



**BRL**

# BAUXITE RESOURCES LIMITED

ABN 72 119 699 982

## P R O S P E C T U S

For the offer of 25,000,000 Shares at an issue price of 20 cents each to raise \$5,000,000. Oversubscriptions of up to a further 12,500,000 Shares at an issue price of 20 cents each to raise an additional \$2,500,000 may be accepted.

### Important Information

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay. The Securities offered by this Prospectus should be considered speculative.

### LEAD MANAGER TO THE OFFER

**Cunningham**  
**Securities** Pty Ltd

Holder of Australian Financial Services Licence No 294848

## CORPORATE DIRECTORY

### Directors

Luke F Atkins  
**Executive Chairman**

Robert J Nash  
**Non Executive Director**

Neil A Lithgow  
**Non Executive Director**

**Company Secretary**  
Luke F Atkins

### Lead Manager to the Offer

Cunningham Securities Pty Ltd  
Level 34, Exchange Plaza  
2 The Esplanade  
Perth WA 6000

Telephone (08) 9223 2222  
Facsimile (08) 9223 2211  
Email [info@cunninghamsec.com.au](mailto:info@cunninghamsec.com.au)  
Web [www.cunninghamsec.com.au](http://www.cunninghamsec.com.au)

### Registered Office

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East Perth WA 6004

Telephone (08) 9221 5019  
Facsimile (08) 9221 4385  
Email [admin@bauxiteresources.com.au](mailto:admin@bauxiteresources.com.au)

### Investigating Accountant

Moore Stephens Perth Corporate Services Pty Ltd  
Level 3, 12 St George's Terrace  
Perth WA 6000

Telephone (08) 9225 5355  
Facsimile (08) 9225 6181

### Website

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

### Share Registry

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Suite 1, 770 Canning Highway  
Applecross WA 6153

Telephone (08) 9315 2333  
Facsimile (08) 9315 2233

### Solicitors to the Company

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Level 4, Next Building  
16 Milligan Street  
Perth WA 6000

Telephone (08) 9321 4000  
Facsimile (08) 9321 4333

### Auditors

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

Telephone (08) 9225 5355  
Facsimile (08) 9225 6181

### Independent Geologist

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49 Ord Street  
West Perth WA 6005

Telephone (08) 9226 3606  
Facsimile (08) 9226 3607

### Stock Exchange Listing – ASX

ASX Code – BAU

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Bauxite laterites in Darling Range, Western Australia

## **IMPORTANT NOTICE**

This Prospectus is dated 13 August 2007 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which the Prospectus relates.

The expiry date of this Prospectus is at 5.00pm WST on that date which is 13 months after the date this Prospectus was lodged with the ASIC (**Expiry Date**). No securities may be issued on the basis of this Prospectus after the Expiry Date.

Application will be made to ASX within seven (7) days after the date of this Prospectus for Official Quotation of the Shares the subject of this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

## **WEB SITE – ELECTRONIC PROSPECTUS**

A copy of this Prospectus can be downloaded from the website of the Company at [www.bauxiteresources.com.au](http://www.bauxiteresources.com.au). Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an application form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

## **EXPOSURE PERIOD**

This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. Potential investors should be aware that this examination may result in the identification of deficiencies in the Prospectus and, in those circumstances, any application that has been received may need to be dealt with in accordance with Section 724 of the Corporations Act.

Applications for Shares under this Prospectus will not be processed by the Company until after the expiry of the Exposure Period. No preference will be conferred on persons who lodge applications prior to the expiry of the Exposure Period.

## **MATERIAL RISKS**

The Company and its proposed operations are subject to a number of risks. Set out below are the more significant risks specific to the Company. Section 10 contains a detailed description of all risks associated with an investment in the Company.

The mineral tenements of the Company as described in this Prospectus are at various stages of application and grant. There can be no assurance that the tenement applications that are currently in the pending status will be granted or that when a tenement is granted, that it will be granted in its entirety. Some of the tenement area applied for may be excluded.

Some of the tenements cover ground that has been released pursuant to clauses within Western Australian Government State Agreements, which may exclude the right to explore for, or mine bauxite. While the Company will endeavour to negotiate with the State Government and other relevant parties to secure the bauxite exploration and mining rights for these areas, there can be no guarantee that the Company will be able to negotiate the bauxite rights to these areas.

Where the tenements cover freehold land, the Company will be required to negotiate with landholders in order to gain access. There exists a number of conditions whereby freehold landowners are entitled to withhold permission to access their land for the purpose of exploration. While the Company will endeavour to secure access to these areas, there can be no guarantee that these endeavours will be successful.

## 1 INVESTMENT HIGHLIGHTS

- ★ Tenement applications over 5,459 km<sup>2</sup> of highly prospective bauxite ground.
- ★ Tenements in world class bauxite production region, the Darling Ranges.
- ★ Tenements adjacent to world class bauxite resources in the Kimberley.
- ★ Tenements cover part of historical CSR/Pacminex Muchea Alumina Project area.
- ★ Substantial historical data including plant feasibilities and resource estimations.
- ★ Potential to discover substantial bauxite resources.
- ★ Close proximity to ports, rail, major road networks and alumina refineries.
- ★ Close proximity to export markets.
- ★ Rising bauxite and aluminium prices in recent years.
- ★ Expanding Chinese bauxite market.
- ★ State Government proactive on aluminium development.
- ★ Recent consolidation of the bauxite/alumina industry may give rise to opportunities for junior producers.
- ★ Listed option to be issued approximately 12 weeks from listing.
- ★ Evaluate direct shipping of bauxite ore to generate an early cash flow.

## 2 CHAIRMAN'S LETTER

Dear Investor,

I am pleased to present this Prospectus to you with an offer to become a shareholder of Bauxite Resources Limited, an Australian exploration company based in Perth, Western Australia and focused on the exploration and development of bauxite resources in Australia.

The Company has been extremely fortunate in securing approximately 5,459 square kilometres of ground highly prospective for bauxite in the Darling Ranges which is responsible for 17% of the world's alumina production and the Kimberley which is known to host some of the largest known undeveloped bauxite resources.

The Company has one granted tenement and 24 applications for tenements and comprise of three project areas as follows:

- The **Mucea Project** covers part of the Darling Range ground that was previously explored in the 1960s and 70s by CSR and Pacminex. Over two million dollars was spent on the CSR/Pacminex project which included an extensive drilling program, metallurgical test work, resource estimations and plant feasibilities. The Mucea project covers ground that extends beyond the CSR/Pacminex exploration area and is reported to contain bauxitic laterite.
- The **South Darling Range Project** consists of freehold ground adjacent to Alcoa's Huntly and Willowdale mines, the largest bauxite producing region in the world, and areas surrounding Alcoa's mineral lease area.
- The **Kimberley Project** is adjacent to bauxite exploration areas and in the vicinity of Mitchell Plateau and Cape Bougainville which contain some of the largest known bauxite deposits in the world.



Darling Range field trip

Our strategy is to seek to identify sufficient resources to develop a sustainable bauxite export industry and to assess potential resources for the viability of establishing an alumina refinery thus enabling the Company to capitalise on the increasing world demand for aluminium.

This is an exciting opportunity and on behalf of my fellow Directors I invite you to become a shareholder in Bauxite Resources Limited.

Yours faithfully

Handwritten signature of Luke F Atkins in orange ink.

**Luke F Atkins**

**Chairman**

13 August 2007

## 3 INVESTMENT OVERVIEW

### 3.1 Important Notice

This section is not intended to provide full information for investors intending to apply for Shares offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

### 3.2 Strategic Objectives

The strategic objective of the Company is to carry out an intensive exploration program of resource definition in conjunction with local communities, environmental and key stake holders. The Company aims to develop a sustainable bauxite export industry and to further assess the feasibility of the establishment of an alumina refinery.

