does not presently have any debtors, lending, significant stock levels or any other credit risk, a formal credit risk management policy is not maintained.

### (c) Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

The financial liabilities of the Group and the parent entity are confined to trade and other payables as disclosed in the Balance Sheet. All trade and other payables are non-interest bearing and due within 12 months of the balance sheet date.

### (d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Group and the parent entity at the balance date are recorded at amounts approximating their carrying amount.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

## 3. SEGMENT INFORMATION

### Description of segments

The Group's operations are in the mining industry in Australia.

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2009 $ | 2008 $ | 2009 $ | 2008 $ |
| **4. REVENUE** | | | | |
| **From continuing operations** | | | | |
| *Other revenue* | | | | |
| Interest | **442,619** | 427,392 | **442,619** | 427,392 |
| **5. EXPENSES** | | | | |
| Loss before income tax includes the following specific expenses: | | | | |
| Minimum lease payments relating to operating leases | **168,378** | 44,717 | **168,378** | 44,717 |

# Notes to the Financial Statements continued

| 30 JUNE 2009 | Consolidated 2009 $ | Consolidated 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|
| **6. INCOME TAX** | | | | |
| **(a) The components of income tax expense comprise:** | | | | |
| Current income tax | **-** | - | **-** | - |
| Deferred tax | **-** | - | **-** | - |
| Adjustments for current tax of prior years | **(1,590)** | 1,590 | **(1,590)** | 1,590 |
| | **(1,590)** | 1,590 | **(1,590)** | 1,590 |
| **(b) Numerical reconciliation of income tax expense to prima facie tax payable** | | | | |
| Loss from continuing operations before income tax expense | **(5,147,544)** | (770,254) | **(4,645,295)** | (770,253) |
| Prima facie tax benefit at the Australian tax rate of 30% (2008: 30%) | **(1,544,263)** | (231,076) | **(1,393,589)** | (231,076) |
| Add tax effect of: | | | | |
| Non allowable items | **3,278** | - | **3,278** | - |
| Share-based payments | **152,054** | 140,871 | **152,054** | 140,871 |
| Group losses assumed by Parent not recognised | **-** | - | **136,042** | - |
| Adjustment for current tax in prior year | **-** | 1,590 | **-** | 1,590 |
| Deferred tax balances not recognised | **166,066** | - | **151,434** | - |
| Current year losses not recognised | **1,275,317** | 130,326 | **1,139,275** | 130,326 |
| | **52,452** | 41,711 | **188,494** | 41,711 |
| Less: | | | | |
| Tax effect of: | | | | |
| Other allowable items | **52,452** | - | **52,452** | - |
| Deferred tax balances not recognised | **-** | 40,121 | **-** | 40,121 |
| Group losses assumed by Parent from subsidiaries | **-** | - | **136,042** | - |
| Adjustment for current tax in prior years | **1,590** | - | **1,590** | **-** |
| Income tax expense/(benefit) reported in the income statement | **(1,590)** | 1,590 | **(1,590)** | **1,590** |
| (c) The following tax balances have not been recognised: | | | | |
| Deferred Tax Assets at 30%: | | | | |
| Carry forward losses | **1,430,152** | 130,326 | **1,430,152** | 130,326 |
| Capital raising costs | **184,126** | 167,687 | **184,126** | 167,687 |
| Property, plant & equipment | **5,159** | - | **5,159** | |
| Provisions and accruals | **17,091** | 1,800 | **17,091** | 1,800 |
| Exploration and development | **27,675** | - | **27,675** | - |
| Prepayments | **6,271** | - | **6,271** | - |
| | **1,670,474** | 299,813 | **1,670,474** | 299,813 |

# Notes to the Financial Statements continued

## 6. INCOME TAX (continued)

The tax benefits of the above Deferred Tax Assets will only be obtained if:

(a) the company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;

(b) the company continues to comply with the conditions for deductibility imposed by law; and

(c) no changes in income tax legislation adversely affect the company in utilising the benefits.

| | Notes | Consolidated | | Parent Entity | |
|---|---|---|---|---|---|
| | | 2009 | 2008 | 2009 | 2008 |
| | | $ | $ | $ | $ |
| Deferred Tax Liabilities | | | | | |
| At 30% | | | | | |
| Accrued Interest | | **12,288** | - | **12,288** | - |
| Other | | **160** | - | **160** | - |
| | | **12,448** | - | **12,448** | - |

The above Deferred Tax Liabilities have not been recognised as they have given rise to the carry forward revenue losses for which the Deferred Tax Asset has not been recognised.

**Tax consolidation**

(i) Members of the tax consolidated group and the tax sharing arrangement

Bauxite Resources Limited and its 100 percent owned Australian resident subsidiaries have formed a tax consolidated group with effect from 10 June 2008. Bauxite Resources Limited is the head entity of the tax consolidated group. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax asset resulting from unused tax losses and tax credits which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity.

(ii) Tax effect accounting by members of the tax consolidated group

Measurement method adopted under UIG 1052 Tax Consolidated Accounting

The group has applied the Stand-Alone Taxpayer approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group. The group has not entered into any tax sharing or funding agreements.