### 3.3 Indicative Timetable

Lodgement of Prospectus with the ASIC	13 August 2007
Opening Date	13 August 2007
Closing Date	26 October 2007
Despatch of Holding Statements	2 November 2007
Expected date for listing on ASX	7 November 2007

### 3.4 Purpose of the Offer and Use of Proceeds

It is intended to apply funds raised from the Offer of \$5M and existing cash reserves of \$1.1M as follows:

Item	Year 1 (\$)	Year 2 (\$)	Total (\$)
Evaluation and exploration	890,000	1,105,000	1,995,000
Loan Repayment	101,000		101,000
Plant and Equipment	500,000		500,000
Expenses of Offer	510,000		510,000
Administration	790,000	853,000	1,643,000
Working Capital			1,351,000
			<b>6,100,000</b>

The minimum subscription for the Offer is \$4,000,000. Should the minimum subscription be raised, the ability of the Company to meet all of the expenditure conditions of the Tenements and other expenditure requirements in general will not be affected. If less than the full subscription is received, the amount of unallocated working capital will be reduced by a maximum of \$1,000,000.

In the event oversubscriptions (of up to \$2,500,000) are accepted they will be applied to unallocated working capital. Following completion of the Offer, the Company will have sufficient working capital to carry out its stated objectives.

### 3.5 Capital Structure

The capital structure of the Company following completion of the Offer is summarised below:

Shares	Number	%
Foundation Shares	54,000,000	57
Private Fund Raising Shares	16,137,500	17
Shares now offered	25,000,000	26
<b>Total Shares on issue at completion of the Offer</b>	<b>95,137,500</b>	<b>100</b>

Options	
<b>Total Options on issue</b>	<b>9,000,000</b>

#### Restricted securities

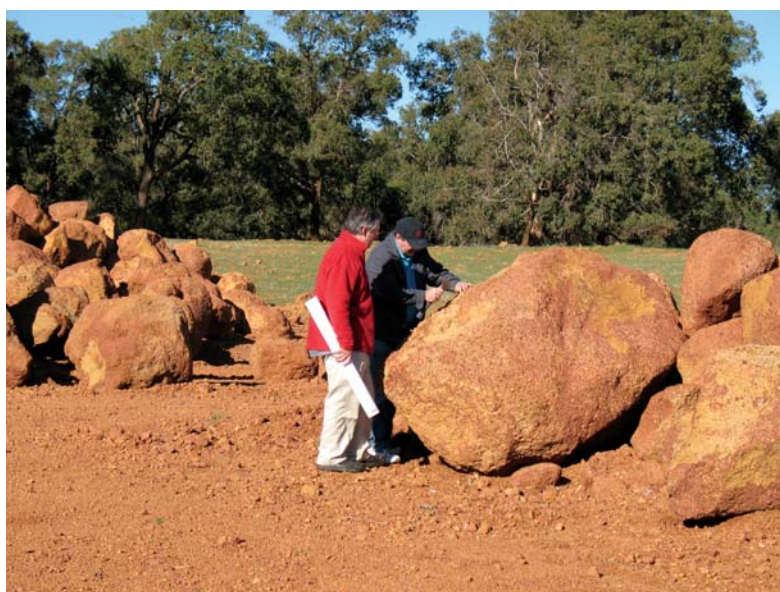
Subject to the Company being admitted to the Official List, certain of the Shares and Options on issue prior to the Offer are likely to be classified by ASX as restricted securities and will be required to be held in escrow.

### 3.6 Risk Factors

Prospective investors in the Company should be aware that subscribing for Shares the subject of this Prospectus involves a number of risks. These risks are set out in Section 10 of this Prospectus and investors are urged to consider those risks carefully (and if necessary, consult their professional adviser) before deciding whether to invest in the Company.

The risk factors set out in Section 10, and other general risks applicable to all investments in listed securities not specifically referred to, may in the future affect the value of the Shares offer pursuant to this Prospectus. Accordingly, an investment in the Company should be considered speculative.

Measured in either quantity or value; aluminium's use exceeds that of any other metal, except iron.



Darling Range field trip





## 4 COMPANY AND PROJECT OVERVIEW

### 4.1 BAUXITE > ALUMINA > ALUMINIUM

#### Bauxite

Australia produces over 40% of the world's bauxite. Brazil, Guinea, and Jamaica are other significant producers.

Australia and Guinea have about one-half of the world's reserves. Other countries with major reserves include Brazil, Jamaica, and India.

#### Alumina

Most bauxite is first processed to make alumina (aluminium oxide), a white granular material. Alumina is lighter than bauxite because the water has been removed and it flows readily in processing plants, unlike bauxite which has a muddy consistency.

Practically all the world's alumina production is made by the process known as the "Bayer Process" which was first developed in 1887.

Australia, the United States, and China are the largest producers of alumina.

#### Aluminium

Aluminium metal is refined from alumina, usually in industrialised countries having abundant supplies of cheap hydroelectric power. The refining process is the Hall-Heroult Process, named after Charles Hall of the U.S. and Paul L.T. Heroult of France, who each independently invented the process in 1866. In this process, alumina (aluminium oxide) is dissolved in molten cryolite (cryolite is an aluminium fluoride mineral,  $\text{Na}_3\text{AlF}_6$ ). The alumina is then separated into its elements by electrolysis.

The largest producers of aluminium metal are Russia, China, the United States and Canada, countries which have abundant hydroelectric power. More than 40 other countries also produce aluminium, including Norway, Iceland, Switzerland, Tajikistan and New Zealand. Other areas of the world with access to abundant and cheap electricity, such as the Middle East, are also expanding their metal production capacities.

#### Uses

About 85% of all the bauxite mined worldwide is used to produce alumina for smelting into aluminium metal. Another 10% produces alumina which is used in chemical, abrasive, and refractory products. The remaining 5% of bauxite is used to make abrasives, refractory materials, and aluminium compounds.

The lightness, strength, and corrosion resistance of aluminium are important considerations in its application. Aluminium is used in transportation, packaging such as beverage cans, building construction, electrical applications and other products.

In 2006  
the price of  
Bauxite  
imported by  
China rose  
28% to a price  
of US \$45  
a tonne

## 4.2 The Expanding Market

Due to a combination of factors, including continued above average growth of the Chinese economy, the higher cost of treating Chinese domestic bauxite and the low capital and operating costs of Chinese alumina refineries, we expect that future demand for bauxite (FOB) sales to China will continue to grow rapidly.

### Recent Market Changes

Over the past five years some major changes have happened to the aluminium market.

There has been considerable consolidation within the industry. This consolidation within the industry has been evidenced with takeovers of Alumax, Inespal, Almix and Reynolds by Alcoa; Alusuisse and Pechiney have been acquired by Alcan Inc and further consolidation of refineries in Russia and China. As a result Alcoa has become the major alumina supplier on a global level and Chalco, Aluminium Corp. of China Ltd, has become the major alumina supplier of China. More recently Rio Tinto has made an offer to acquire Alcan Inc for US\$38.1 billion.

With only one new refinery that has been built in recent years, many alumina buyers are greatly concerned by the shortage of alumina supply and the increased competition for this commodity.

### Growth in Demand

Today, it is clear that the major aluminium companies underestimated the explosive growth of the Chinese economy, and particularly the dramatic increase of the country's aluminium smelting capacity. This capacity has grown from the production of 1.9 million tonnes in 1995 to 5.5 million tonnes in 2003. During the same time period, domestic alumina production could not keep pace with demand, increasing from 2.2 million tonnes to 6.1 million tonnes.

China's remarkable growth over the past decade in excess of 13% per year has fuelled an unprecedented demand for Australian commodities and by 2006, annual aluminium production by China had reached 9.2 million tonnes. China's strong domestic growth continues the increased consumption of aluminium which has risen by 47% year on year in the first quarter of 2007.

**Aluminium  
consumption  
in China  
increased by  
47% year on  
year in the  
first quarter  
on 2007**

The strong Chinese demand for aluminium, together with the predictable, continued growth of global demand, worldwide alumina capacity has proven insufficient and the result has been increases in spot prices for alumina.

If China's growth in demand for Australian commodities continues in future years then opportunities for companies positioned to supply this increased demand are likely to arise.

## Global Aluminium Shortage

Currently, alumina production worldwide is operating at close to full utilisation capacity, and therefore increased capacity can only be realised by either expanding the capacity of existing refineries or by building new refineries.

Over the past three decades, the majority of new alumina refining capacity has been realised through expansions. Industry forecasts estimate that over the next ten to fifteen years there will be up to fifteen million tonnes of new alumina refining capacity made available through expansions. Alone, these expansions would not be sufficient to satisfy worldwide alumina demand. Furthermore, the ability to continually expand existing refineries is limited due to bauxite availability, environmental considerations, infrastructure constraints and/or overall plant economics. Therefore, the opportunity for new refinery developments exist in politically stable regions with sufficient bauxite reserves.



**Figure 1** 5 Year LME Aluminium Warehouse Stock Levels

China imported 1 million tonnes of bauxite in 2005 and 6 million tonnes in 2006

## Rising Aluminium Prices

Aluminium prices remain high in the first five months of 2007, driven principally by strong demand. World aluminium prices averaged US\$2800 a tonne (US127c/lb) about 10% higher than in the corresponding period of 2006.

Aluminium prices remain high in the first five months of 2007

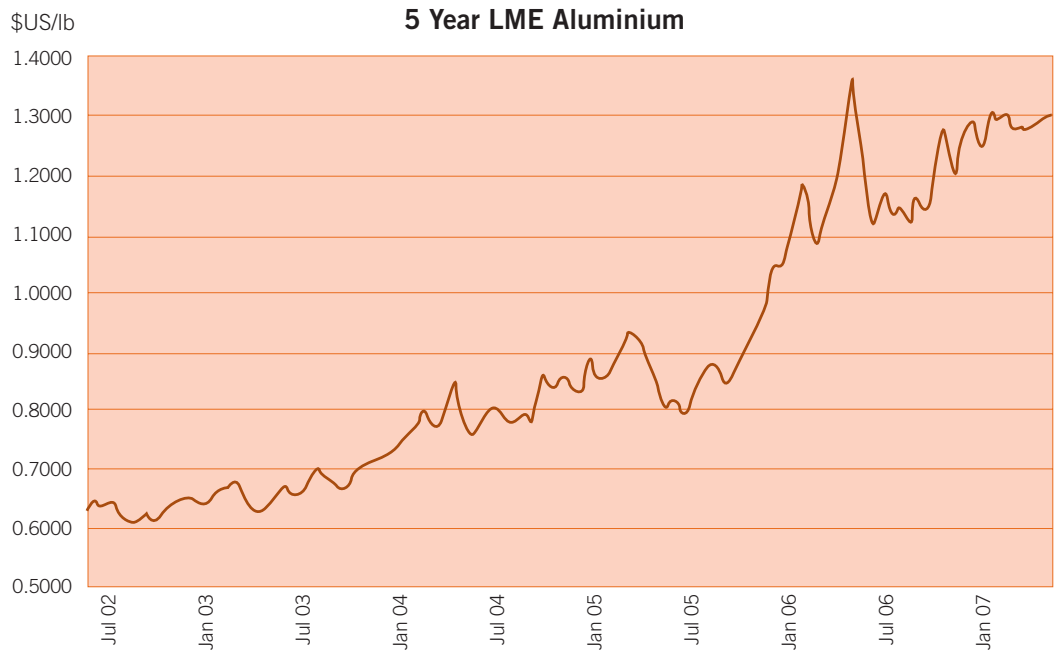


Figure 2 5 Year LME Aluminium Prices

## 4.3 Company Background

The Company was incorporated on 15 May 2006 for the purpose of securing tenements over land deemed prospective for bauxite mineralisation. The Company has identified three separate projects areas which the directors believe may have the potential for the realisation of economic bauxite resources. The Company has made application for 25 tenements covering these three project areas.

Two of these areas are in the world class bauxite region of the Darling Ranges of Western Australia. The Darling Range bauxite production accounts for approximately 17% of the total world alumina production and is one of the largest bauxite producing regions in the world.

The third area is in the Kimberley region where existing world class bauxite resources have been defined but are yet to be proved economic.

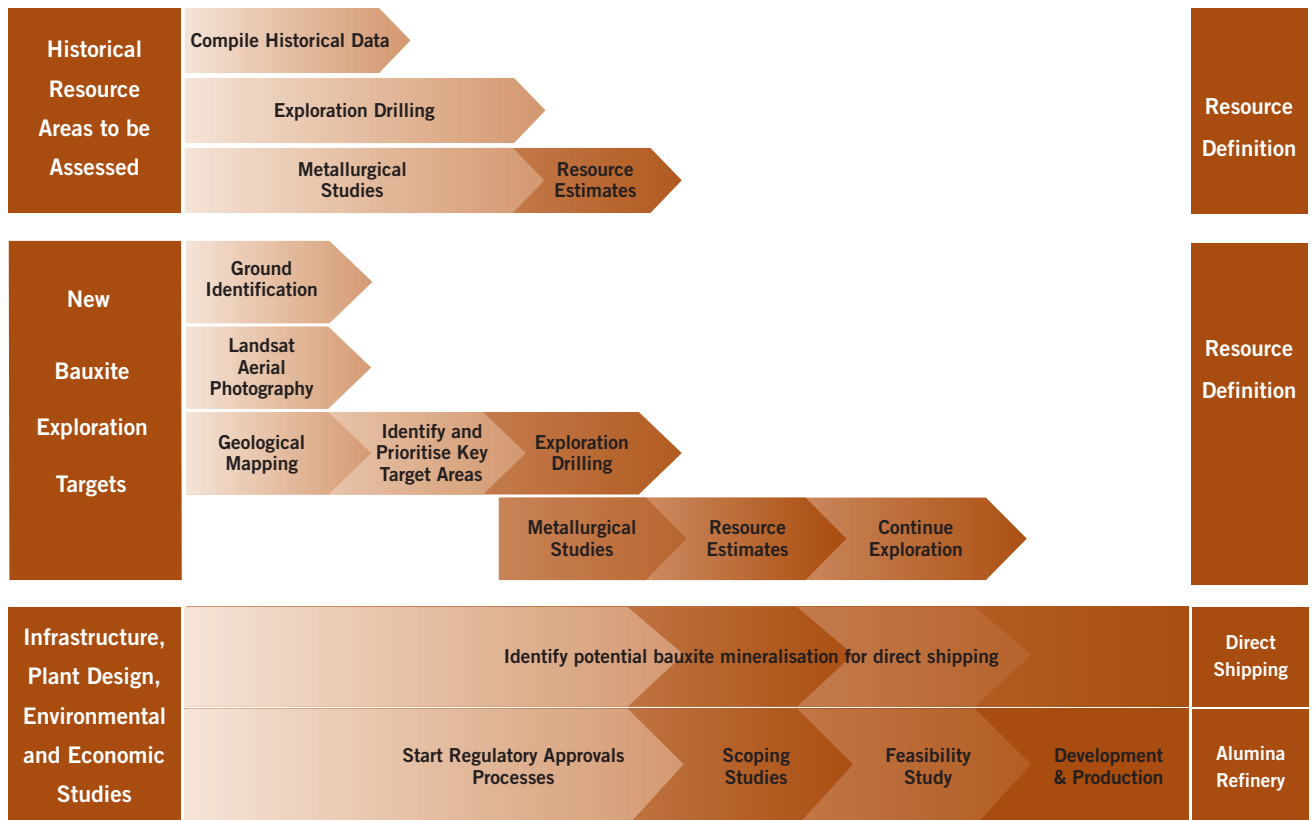
## 4.4 The Projects

### Bauxite / Alumina Strategy

The Company has applied for tenements in three project areas presenting different value propositions and exploration strategies with the primary aim being to initially identify economic bauxite resources.

In conjunction with local communities, environmental and key stake holders, the Company intends to carry out an intensive exploration program of resource definition in order to develop a sustainable bauxite export industry by direct shipping and to further assess potential resources with a view to the development of an alumina refinery.

#### Exploration and Development Value Matrix



## Muceha Project 1,532km<sup>2</sup>

The Muceha project covers part of an area in the Darling Range which was the subject of major exploration work completed in the late 1960's and 70's by CSR, Pacminex and Project Mining Corporation. By April 1970, 9,820 holes with 172,735 feet were drilled and 87,950 samples were analysed. In excess of two million dollars is reported to have been spent on the project by the joint venture parties.

Tenements held by the company in the Muceha Project area also cover significant areas with bauxite laterites indicated from the Geological Survey of Western Australia 1:250,000 scale map sheets. Field verification by the company confirms extensive bauxite laterites within its tenements. To the knowledge of the Company no exploration to assess the economic potential of these additional bauxitic laterites has been carried out to date.

The bauxite laterites are largely preserved on plateaus and form outcropping ridges. The historical drilling has largely identified bauxite mineralisation from surface to a maximum depth of 12 metres. The bauxite laterites are commonly 2 to 3 metres in thickness and overlie a distinguishable saprolite weathered zone.