## 7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

| | | | | |
|---|---|---|---|---|
| Cash at bank and in hand | **491,840** | 142,089 | **491,840** | 142,089 |
| Short-term deposits | **16,011,067** | 7,499,250 | **16,011,067** | 7,499,250 |
| Cash and cash equivalents as shown in the balance sheet and the statement of cash flows | **16,502,907** | 7,641,339 | **16,502,907** | 7,641,339 |

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

## 8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

| | | | | |
|---|---|---|---|---|
| Sundry receivables | **164,638** | 25,802 | **159,964** | 25,802 |
| Accrued interest | **40,959** | - | **40,959** | - |
| Prepayments | **58,305** | 18,874 | **58,305** | 18,874 |
| | **263,902** | 44,676 | **259,228** | 44,676 |

## 9. NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS

| | | | | | |
|---|---|---|---|---|---|
| Shares in subsidiaries – at cost | 22 | **-** | - | **45** | 1 |
| Loans to subsidiaries | 21 | **-** | - | **2,426,889** | 48,987 |
| Security deposits | | **110,510** | 72,110 | **110,510** | 72,110 |
| | | **110,510** | 72,110 | **2,537,444** | 121,098 |

# Notes to the Financial Statements continued

| | Notes | Consolidated 2009 $ | Consolidated 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|---|
| **10. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT** | | | | | |
| **Plant and equipment** | | | | | |
| Cost | | **21,552** | 20,437 | **21,552** | 20,437 |
| Accumulated depreciation | | **(10,117)** | (2,531) | **(10,117)** | (2,531) |
| Net book amount | | **11,435** | 17,906 | **11,435** | 17,906 |
| **Plant and equipment** | | | | | |
| Opening net book amount | | **17,906** | - | **17,906** | - |
| Additions | | **1,115** | 20,438 | **1,115** | 20,438 |
| Depreciation charge | | **(7,586)** | (2,532) | **(7,586)** | (2,532) |
| Closing net book amount | | **11,435** | 17,906 | **11,435** | 17,906 |
| **Motor Vehicles** | | | | | |
| Cost | | **103,794** | 43,876 | **103,794** | 43,876 |
| Accumulated depreciation | | **(27,777)** | (3,237) | **(27,777)** | (3,237) |
| Net book amount | | **76,017** | 40,639 | **76,017** | 40,639 |
| **Motor vehicles** | | | | | |
| Opening net book amount | | **40,639** | - | **40,639** | - |
| Additions | | **59,918** | 43,876 | **59,918** | 43,876 |
| Depreciation charge | | **(24,540)** | (3,237) | **(24,540)** | (3,237) |
| Closing net book amount | | **76,017** | 40,639 | **76,017** | 40,639 |
| **Property and buildings** | | | | | |
| Cost | | **1,919,740** | - | - | - |
| Accumulated depreciation | | **(2,411)** | - | - | - |
| Net book amount | | **1,917,329** | - | - | - |
| **Property and buildings** | | | | | |
| Opening net book amount | | **-** | | | |
| Additions | | **1,919,740** | - | - | - |
| Depreciation charge | | **(2,411)** | - | - | - |
| Closing net book amount | | **1,917,329** | - | - | - |
| **Software** | | | | | |
| Cost | | **12,561** | - | **12,561** | - |
| Accumulated depreciation | | **(1,641)** | - | **(1,641)** | - |
| Net book amount | | **10,920** | - | **10,920** | - |
| **Software** | | | | | |
| Opening net book amount | | **-** | - | **-** | - |
| Additions | | **12,561** | - | **12,561** | - |
| Depreciation charge | | **(1,641)** | - | **(1,641)** | - |
| Closing net book amount | | **10,920** | - | **10,920** | - |
| **Exploration equipment** | | | | | |
| Cost | | **96,980** | - | **96,980** | - |
| Accumulated depreciation | | **(334)** | - | **(334)** | - |
| Net book amount | | **96,646** | - | **96,646** | - |
| **Exploration equipment** | | | | | |
| Opening net book amount | | **-** | - | **-** | - |
| Additions | | **96,980** | - | **96,980** | - |
| Depreciation charge | | **(334)** | - | **(334)** | - |
| Closing net book amount | | **96,646** | - | **96,646** | - |

# Notes to the Financial Statements continued

| | Notes | Consolidated 2009 $ | Consolidated 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|---|
| **10 NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)** | | | | | |
| **Furniture and Fittings** | | | | | |
| Cost | | **83,348** | 44,219 | **83,348** | 44,219 |
| Accumulated depreciation | | **(17,462)** | (2,365) | **(17,462)** | (2,365) |
| Net book amount | | **65,886** | 41,854 | **65,886** | 41,854 |
| **Furniture and fittings** | | | | | |
| Opening net book amount | | **41,854** | - | **41,854** | - |
| Additions | | **39,129** | 44,219 | **39,129** | 44,219 |
| Depreciation charge | | **(15,097)** | (2,365) | **(15,097)** | (2,365) |
| Closing net book amount | | **65,886** | 41,854 | **65,886** | 41,854 |
| **Computer equipment** | | | | | |
| Cost | | **83,534** | 47,334 | **83,534** | 47,334 |
| Accumulated depreciation | | **(27,980)** | (6,216) | **(27,980)** | (6,216) |
| Net book amount | | **55,554** | 41,118 | **55,554** | 41,118 |
| **Computer equipment** | | | | | |
| Opening net book amount | | **41,118** | 6,577 | **41,118** | 6,577 |
| Additions | | **36,200** | 40,757 | **36,200** | 40,757 |
| Depreciation charge | | **(21,764)** | (6,216) | **(21,764)** | (6,216) |
| Closing net book amount | | **55,554** | 41,118 | **55,554** | 41,118 |
| **Total Assets** | | | | | |
| Cost | | **2,321,509** | 155,867 | **401,769** | 155,867 |
| Accumulated depreciation | | **(87,722)** | (14,350) | **(85,311)** | (14,350) |
| Net book amount | | **2,233,787** | 141,517 | **316,458** | 141,517 |
| **Total Assets** | | | | | |
| Opening net book amount | | **141,517** | 6,577 | **141,517** | 6,577 |
| Additions | | **2,165,643** | 149,290 | **245,903** | 149,290 |
| Depreciation charge | | **(73,373)** | (14,350) | **(70,962)** | (14,350) |
| Closing net book amount | | **2,233,787** | 141,517 | **316,458** | 141,517 |