Comprehensive drilling programs are planned to establish JORC compliant resource estimates in the areas of bauxite mineralisation that previously formed part of the feasibility studies by Pacminex (1970-1975) and CSR (1971-1975).

The Company's strategy is to initially compile the historical exploration drilling and assaying data completed by previous companies and to carry out detailed geological mapping with aerial photography and Landsat interpretation to identify and prioritise significant bauxite mineralised areas. The interpretations will require field verification and are to be completed prior to further exploration drilling.

The drilling will initially focus on those areas identified by Pacminex and CSR as containing economic bauxite mineralisation for which there exist non JORC compliant resources estimates reported by those companies and then to focus on other areas identified by the Company.

It is also proposed to undertake preliminary scoping studies and infrastructure studies for building an alumina refinery to process the bauxite into alumina. As part of this detailed metallurgical work, environmental and planning studies will be completed.

Some of the tenements cover areas that were previously held by Alcoa and Worsley Alumina pursuant to State Agreements. The terms of the State Agreements may effect the Company's application to explore for bauxite; however the Company intends to negotiate with the relevant parties in an endeavour to secure bauxite exploration and mining rights to these areas.

The Muceha and South Darling Range tenement applications are within close proximity of ports, rail, major road networks and alumina refineries.

### South Darling Range Project 2,260km<sup>2</sup>

The South Darling Range project covers privately owned land within the Alcoa state agreement area as well as ground adjoining Alcoa and Worsley Alumina's mineral lease areas extending from Jarradale in the north and south to Balingup. The South Darling Range project covers areas previously identified in historical reports prepared by Project Mining and Bridge Oil Pty Ltd as containing bauxite resources. The Project covers additional areas reported in geological surveys of Western Australia mapping as containing bauxitic laterites.

The Company proposes to carry out a review of all historical data available to the Company on this project area in conjunction with a landsat, aerial photography and a geological mapping program in order to prioritise exploration drilling activity. The Company strategy for the Darling Range Project area is to endeavour to identify sufficient bauxite resources to ship bauxite ore direct to overseas markets. Some of the tenements cover areas that were previously held by Alcoa and Worsley pursuant to State Agreements. The terms of the State Agreements may effect the Company's application to explore for bauxite, in which case the Company intends to negotiate with the relevant parties in an effort to secure bauxite exploration and mining rights to these areas.

### Kimberley Bauxite Project 1,765km<sup>2</sup>

Some of the largest known bauxite reserves in the world are in the Kimberley Mitchell Plateau and Cape Bougainville areas. The Kimberley project covers areas in the vicinity of the Mitchell Plateau that are adjacent to bauxite exploration areas and in the area of those held by Alcoa of Australia Ltd. United Minerals Corporation Ltd has commenced exploration for bauxite in recent months in the area and has entered in a joint venture agreement with Norsk Hydro to explore the possibility of bauxite mining and alumina refining in the region. A Japanese energy company Inpex plans to build a multibillion-dollar export liquefied natural gas development in the Browse Basin, offshore Kimberley, Western Australia.

The advent of recent and possible future major infrastructure projects in the area offers new and exciting exploration opportunities which the company intends to actively pursue through the application of an extensive exploration program.

#### 4.5 Established Bauxite Mining and Technical Skill Base

The mining and refining of bauxite into alumina are mature businesses in Western Australia and there exists an industry of people with the strong geological and technical skill sets required for the building of a new integrated bauxite mining and alumina operation in Western Australia.

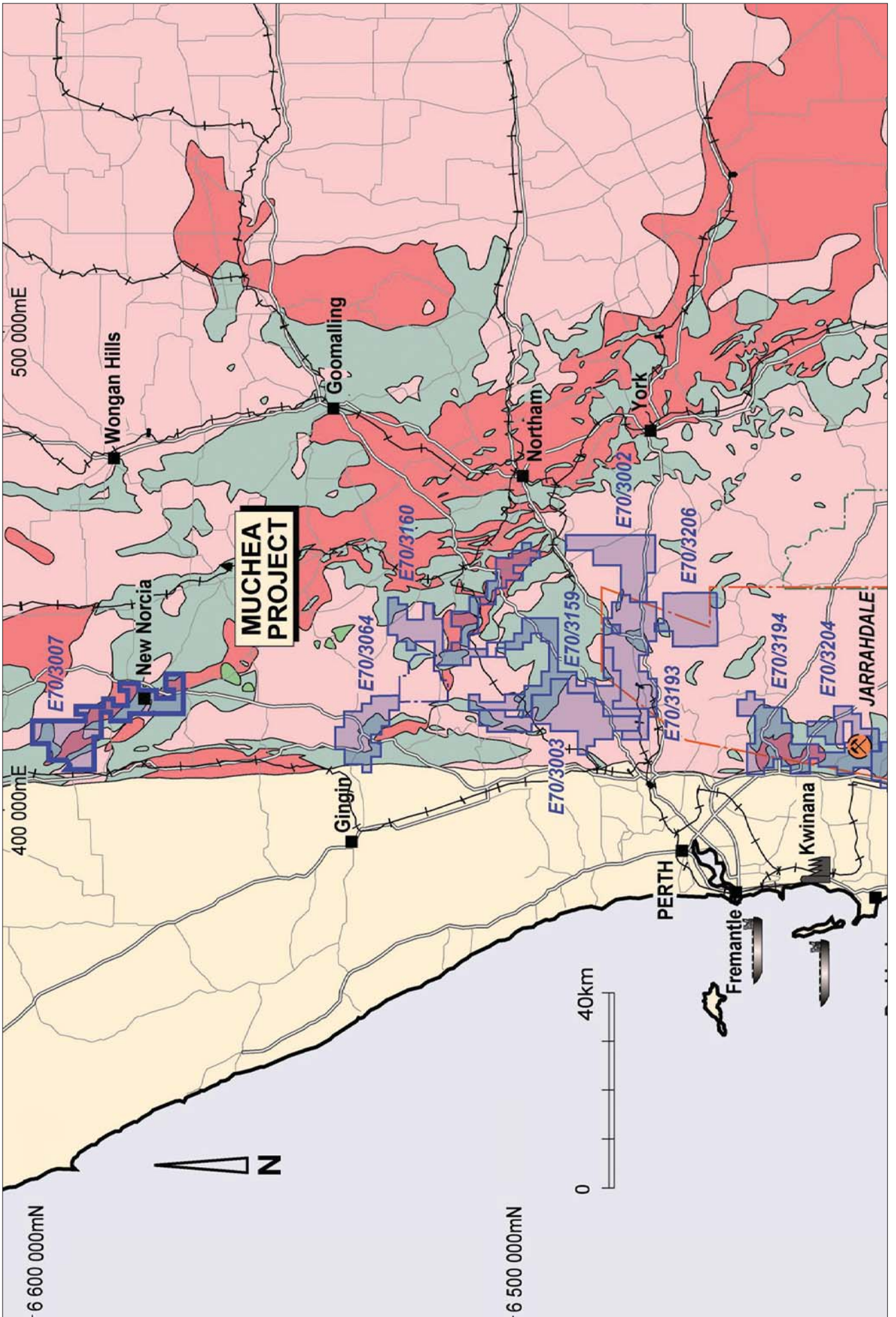
#### 4.6 Environmental Sustainability

The Company is committed to carrying out its business in an environmentally sustainable manner. To this end the Company intends to develop a comprehensive environmental policy with key stakeholders.

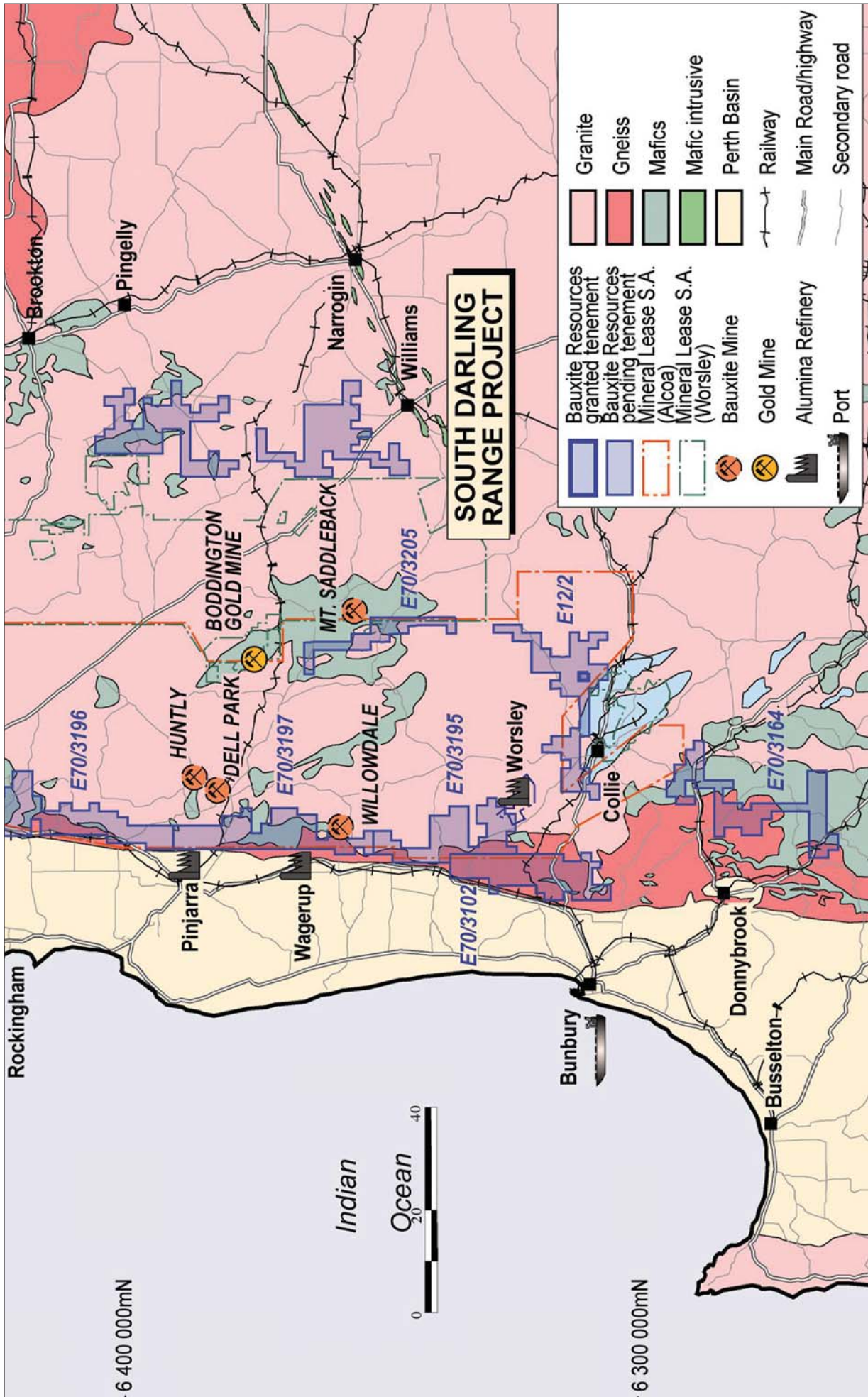
#### 4.7 Community and Indigenous Relations

The Company is committed to building mutually beneficial relationships with indigenous stakeholders and community groups. The Company considers good communication, negotiation and ongoing participation between parties as one of the key success factors by which it will measure its performance.

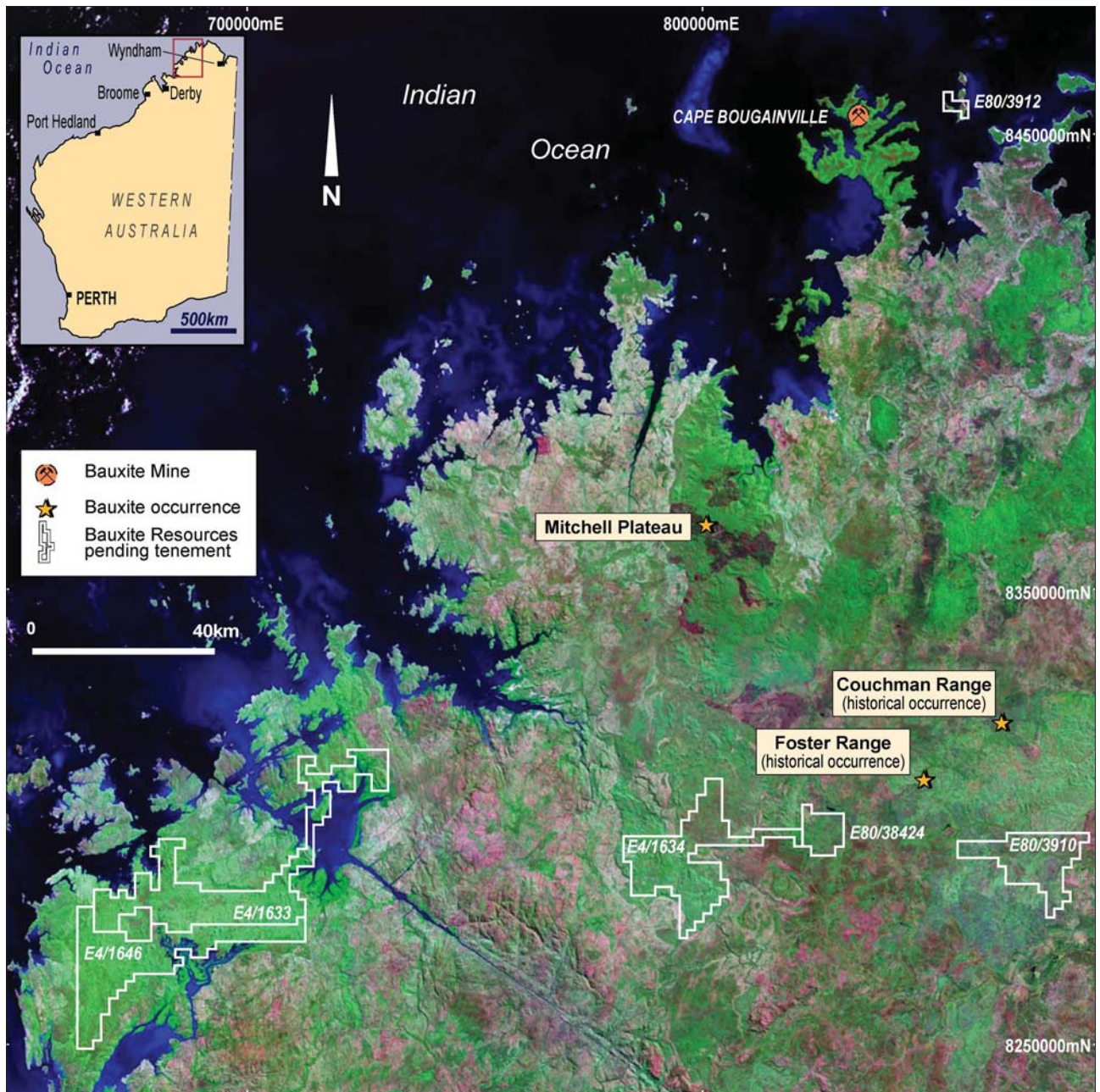
New market opportunities exist with the increase in joint venture funding by parties interested in securing access to the supply of bauxite.







Darling Range Region Tenements



Satellite image of Kimberley region tenements

## 4.8 Overview of the Projects

Full details of project tenements are contained within the Independent Geologist's Report and the Solicitor's Report on tenements.

### (a) Muchea Project Localities

- BerryBrow
- Red Hill
- Gillingarra
- Bindoon
- Jimperding
- Toodyay
- Beechina
- Mt Gorrie

### (b) South Darling Range Project Localities

- Collie Rd
- Balingup
- Jarrahdale
- Harvey
- Dandalup
- Pt Solid
- Wugong
- Hotham
- Collie
- Congelin
- Dattening

### (c) Kimberley Project Localities

- Prince Regent
- Mitchell Plateau South
- Mt King
- Sharp Hill
- Mt Horace
- Eclipse Islands

## 4.9 Company Approach

Whilst the Company has a defined exploration program, its ongoing implementation will involve a regular assessment of its exploration results. The Company will regularly review its exploration program based on these assessments and may from time to time alter its exploration focus and direction so as to maximise the achievement of the Company's asset base.