## 11. NON-CURRENT ASSETS – TENEMENT ACQUISITION AND EXPLORATION

| | Consolidated 2009 $ | Consolidated 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|
| Tenement acquisition and exploration costs carried forward in respect of mining areas of interest | | | | |
| Opening net book amount | **612,292** | 200,342 | **563,305** | 200,342 |
| Tenement acquisition and exploration costs | **1,655,611** | 411,950 | **1,216,246** | 362,963 |
| Tenement costs written off | **(2,267,903)** | - | **(1,779,551)** | - |
| Closing net book amount | **-** | 612,292 | **-** | 563,305 |

The ultimate recoupment of costs carried forward for tenement acquisition and exploration is dependent on the successful development and commercial exploitation or sale of the respective mining areas. The directors have adopted a change of policy from the prior year and have resolved to write off all tenement acquisition and exploration costs.

## 12. NON-CURRENT ASSETS – INTANGIBLE ASSETS

| | Consolidated 2009 $ | Consolidated 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|
| **Formation expenses** | | | | |
| Cost | **4,147** | 1,467 | **1,467** | 1,467 |
| Accumulated amortisation | **(586)** | (293) | **(586)** | (293) |
| Net book amount | **3,561** | 1,174 | **881** | 1,174 |
| **Formation expenses** | | | | |
| Opening net book amount | **1,174** | 1,467 | **1,174** | 1,467 |
| Additions | **2,680** | - | **-** | - |
| Amortisation charge | **(293)** | (293) | **(293)** | (293) |
| Closing net book amount | **3,561** | 1,174 | **881** | 1,174 |

# Notes to the Financial Statements continued

| | Notes | Consolidated 2009 $ | Consolidated 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|---|
| **13. CURRENT LIABILITIES** | | | | | |
| **a) Trade and other payables** | | | | | |
| Trade payables | | **728,412** | 99,451 | **728,412** | 99,451 |
| Other payables and accruals | | **189,511** | 19,883 | **189,511** | 19,883 |
| | | **917,923** | 119,334 | **917,923** | 119,334 |
| **b) Provisions** | | | | | |
| Annual leave | | **48,181** | - | **48,181** | - |

## 14. CONTRIBUTED EQUITY

**(a) Share capital**

| | Notes | 2009 Number of securities | 2009 $ | 2008 Number of securities | 2008 $ |
|---|---|---|---|---|---|
| Ordinary shares fully paid | 14(b), 14(d) | | **22,544,482** | | 8,150,583 |
| Options | 14(e) | | **538,573** | | 538,573 |
| Total contributed equity | | | **23,083,055** | | 8,689,156 |
| **(b) Movements in ordinary share capital** | | | | | |
| Beginning of the financial year | | **108,026,070** | **8,150,583** | 70,137,500 | 1,271,566 |
| Issued during the year: | | | | | |
| − Initial Public Offering at 20 cents | | **-** | **-** | 37,500,000 | 7,500,000 |
| − Issued via private placement | | **19,700,000** | **9,850,000** | - | - |
| − Issued on exercise options at 30 cents | | **255,000** | **76,500** | - | - |
| − Issued on exercise of options (20 cents, 31 Jan 2009) | | **23,457,158** | **4,691,432** | 388,570 | 77,714 |
| Less: Transaction costs | | | **(224,033)** | - | (698,697) |
| End of the financial year | | **151,438,228** | **22,544,482** | 108,026,070 | 8,150,583 |

**(c) Movements in options on issue**

| | Number of options 2009 | Number of options 2008 |
|---|---|---|
| Beginning of the financial year | **68,530,180** | 9,000,000 |
| Issued during the year: | | |
| − Exercisable at 20 cents, on or before 31 January 2009 | **-** | 53,818,750 |
| − Exercisable at 25 cents, on or before 15 May 2012 | **-** | 2,000,000 |
| − Exercisable at 40 cents, on or before 15 May 2012 | **-** | 4,000,000 |
| − Exercisable at 50 cents, on or before 31 May 2012 | **-** | 100,000 |
| − Exercisable at 35 cents , on or before 30 November 2013 | **666,668** | - |
| − Exercisable at 45 cents , on or before 30 November 2013 | **666,666** | - |
| − Exercisable at 55 cents , on or before 30 November 2013 | **666,666** | - |
| − Exercisable at 25 cents , on or before 30 June 2012 | **525,000** | - |
| − Exercisable at 35 cents , on or before 30 June 2012 | **800,000** | - |
| − Exercisable at 30 cents , on or before 30 June 2012 | **3,775,000** | - |
| Converted, cancelled or expired during the year: | | |
| − Exercisable at 30 cents, on or before 30 June 2012 | **(305,000)** | - |
| − Exercisable at 50 cents , on or before 31 May 2012 | **(100,000)** | - |
| − Exercisable at 20 cents, on or before 31 January 2009 | **(53,430,180)** | (388,570) |
| End of the financial year | **21,795,000** | 68,530,180 |

# Notes to the Financial Statements continued

## 14. CONTRIBUTED EQUITY (continued)

**(d) Ordinary shares**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

**(e) Capital risk management**

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Group and the parent entity at 30 June 2009 and 30 June 2008 are as follows:

| | Consolidated 2009 $ | Parent Entity 2008 $ | Consolidated 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|
| Cash and cash equivalents | **16,502,907** | 7,641,339 | **16,502,907** | 7,641,339 |
| Trade and other receivables | **263,902** | 116,786 | **259,228** | 116,786 |
| Trade and other payables | **(917,923)** | (119,334) | **(917,923)** | (119,334) |
| Working capital position | **15,848,886** | 7,638,791 | **15,844,212** | 7,638,791 |

## 15. RESERVES AND ACCUMULATED LOSSES

**(a) Reserves**

| | | | | |
|---|---|---|---|---|
| *Share-based payments reserve* | | | | |
| Balance at beginning of year | **469,571** | - | **469,571** | - |
| Employees and contractors share options | **506,845** | 469,571 | **506,845** | 469,571 |
| Balance at end of year | **976,416** | 469,571 | **976,416** | 469,571 |

| | | | | |
|---|---|---|---|---|
| **(b) Retained earnings / (accumulated losses)** | | | | |
| Balance at beginning of year | **(764,953)** | 5,301 | **(764,953)** | 5,301 |
| Net profit/(loss) for the year | **(5,145,954)** | (770,254) | **(4,643,705)** | (770,253) |
| Balance at end of year | **(5,910,907)** | (764,953) | **(5,408,658)** | (764,952) |

**(c) Nature and purpose of reserves**

*Share-based payments reserve*

The share-based payments reserve is used to recognise the fair value of options issued.

## 16. DIVIDENDS

No dividends were paid during the financial year. No recommendation for payment of dividends has been made.

## 17. KEY MANAGEMENT PERSONNEL DISCLOSURES

| **(a) Key management personnel compensation** | | | | |
|---|---|---|---|---|
| Short-term benefits | **744,304** | 354,234 | **744,304** | 354,234 |
| Post employment benefits | **49,450** | 6,340 | **49,450** | 6,340 |
| Other long-term benefits | **-** | - | **-** | - |
| Termination benefits | **-** | - | **-** | - |
| Share-based payments | **316,386** | 469,133 | **316,386** | 469,133 |
| | **1,110,140** | 829,707 | **1,110,140** | 829,707 |

# Notes to the Financial Statements continued

## 17. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

The Company has taken advantage of the relief provided by AASB 2008-4 *Amendments to Australian Accounting Standard – Key Management Personnel Disclosures by Disclosing Entities* and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in sections A-C of the remuneration report on pages 5 to 8.

**(b) Equity instrument disclosures relating to key management personnel**

*(i) Options provided as remuneration and shares issued on exercise of such options*

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section D of the remuneration report on page 8.

*(ii) Option holdings*

The numbers of options over ordinary shares in the Company held during the financial year by each director of Bauxite Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below:

| 2009 | Balance at start of the year | Granted as compensation | Exercised | Other changes | Balance at end of the year | Vested and exercisable | Unvested |
|---|---|---|---|---|---|---|---|
| ***Directors of Bauxite Resources Limited*** | | | | | | | |
| Luke Atkins | 7,195,323 | - | - | (4,195,323) | 3,000,000 | 3,000,000 | - |
| Neil Lithgow | 11,820,322 | - | (1,075,000) | (7,745,322) | 3,000,000 | 3,000,000 | - |
| Robert Nash | 1,102,450 | - | (20,000) | (82,450) | 1,000,000 | 1,000,000 | - |
| David McSweeney | 6,313,750 | - | - | (313,750) | 6,000,000 | 2,000,000 | 4,000,000 |
| Daniel Tenardi | - | 2,000,000 | - | - | 2,000,000 | - | 2,000,000 |
| Meng Xiangsan | - | - | - | - | - | - | - |
| ***Other key management personnel of the Company*** | | | | | | | |
| Paul Fromson | - | 300,000 | - | - | 300,000 | 100,000 | 200,000 |

| 2008 | Balance at start of the year | Granted as compensation | Exercised | Other changes | Balance at end of the year | Vested and exercisable | Unvested |
|---|---|---|---|---|---|---|---|
| ***Directors of Bauxite Resources Limited*** | | | | | | | |
| Luke Atkins | 3,000,000 | - | - | 4,195,323 | 7,195,323 | 7,195,323 | - |
| Neil Lithgow | 3,000,000 | - | - | 8,820,322 | 11,820,322 | 11,820,322 | - |
| Robert Nash | 1,000,000 | - | - | 102,450 | 1,102,450 | 1,102,450 | - |
| David McSweeney | 6,000,000 | - | - | 313,750 | 6,313,750 | 2,313,750 | 4,000,000 |
| ***Other key management personnel of the Company*** | | | | | | | |
| Graeme Smith | - | - | - | - | - | - | - |

All vested options are exercisable at the end of the year.