Bauxite laterite in the Darling Ranges

The Company plans to evaluate direct shipping opportunities of bauxite to generate an early cash flow.

## 5 DETAILS OF THE OFFER

### 5.1 The Offer

By this Prospectus, the Company offers for subscription 25,000,000 Shares at 20 cents each to raise \$5,000,000.

The Shares offered under this Prospectus will rank equally with the existing Shares on issue.

### 5.2 Applications

Applications for Shares under the Offer must be made using the Application Form attached to this Prospectus.

Payment for the Shares must be made in full at the issue price of 20 cents per Share. Applications for Shares must be for a minimum of 10,000 Shares and thereafter in multiples of 2,000 Shares. Completed Application Forms and accompanying cheques must be mailed or delivered to:

[By Hand] **Security Transfer Registrars Pty Ltd**  
Alexandrea House  
Suite 1, 770 Canning Highway  
Applecross WA 6153

or

[By Mail] **Security Transfer Registrars Pty Ltd**  
PO Box 535  
Applecross WA 6953

Cheques should be made payable to “**Bauxite Resources Limited – Share Offer Account**” and crossed “Not Negotiable”. Completed Application Forms must reach one of the above addresses by no later than the Closing Date.

The Company reserves the right to close the Offer early.

### 5.3 Oversubscriptions

The Company may accept oversubscriptions of up to a further 12,500,000 Shares at an issue price of 20 cents each to raise up to an additional \$2,500,000. The maximum amount which may be raised under this Prospectus is therefore \$7,500,000.

### 5.4 Allotment

Subject to ASX granting approval for the Company to be admitted to the Official List, allotment of Shares offered by this Prospectus will take place as soon as practicable after the Closing Date. Prior to allotment, all application monies shall be held by the Company on trust. The Company, irrespective of whether the allotment of Shares takes place, will retain any interest earned on the application monies.

The Directors reserve the right to allot Shares in full for any application or to allot any lesser number or to decline any application. Where the number of Shares allotted is less than the number applied for, or where no allotment is made, the surplus application monies will be returned by cheque to the applicant within fourteen (14) days of the allotment date.

## 5.5 Minimum Subscription

The minimum subscription to be raised pursuant to this Prospectus is \$4,000,000. If the minimum subscription has not been raised within four (4) months after the date of this Prospectus, all applications will be dealt with in accordance with the Corporations Act.

## 5.6 Entitlement Issue of Options after listing

No Options are being issued by this prospectus. All Shareholders registered at a record date to be determined approximately 12 weeks after the Shares are admitted to the Official List of ASX will be entitled to participate in a nonrenounceable entitlement of Options on the basis of one Option for every two Shares held. The Options will be issued at 1 cent each with an exercise price of 20 cents each and an expiry date of 31 January 2009. An offer document for the entitlement issue of Options may be issued when the Options are offered. Shareholders registered at the record date who wish to subscribe for Options will need to complete the application form that will accompany and form part of the disclosure document at that time.

## 5.7 ASX Listing

The Company will apply to ASX within seven (7) days after the date of this Prospectus for admission to the Official List and for Official Quotation of the Shares offered under this Prospectus. If ASX does not grant permission for Official Quotation of the Shares within three (3) months after the date of this Prospectus, or such longer period as is permitted by the Corporations Act, none of the Shares offered by this Prospectus will be allotted or issued. In that circumstance, all applications will be dealt with in accordance with the Corporations Act.

## 5.8 Applicants outside Australia

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify these Shares or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside Australia.

It is the responsibility of applicants outside Australia to obtain all necessary approvals for the allotment and issue of the Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by the applicant that all relevant approvals have been obtained.

## 5.9 Lead Manager to the Offer

Cunningham Securities Pty Ltd is a holder of Australian Financial Services Licence Number 294848 and is the Lead Manager to the Offer. Full details of the terms of the agreement are set out in Section 11.3 of the Prospectus.

## 5.10 Commissions on Application Forms

The Company reserves the right to pay a commission of 5.5% (inclusive of goods and services tax) of amounts subscribed to any licensed securities dealers or Australian Financial Services licensee in respect of valid applications lodged and accepted by the Company and bearing the stamp of the licensed securities dealer or Australian Financial Services licensee. Payments will be subject to the receipt of a proper tax invoice from the licensed securities dealer or Australian Financial Services licensee.

## 5.11 CHESS

The Company will apply to participate in the Clearing House Electronic Subregister System (**CHESS**). CHESS is operated by ASX Settlement and Transfer Corporation Pty Ltd (**ASTC**), a wholly owned subsidiary of ASX, in accordance with the Listing Rules and the ASTC Settlement Rules.

Under CHESS, the Company will not issue certificates to investors. Instead, Shareholders will receive a statement of their holdings in the Company. If an investor is broker sponsored, ASTC will send a CHESS statement.

## 5.12 Privacy Statement

If you complete an Application Form for Shares, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your Shares in the context of takeovers; regulatory bodies, including the Australian Taxation Office; authorised securities brokers; print service providers; mail houses and the Share Registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the Share Registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules such as the ASTC Settlement Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

## 6 BOARD

### Directors

#### **Luke Frederick 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 proprietary companies with involvement in the areas of mineral exploration, investment, property development and manufacturing.

#### **Neil Alexander Lithgow MSc, F.Fin, M.AusIMM**

**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 Ltd, Eagle Mining Corporation and De Grey Mining Ltd 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.

#### **Robert John 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 West 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.

### Consultant

#### **Cliff Harding B.Sc.(Eng), F.AIMM, C.P.AusIMM, MSME(USA)**

**Advisor to the Board**

Mr Harding has been a mining engineer for over 35 years and is the principal of Cliff Harding and Associates Pty Ltd. His substantial experience covers mining operations in bauxite, coal, iron ore and gold where he has held the positions of Managing Director, Mine Manager and General Manager.

He worked for a period of approximately 5 years with Alcoa of Australia where he was initially responsible for managing the bauxite mining operation at the Huntly mine. He was later appointed as Manager Mining WA Operations responsible for Jarrahdale, Del Park, Huntly and Willowdale, mining approximately 18 MTPA and responsible for the rehabilitation of 300 hectares per annum.

Mr Harding brings to the company extensive specialised experience in the bauxite alumina industry in particular to the areas of mine management and rehabilitation of mining sites.

## 6.1 Corporate Governance

The Directors monitor the business affairs of the Company on behalf of Shareholders and have formally adopted a corporate governance policy which is designed to encourage Directors to focus their attention on accountability, risk management, ethical conduct and conflicts of interest.

The Company has adopted systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

Further information about the Company's corporate governance practices will be set out on the Company's website at [www.bauxiteresources.com.au](http://www.bauxiteresources.com.au). In accordance with the recommendations of the ASX, information published on the Company's website will include charters (for the board and its sub-committees), codes of conduct and other policies and procedures relating to the board and its responsibilities.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance structures will be given further consideration.



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8 August 2007

The Directors  
Bauxite Resources Limited  
35/82 Royal Street  
EAST PERTH WA 6005

Dear Sirs

## **INDEPENDENT GEOLOGIST'S REPORT ON THE MINERAL ASSETS OF BAUXITE RESOURCES LIMITED**

At your request Corvidae Pty Limited as Trustee for Ravensgate Unit Trust trading as Ravensgate (hereinafter referred to as Ravensgate) has prepared an Independent Geologist's Report on the mineral assets of Bauxite Resources Limited ('Bauxite Resources' or 'BRL') located in Western Australia. It is intended that this report will be included in a Prospectus to be lodged by Bauxite Resources with the Australian Securities and Investments Commission (ASIC). The purpose of the Prospectus is to offer for subscription up to 25,000,000 ordinary shares at an issue price of \$0.20 per share to raise a total of \$5,000,000 before costs of the issue to fund the future exploration of Bauxite Resources' projects. Oversubscriptions of up to a further 12,500,000 shares at an issue price of \$0.20 per share to raise up to a further \$2,500,000 may be accepted.

Ravensgate has not been requested to provide an Independent Valuation of the mineral assets, nor has it been asked to comment on fairness or reasonableness of any vendor or promoter consideration, and it has therefore not offered any opinions on these matters.

Ravensgate has based its review of Bauxite Resources' projects on information provided by Bauxite Resources along with technical reports prepared by government agencies and previous tenement holders, as well as other relevant published and unpublished data.