*(iii) Share holdings*

The numbers of shares in the Company held during the financial year by each director of Bauxite Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

| 2009<br>Ordinary shares | Balance at start of the year | Received during the year on the exercise of options | Other changes during the year | Balance at end of the year |
|---|---|---|---|---|
| ***Directors of Bauxite Resources Limited*** | | | | |
| Luke Atkins | **17,041,667** | **-** | **-** | **17,041,667** |
| Neil Lithgow | **18,291,666** | **1,075,000** | **-** | **19,366,666** |
| Robert Nash | **204,900** | **20,000** | **-** | **224,900** |
| David McSweeney | **627,500** | **-** | **-** | **627,500** |
| Daniel Tenardi | **-** | **1,000,000** | **-** | **1,000,000** |
| Meng Xiangsan | **-** | **-** | **-** | **-** |
| ***Other key management personnel of the Company*** | | | | |
| Paul Fromson | **-** | **-** | **-** | **-** |

# Notes to the Financial Statements continued

| 2008<br>Ordinary shares | Balance at start of the year | Received during the year on the exercise of options | Other changes during the year | Balance at end of the year |
|---|---|---|---|---|
| ***Directors of Bauxite Resources Limited*** | | | | |
| Luke Atkins | 17,016,667 | - | 25,000 | 17,041,667 |
| Neil Lithgow | 18,266,666 | - | 25,000 | 18,291,666 |
| Robert Nash | 250,000 | - | (45,100) | 204,900 |
| David McSweeney | - | - | 627,500 | 627,500 |
| ***Other key management personnel of the Company*** | | | | |
| Graeme Smith | - | - | - | - |

**(c) Loans to key management personnel**
There were no loans to key management personnel during the year.

**(d) Other transactions with key management personnel**
Robert Nash provided legal services to Bauxite Resources Limited during the year to the value of $Nil (2008: $2,750). The amounts paid were on arms length commercial terms and are included as part of Mr Nash's compensation.

## 18. REMUNERATION OF AUDITORS

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2009<br>$ | 2008<br>$ | 2009<br>$ | 2008<br>$ |

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

| | 2009 $ | 2008 $ | 2009 $ | 2008 $ |
|---|---|---|---|---|
| **(a) Audit services** | | | | |
| Moore Stephens - audit and review of financial reports | **11,591** | 11,591 | **11,591** | 11,591 |
| Total remuneration for audit services | **11,591** | 11,591 | **11,591** | 11,591 |
| **(b) Non-audit services** | | | | |
| Moore Stephens – Independent Accountants Report | **-** | 8,000 | **-** | 8,000 |
| Moore Stephens – Taxation services | **2,158** | | **2,158** | |
| Total remuneration for other services | **2,158** | 8,000 | **2,158** | 8,000 |

## 19. CONTINGENCIES

Under the terms of the Employment Agreement of the Managing Director, Mr Daniel Tenardi, a performance based incentive payment of $750,000 is payable on the first shipment of bauxite under the Company's proposed direct shipping operation if the shipment is completed within 3 years of the commencement of employment. Other than this there are no material contingent liabilities or contingent assets of the Company at balance date.

## 20. COMMITMENTS

**(a) Exploration commitments**

The Company has certain commitments to meet minimum expenditure requirements on the mineral exploration assets it has an interest in. Outstanding exploration commitments are as follows:

| | | | | |
|---|---|---|---|---|
| within one year | **242,760** | 175,177 | **242,760** | 175,177 |
| later than one year but not later than five years | **650,020** | 525,531 | **650,020** | 525,531 |
| | **892,780** | 700,708 | **892,780** | 700,708 |

# Notes to the Financial Statements continued

## 20. COMMITMENTS (continued)

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| **(b) Lease commitments** | $ | $ | $ | $ |
| within one year | **138,477** | 135,495 | **138,477** | 135,495 |
| later than one year but not later than five years | **127,095** | 259,699 | **127,095** | 259,699 |
| Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities | **265,572** | 395,194 | **265,572** | 395,194 |

The property lease is a non-cancellable lease with a three-year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments to increase annually by CPI with a market review after two years. An option exists to renew the lease at the end of the three-year term for an additional term of three years. The lease allows for subletting of all lease areas.

**(c) Remuneration commitments**

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of key management personnel referred to in section C of the remuneration report on page 7 that are not recognised as liabilities and are not included in the key management personnel compensation.

| | Consolidated 2009 | Consolidated 2008 | Parent Entity 2009 | Parent Entity 2008 |
|---|---|---|---|---|
| within one year | **88,452** | 286,000 | **88,452** | 286,000 |
| later than one year but not later than five years | **-** | 88,542 | **-** | 88,542 |
| | **88,452** | 374,542 | **88,452** | 374,542 |

## 21. RELATED PARTY TRANSACTIONS

**(a) Parent entity**
The ultimate parent entity within the Group is Bauxite Resources Limited.

**(b) Subsidiaries**
Interests in subsidiaries are set out in note 22.

**(c) Key management personnel**
Disclosures relating to key management personnel are set out in note 17.

**(d) Loans to related parties**

| *Loans to subsidiaries* | Consolidated 2009 | Consolidated 2008 | Parent Entity 2009 | Parent Entity 2008 |
|---|---|---|---|---|
| Beginning of the year | **-** | - | **48,987** | - |
| Loans advanced | **-** | - | **2,377,902** | 48,987 |
| Loan repayments received | **-** | - | **-** | - |
| Provision for impairment | **-** | - | **-** | - |
| End of year | **-** | - | **2,426,889** | 48,987 |

Bauxite Resources Limited has provided unsecured, interest free loans to its wholly owned subsidiaries. An impairment assessment is undertaken each financial year by examining the financial position of each subsidiary and the market in which the subsidiary operates to determine whether there is objective evidence that the subsidiary is impaired. When such objective evidence exists, the Company recognises an allowance for the impairment loss.

# Notes to the Financial Statements continued

## 22. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

| Name | Country of Incorporation | Date of Incorporation | Class of Shares | Equity Holding[(1)] | |
|---|---|---|---|---|---|
| | | | | 2009 % | 2008 % |
| Darling Range Pty Ltd | Australia | 10 June 2008 | Ordinary | **100** | 100% |
| Braeburn Resources Pty Ltd | Australia | 24 July 2007 | Ordinary | **100** | - |
| Darling Range South Pty Ltd | Australia | 13 November 2008 | Ordinary | **100** | - |
| Darling Range North Pty Ltd | Australia | 23 March 2009 | Ordinary | **100** | - |
| BRL Operations Pty Ltd | Australia | 16 February 2009 | Ordinary | **100** | - |
| BRL Landholdings Pty Ltd | Australia | 16 February 2009 | Ordinary | **100** | - |
| BRL Other Minerals Pty Ltd | Australia | 25 March 2009 | Ordinary | **100** | - |

(1) The proportion of ownership interest is equal to the proportion of voting power held.

## 23. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On the 18th September 2009 the company announced a capital raising of 60 million shares at 95 cents each to raise $57 million. The placement will require shareholder approval and this is expected to be obtained around 26 October 2009. Other than this no matter or circumstance has arisen since 30 June 2009, 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.

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2009 $ | 2008 $ | 2009 $ | 2008 $ |
| **24. CASH FLOW STATEMENT** | | | | |
| **Reconciliation of net profit or loss after income tax to net cash outflow from operating activities** | | | | |
| Net profit/(loss) for the year | **(5,145,954)** | (770,254) | **(4,643,705)** | (770,253) |
| **Non-Cash Items** | | | | |
| Depreciation and amortisation | **73,665** | 14,643 | **71,254** | 14,643 |
| Share-based payments expense | **506,845** | 469,571 | **506,845** | 469,571 |
| Tenement expenditure written off | **2,267,903** | - | **1,779,551** | - |
| **Change in operating assets and liabilities, net of effects from purchase of controlled entities** | | | | |
| (Increase) in trade and other receivables | **(219,226)** | (41,436) | **(214,552)** | (41,436) |
| Increase in trade and other payables | **846,770** | 31,504 | **846,770** | 31,504 |
| Net cash inflow/(outflow) from operating activities | **(1,669,997)** | (295,972) | **(1,653,837)** | (295,971) |

# Notes to the Financial Statements continued

## 25. EARNINGS PER SHARE

| | Consolidated 2009 $ | Consolidated 2008 $ |
|---|---|---|
| **(a) Reconciliation of earnings used in calculating earnings per share** | | |
| Profit or loss attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share | **(5,145,954)** | (770,254) |
| | **Number of shares** | **Number of shares** |
| **(b) Weighted average number of shares used as the denominator** | | |
| Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share | **117,440,681** | 95,889,132 |

**(c) Information on the classification of options**
As the Company has made a loss for the year ended 30 June 2009, all options on issue are considered antidilutive and have not been included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

## 26. SHARE-BASED PAYMENTS

**Director Options and the Employees and Contractors Option Plan**

The Company provides benefits to employees and contractors of the Company in the form of share-based payment transactions, whereby employees and contractors render services in exchange for options to acquire ordinary shares. All options issued under the scheme have an exercise price of 50 cents and an expiry dates of 31 May 2012.

As approved at the General Meeting on 21 November 2008, the Managing Director has been issued 2 million options with exercise prices ranging from 35 to 55 cents, all with an expiry date of 30 November 2013.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company with full dividend and voting rights.

Set out below are summaries of the options granted:

| | Consolidated and Parent Entity | | | |
|---|---|---|---|---|
| | 2009 | | 2008 | |
| | Number of options | Weighted average exercise price cents | Number of options | Weighted average exercise price cents |
| Outstanding at the beginning of the year | **6,100,000** | **35.2** | - | - |
| Granted | **7,100,000** | **34.4** | 6,100,000 | 35.2 |
| Forfeited/cancelled | **(100,000)** | **50.0** | - | - |
| Exercised | **(255,000)** | **30.0** | - | - |
| Expired | **(50,000)** | **30.00** | - | - |
| Outstanding at year-end | **12,795,000** | **34.8** | 6,100,000 | 35.2 |
| Exercisable at year-end | **5,890,000** | **33.1** | 2,000,000 | 25.0 |

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 3.2 years (2008: 3.9 years), with exercise prices ranging from 25 to 55 cents.