Ravensgate has made all reasonable enquiries to establish the authenticity and completeness of the technical data on which this report is based.

Bauxite Resources was given a final draft of this report, and thereby given an opportunity to identify any material errors or omissions. Where appropriate, and in accordance with ASIC Practice 55 and Update 183, consent has been obtained to quote data and opinions expressed in unpublished reports prepared by other professionals on the properties concerned.

Bauxite Resources' projects consist of twenty five exploration licences over prospective areas in the Darling Range of the Southwest region and in the Kimberley region of Western Australia. The total area covered by the tenements is approximately 5,459km<sup>2</sup>. The legal status associated with the tenure of the Bauxite Resources' projects has not been verified by Ravensgate, and is discussed elsewhere in this Prospectus (see Solicitor's Report).



This report has been prepared in accordance with the Code and Guidelines for the Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports (the VALMIN Code, 2005), which is binding upon members the Australian Institute of Mining and Metallurgy (AusIMM) and members of the Australian Institute of Geoscientists (AIG), as well as the rules and guidelines pertaining to Independent Expert Reports issued by the Australian Securities Exchange (ASX).

The properties which Bauxite Resources holds, or are earning an interest in, are considered to be 'exploration prospects', which are inherently speculative in nature. However, Ravensgate is of the opinion that the projects have been acquired on the basis of sound technical merit. Ravensgate considers that the properties are sufficiently prospective to warrant further exploration and assessment of their economic potential, and that the exploration budget proposed is adequate for this purpose.

Exploration and evaluation programmes summarised in the report involve a total expenditure of approximately \$2.0 million committed to exploration and evaluation, of which Bauxite Resources intends to spend approximately \$0.9 million in the first year of investigation. Bauxite Resources intends to raise \$5.0 million and more than half the liquid assets held, or funds proposed to be raised by Bauxite Resources are understood to be committed to acquisition, exploration, development and administration of the mineral properties.

Ravensgate also understands that Bauxite Resources will have sufficient working capital to carry out its stated objectives, thereby satisfying the requirements of ASX Listing Rule 1.3.3 (a). Bauxite Resources has prepared staged exploration and development programmes specific to the exploration potential of the projects, which are consistent with the budget allocations. Ravensgate considers that the relevant areas have sufficient technical merit to justify the proposed programmes and associated expenditure, thereby satisfying the requirements of ASX Listing Rule 1.3.3 (a) and 1.33 (b). In addition, the proposed exploration exceeds the anticipated minimum annual statutory expenditure commitments on the various project tenements.

This Independent Geologist's Report has been prepared on the basis of information available up to and including 8 August 2007. Ravensgate has provided consent for the inclusion of the report in the Prospectus, in the form and context in which the report and these statements appear.

Yours faithfully



**Mr Andre Wulfse Pr Sci Nat**  
**Principal Resource Consultant**

## INDEPENDENT GEOLOGIST'S REPORT

Prepared by RAVENSGATE on behalf of:

Bauxite Resources Limited

Author(s): Andre Wulfse Principal Resource Consultant BSc (Hons), GDE Mining Engineering, MSAIMM, Pr Sci Nat

Stephen Hyland Principal Consultant - Director BSc Geology, MAusIMM, CIMM, GAA

Date: 8 August 2007

Copies: Bauxite Resources Limited (2)  
Ravensgate (1)



**Andre Wulfse**

For and on behalf of:  
RAVENSGATE



**Stephen Hyland**

For and on behalf of:  
RAVENSGATE

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## 1 SUMMARY

Bauxite mining is an established and economically important industry in Western Australia. Bauxite Resources Limited (BRL) was incorporated on 15 May 2006 to explore for bauxite in Western Australia, and to develop bauxite projects in Australia and internationally. There are currently 25 exploration licences, one granted and 24 under application, in the name of Bauxite Resources Limited. The total area covered by the applications is 5,459km<sup>2</sup>. These exploration licences are focused on two distinct regions within Western Australia; the Darling Range in the Southwest and the Kimberley region in the north.

### Southwest region

The world's leading bauxite and alumina producing region is the Darling Range southeast of Perth. Nineteen exploration licences are situated in the Southwest region of Western Australia, in the Darling Range where substantial exploration for bauxite by earlier companies has taken place. Eight of the exploration licences cover land in the north Darling ranges comprising the Muchea Project (1,532km<sup>2</sup>), and a further eleven tenements comprising the South Darling Range Project are located southwards along the Darling Range near the town of Collie and east of the Worsley Bauxite mine operation, some 100km south of Perth. The area enjoys excellent road and rail infrastructure, with access to the ports at Fremantle and Bunbury. Details of the tenement areas are provided in Table 1.

**Table 1 Tenement Schedule Southwest Region**

EL Number	Application Date	Application Status	Locality	Area (km <sup>2</sup> )	Annual Rent \$	Annual Expenditure \$
E70/3002	16/5/2006	Recommended for Grant 28/03/2007	Berry Brow	158.76	5,147	49,000
E70/3003	16/5/2006	Under application	Chittering	226.8	7,354	70,000
E70/3007	1/6/2006	Granted 23/4/2007	Gillingarra	226.8	7,248	69,000
E70/3064	10/10/2006	Recommended for Grant 10/04/2007	Bindoon	126.36	4,096	39,000
E70/3102	30/1/2007	Recommended for Grant 27/07/2007	Collie	226.8	7,354	70,000
E70/3159	26/3/2007	Under application	Jimperding	226.8	7,354	70,000
E70/3160	26/3/2007	Under application	Toodyay	226.8	7,354	70,000
E70/3164	30/3/2007	Under application	Balingup	226.8	7,354	70,000
E70/3179	12/4/2007	Under application	Congelin	226.8	7,354	70,000
E70/3180	12/4/2007	Under application	Dattening	226.8	7,354	70,000
E70/3193	14/5/2007	Under application	Beechina	207.36	6,723	64,000
E70/3194	14/5/2007	Under application	Jarrahdale	223.56	7,248	69,000
E70/3195	14/5/2007	Under application	Harvey	194.4	6,303	60,000
E70/3196	14/5/2007	Under application	Dandalup	223.56	7,248	69,000
E70/3197	14/5/2007	Under application	Pt Solid	226.8	7,354	70,000
E70/3204	22/5/2007	Under application	Wugong	68.04	2,206	21,000
E70/3205	22/5/2007	Under application	Hotham	90.72	2,941	28,000
E70/3206	22/5/2007	Under application	Mt Gorrie	132.84	4,307	41,000
E12/2	22/5/2007	Under application	Collie	226.8	7,354	70,000
<b>Total</b>				<b>3,693.60</b>	<b>119,653</b>	<b>1,139,000</b>

Some of the tenements are subject to objections relating to part of the areas applied for and details are set out in the Solicitor's Report (Section 9).

Much of the application area is freehold land, which is cleared and currently being used for agriculture. Bauxite Resources consider that the environmental impact due to exploration and mining pursuits will be minimal, and that rehabilitation to previous land use is achievable.

In 1971 Pacminex Pty Ltd (Pacminex) completed an extensive drilling campaign that included 9,820 holes. They calculated an initial resource estimate which cannot be quoted under current ASX Listing rule 5.6. This rule states that if the report includes a statement relating to 'mineral resources' or 'ore reserves', the report must be prepared in accordance with Appendix 5A of the ASX Listing Rules and in accordance to the JORC Code (Dec 2004).

## Kimberley Region

The remaining six tenements are under application and are situated in the Kimberley region of Western Australia. Five of the tenements are south south east and south west of the Mitchell Plateau area, which is recognised as containing some of the world's largest bauxite deposits. The other tenement lies to the north of Cape Bougainville.

Details of the tenement areas under application in the Kimberley region are provided in Table 2.