The weighted average fair value of the options granted during the year was 18.3 cents (2008: 14.9 cents). The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

# Notes to the Financial Statements continued

## 26. SHARE-BASED PAYMENTS (continued)

| | 2009 | 2008 |
|---|---|---|
| Weighted average exercise price (cents) | **34.4** | 35.2 |
| Weighted average life of the option (years) | **3.7** | 4.3 |
| Weighted average underlying share price (cents) | **24.7** | 32.1 |
| Expected share price volatility | **35.0** | 50% |
| Weighted average risk free interest rate | **3.49** | 6.76% |

Historical volatility has been used as the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate.

The life of the options is based on historical exercise patterns, which may not eventuate in the future.

**Expenses arising from share-based payment transactions**
Total expenses arising from share-based payment transactions recognised during the period were as follows:

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2009 $ | 2008 $ | 2009 $ | 2008 $ |
| Options issued to directors, employees and contractors | **506,845** | 469,571 | **506,845** | 469,571 |

# Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 15 to 39 are in accordance with the *Corporations Act 2001*, including:

   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   (ii) giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2009 and of their performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) the remuneration disclosures set out on pages 5 to 8 of the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2009, comply with section 300A of the *Corporations Act 2001*.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

Luke Atkins
Executive Chairman

Perth, 25 September 2009

MOORE STEPHENS

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

**Report on the Financial Report**

We have audited the accompanying financial report of Bauxite Resources Limited (the company) and Bauxite Resources Limited and Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Bauxite Resources Limited on 25 September 2009, would be in the same terms if provided to the directors as at the date of this auditor's report



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*Auditor's Opinion*
In our opinion:

a. the financial report of Bauxite Resources Limited and Bauxite Resources Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 5 to 8 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's Opinion*
In our opinion, the Remuneration Report of Bauxite Resources Limited for the year ended 30 June 2009 complies with Section 300A of the *Corporations Act 2001.*

Neil Pace | Moore Stephens

**NEIL PACE** | **MOORE STEPHENS**
**PARTNER** | **CHARTERED ACCOUNTANTS**

Signed at Perth this 25th day of September 2009.

# ASX Additional Information

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 23rd September 2009.

**(a) Distribution of equity securities**

Analysis of numbers of equity security holders by size of holding:

| | Ordinary shares Number of holders | Number of shares |
|---|---|---|
| 1 - 1,000 | **92** | **72,719** |
| 1,001 - 5,000 | **446** | **1,381,555** |
| 5,001 - 10,000 | **270** | **2,288,026** |
| 10,001 - 100,000 | **478** | **17,213,084** |
| 100,001 and over | **140** | **131,087,844** |
| | **1,426** | **152,043,228** |
| The number of equity security holders holding less than a marketable parcel (based on a $1.18 price) of securities are: | **11** | **427** |

**(b) Escrowed Securities (escrowed until 22 October 2009)**

Ordinary fully paid shares - 55,685,000 Options – 9,000,000 ($0.20, expiry date 31 May 2012)

**(c) Twenty largest shareholders**
The names of the twenty largest holders of quoted ordinary shares are:

| | Listed ordinary shares Number of shares | Percentage of ordinary shares |
|---|---|---|
| 1. HD Mining & Inv Pty Ltd | 19,700,000 | 12.96% |
| 2. Big Fish Nominees Pty Ltd (N Lithgow) | 17,666,666 | 11.62% |
| 3. Tailrain Pty Ltd (L Atkins) | 17,016,667 | 11.19% |
| 4. Dilkara Nominees Pty Ltd | 17,016,667 | 11.19% |
| 5. HSBC Custody Nominees Australia Ltd | 6,253,613 | 4.11% |
| 6. Citicorp Nominees Pty Limited | 3,399,262 | 2.24% |
| 7. Caple RJ & Cameron FM | 2,618,507 | 1.72% |
| 8. Cunningham Securities Pty Ltd | 2,175,000 | 1.43% |
| 9. ANZ Nominees Ltd | 2,021,147 | 1.33% |
| 10. JP Morgan Nominees Australia Ltd | 1,803,897 | 1.19% |
| 11. Lithgow Neil | 1,662,500 | 1.09% |
| 12. Austock Investments Pty Ltd | 1,391,833 | 0.92% |
| 13. Murray Davidson | 1,170,000 | 0.77% |
| 14. National Nominees Ltd | 1,109,791 | 0.73% |
| 15. Mulato Nominees Pty Ltd | 1,000,000 | 0.66% |
| 16. Tenardi DL & Jankowska S (super a/c) | 1,000,000 | 0.66% |
| 17. Topaz Pty Ltd | 1,000,000 | 0.66% |
| 18. UBS Nominees Pty Ltd | 840,000 | 0.55% |
| 19. Tilpa Pty Ltd | 830,000 | 0.55% |
| 20. Merrill Lynch Australia Nominees Pty Ltd | 780,326 | 0.51% |
| | 100,455,876 | 66.08% |

# ASX Additional Information continued

**(d) Substantial shareholders**

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

| | Number of Shares |
|---|---|
| Big Fish Nominees Pty Ltd/Lithgow Family Trust | 19,366,666 |
| Tailrain Pty Ltd | 17,041,667 |
| Dilkara Nominees Pty Ltd | 17,736,667 |
| HD Mining & Investment Pty Ltd | 19,700,000 |

**(e) Voting rights**

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

# ASX Additional Information continued

**(g) Schedule of interests in mining tenements**

| Location | Tenement | Percentage held / earning |
|---|---|---|
| **North Darling Range** | | |
| BerryBrow | E70/3002 | 100% |
| Red Hill | E70/3003 | 100% |
| Gillingarra | E70/3007 | 100% |
| Bindoon | E70/3064 | 100% |
| Jimperding | E70/3159 | 100% |
| Toodyay | E70/3160 | 100% |
| Beechina | E70/3193 | 100% |
| Mt Gorrie | E70/3206 | 100% |
| Muchea | E70/3283 | 100% |
| Moora | E70/3319 | 100% |
| Wooroloo | E70/3365 | 100% |
| Victoria Plans | E70/3405 | 100% |
| West Toodyay | E70/3432 | 100% |
| Muchea West | E70/3433 | 100% |
| Kokendin | E70/3488 | 100% |
| Bookajin | E70/3489 | 100% |
| Avon Valley | E70/3528 | 100% |
| Bald Hill | E70/3537 | 100% |
| Ronan | E70/3538 | 100% |
| Bejoording | E70/3564 | 100% |
| Boonaring Hill | E70/3597 | 100% |
| Coolingoort | E70/3598 | 100% |
| Goodenine Pool | E70/3599 | 100% |
| Thompson Road | E70/3629 | 100% |
| Gillingarry Hill | E70/3630 | 100% |
| Mt Talbot | E70/3651 | 100% |
| Kodara | E70/3688 | 100% |
| Springvale | E70/3706 | 100% |
| Trig Road | E70/3707 | 100% |
| | | |
| **South Darling Range** | | |
| Collie Rd | E70/3102 | 100% |
| Balingup | E70/3164 | 100% |
| Jarrahdale | E70/3194 | 100% |
| Harvey | E70/3195 | 100% |
| Dandalup | E70/3196 | 100% |
| Pt Solid | E70/3197 | 100% |
| Wugong | E70/3204 | 100% |
| Hotham | E70/3205 | 100% |
| Collie | E12/2 | 100% |
| Yanmah | E70/3312 | 100% |
| Nannup | E70/3313 | 100% |
| Boyup Brook | E70/3471 | 100% |
| Mairdebring | E70/3472 | 100% |
| Bridgetown | E70/3473 | 100% |
| Palgarup | E70/3474 | 100% |
| Alco Fire Tower | E70/3532 | 100% |
| Boojetup | P70/1577 | 100% |
| Grimwade | E70/3539 | 100% |
| Wilga West | E70/3540 | 100% |
| Dininup | E70/3565 | 100% |
| Pimelea | E70/3571 | 100% |

# ASX Additional Information continued

| | | |
|---|---|---|
| Wahkinup | E70/3572 | 100% |
| Dondinup | E70/3573 | 100% |
| Gnowergerup | E70/3574 | 100% |
| Carlotta | E70/3575 | 100% |
| Darkan | E70/3576 | 100% |
| Keralarup | E70/3577 | 100% |
| Ginganup | E70/3578 | 100% |
| Moriartys Well | E70/3581 | 100% |
| Meranup | E70/3614 | 100% |
| Southampton | E70/3622 | 100% |
| Mokup Hill | E70/3624 | 100% |
| High Peak | E70/3625 | 100% |
| Wishart Road | E70/3626 | 100% |
| Yornup | E70/3627 | 100% |
| Division Rd | E70/3628 | 100% |
| Donnybrook | E70/3632 | 100% |
| Wilgarrup | E70/3642 | 100% |
| Warrungullup Pool | E70/3643 | 100% |
| Moodiarrup | E70/3644 | 100% |
| Wakalwararup | E70/3655 | 100% |
| Nugulup | E70/3656 | 100% |
| Blackwood | E70/3657 | 100% |
| Wingallup | E70/3686 | 100% |
| **East Darling Range** | | |
| Congelin | E70/3179 | 100% |
| Dattening | E70/3180 | 100% |
| Taurus | E70/3485 | 100% |
| Coodjatotine | E70/3486 | 100% |
| Hotham | E70/3487 | 100% |
| Neika | E70/3490 | 100% |
| Minigin | E70/3491 | 100% |
| Popanyinning | E70/3618 | 100% |
| Williams | E70/3623 | 100% |
| Beverley | E70/3633 | 100% |
| Brookton | E70/3634 | 100% |
| Quanamining Hill | E70/3652 | 100% |

| | | |
|---|---|---|
| **Kimberley Project** | | |
| Gardner Plateau | E04/1853 | 100% |
| Pollard Hill | E80/4180 | 100% |
| King Edward | E80/4181 | 100% |
| Head Hill | E80/4223 | 100% |
| Granvill | E80/4258 | 100% |
| Doongan | E80/4259 | 100% |

| | | |
|---|---|---|
| **Northern Territory** | | |
| Raragala Island | E27303 | 100% |
| Drysdale Island | E27302 | 100% |

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