**Table 2 Tenement Schedule Kimberley Region**

EL Number	Application Date	Application Status	Locality	Area (km <sup>2</sup> )	Annual Rent \$	Annual Expenditure \$
E04/1633	30/11/2006	Recommended for Grant 5/1/2007	Prince Regent	573.5	18,594	177,000
E04/1634	30/11/2006	Recommended for Grant 5/1/2007	Mitchell Plateau South	408.2	13,236	126,000
E04/1646	10/1/2007	Recommended for Grant 9/3/2007	Mt King	456.8	14,812	141,000
E80/3842	10/1/2007	Recommended for Grant 9/3/2007	Sharp Hill	77.8	2,521	24,000
E80/3910	21/3/2007	Recommended for Grant 15/6/2007	Mt Horace	233.3	7,564	72,000
E80/3912	26/3/2007	Recommended for Grant 15/6/2007	Eclipse Islands	16.1	525	5,000
<b>Total</b>				<b>1,765.70</b>	<b>57,252</b>	<b>545,000</b>

Bauxite was discovered by Reynolds Pacific Mines Pty Ltd (Reynolds) at Cape Bougainville in 1958. The bauxite deposits were found to be thick, but with higher iron content, and therefore lower alumina content. The company regarded the grade of the bauxite too low for economic interest, and relinquished their tenements.

AMAX Corporation (AMAX) discovered bauxite in the Couchman Range which they concluded was uneconomical to exploit at the time. AMAX further reported that the higher grades are usually encountered at depth and that while gibbsite is the primary mineral, some minor (less than 10%) boehmite is found in the near surface rocks. Haematite and goethite found in the uppermost and lowermost zones of the bauxite profile are the main impurities.

AMAX went on to evaluate the bauxite resources at Cape Bougainville between 1969 and 1971, where drilling and trenching were undertaken. In 1971, the company entered into an economically viable State Agreement which would have allowed it to develop the deposits, establish an alumina refinery, port and town in the remote north Kimberley area. However, due to a weaker world alumina and aluminium prices, the project did not proceed, and AMAX merged with other bauxite partners to form Alumax.

In 1979, CRAE and its subsidiary Mitchell Plateau Bauxite Company Pty Ltd (MPBC), managed the project and in so doing, acquired some of Alumax's interests. The economic viability of mining the Mitchell Plateau bauxite was re-evaluated. Although CRAE had plans to construct an alumina refinery near Geraldton, the project was abandoned due to high mining costs coupled with declining aluminium prices.

The proposed budget to be spent on exploration in the first two years is presented in Table 3, with the share offer fully subscribed, and a total of \$5,000,000 in capital is raised.

**Table 3 Proposed Exploration Budget**

<b>Exploration Activity</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Total</b>
GIS Data Development	40,000	20,000	60,000
Geological Mapping and Sampling	30,000	60,000	90,000
Drilling and Assaying	340,000	445,000	785,000
Consumables	35,000	45,000	80,000
Resource Estimation Studies	40,000	75,000	115,000
Metallurgical Testwork	30,000	60,000	90,000
Scoping Studies and Infrastructure Assessment	25,000	50,000	75,000
Wages And Salaries	350,000	350,000	700,000
<b>Total</b>	<b>\$890,000</b>	<b>\$1,105,000</b>	<b>\$1,995,000</b>

The properties described in this report represent exploration and development projects which are by nature speculative, and involve varying degrees of moderate to high exploration and financial risk. However, most of the properties have been subjected to some type of previous exploration for bauxite. Ravensgate is of the opinion that the projects are sufficiently prospective to warrant exploration and development at the budgetary levels proposed by Bauxite Resources. Ravensgate is of the opinion that the exploration programs and budgets as proposed by BRL are commensurate with the level of prospectivity of each of the projects.

## **2 INTRODUCTION**

### **2.1 Terms of Reference**

Ravensgate was requested by Bauxite Resources Limited (BRL) to complete an Independent Geologist's Report on its mineral assets in Western Australia. BRL is seeking to list on the Australian Securities Exchange (ASX) in order to raise working capital to fund the future technical assessment and development of its projects. A partial requirement of listing is the submission of an Independent Geologist's Report on the mineral assets of the Company.

This report has been prepared in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code, 2004) and the Code for the Technical Assessment and Valuation of Petroleum Assets and Securities for Independent Expert Reports (the VALMIN Code, 2005).

Ravensgate has made no attempt to establish the legal status with respect to Native Title claims of the tenements which comprise BRL's project area. Ravensgate has not verified ownership and current standing of the tenements and is not qualified to make legal representations in this regard. Details of the legal ownership of the mineral assets are dealt with in the Solicitor's Report section of the Prospectus.

The Independent Geologist's Report is based on information available up to and including the date of this report. Consent has been given for the distribution of this report in the form and context in which it appears.

## 2.2 Qualifications, Experience and Independence

Ravensgate is an independent, privately owned consultancy which has provided exploration, mining and mineral resource consulting services to the minerals industry since 1997. The following people were responsible for the compilation of this report.

### **Andre Wulfse – Principal Resource Consultant – BSc Hons Geology, GDE Mining Engineering, MSAIMM, Pr Sci Nat**

The primary author, Mr Andre Wulfse, is a registered professional geologist with over 16 years international experience in the minerals industry including over 5 years as Resource Consultant. He has carried out numerous resource estimations and technical assessments of mining and exploration properties in Africa, Canada, Indonesia and Australia. He is a Principal Resource Consultant employed by Ravensgate. He is a member of the South African Institute of Mining and Metallurgy (SAIMM) which is accepted by the Australian Securities Exchange as a Recognised Overseas Professional Organisation (ROPO). He has the appropriate relevant qualifications and experience to satisfy the requirements of a Qualified Person under the rules of National Instrument 43-101 which is a rule developed by the Canadian Securities Administrators that governs how issuers disclose scientific and technical information about their mineral properties to the public.

### **Steve Hyland – Director - BSc Geology, MAusIMM, CIMM, GAA**

Stephen Hyland has had extensive experience of over 20 years in exploration geology and resource modelling and has worked extensively within Australia as well as offshore in Africa, Eastern and Western Europe, Central and South East Asia, modelling base metals, gold, precious metals and industrial minerals including various laterite style deposits. Stephen's extensive resource modelling experience commenced whilst working with Eagle Mining Corporation NL in the extensive Yandal Gold Province where for three and half years he was their Principal Resource Geologist. Whilst the majority of his time there had been developing the now successful Nimary Mine, he also assisted the regional exploration group with preliminary resource assessment of Eagle's numerous exploration and mining leases. Since 1997 Stephen has been a full time Consultant with the consulting firm Ravensgate where he is responsible for all geological modelling and reviews, mineral deposit evaluation, computational modelling, resource estimation, resource reporting for ASX / JORC and other regulatory compliance areas. Primarily Stephen specialises in Geological and Resource Block Modelling generally with the widely used Medsystem / Minesight 3D mine-evaluation and design software. Stephen Hyland holds the relevant qualifications and professional associations required by the ASX, JORC and ValMin Codes in Australia. He is a Qualified Person under the rules of the CIMM and NI43-101.

Neither Ravensgate nor any of its employees or associates is an insider, associate or affiliate of Bauxite Resources Ltd or any associated company.

Ravensgate's professional fees are based on time charges for work actually carried out, and are not contingent on any prior understanding concerning the conclusions to be reached.

## 2.3 Principal Sources of Information

This review is based on the information provided by the current title holders, the technical reports of consultants and previous explorers, as well as other published and unpublished data relevant to the area.

Ravensgate did not complete its own independent assessment of the quality of the geological data or the accuracy of any Mineral Resources that may be quoted in this report. Furthermore, the status of agreements, royalties or tenement standing pertaining to the assets was not investigated. This report is based on public information, some of which was supplied by Bauxite Resources.

The author has endeavoured, by making all reasonable enquiries, to confirm the authenticity and completeness of the technical data upon which this report is based. Bauxite Resources was given a final draft of this report and requested to identify any material errors or omissions prior to its lodgement.

## 3 GENERAL INFORMATION ON BAUXITE

### Introduction

Bauxite was first discovered in the Lex Baux region of France, from where the name is derived, it is the principal ore of aluminium and is composed mainly of aluminium hydroxides. These are refined to produce alumina, and subsequently reduced to produce aluminium. The principal minerals of which bauxite is composed are gibbsite ( $\text{Al}(\text{OH})_3$ ), boehmite ( $\text{Al-O}(\text{OH})$ ) and diaspore ( $\text{-AlO}(\text{OH})$ ).

Bauxite occurs naturally throughout the world in a variety of climatic and geological environments. There are two main types of bauxite, namely karst and lateritic. The bauxite within the BRL's tenements is of the lateritic type.

- Karst bauxites result from weathering of detrital components, especially in clays, within or near to carbonate rocks. As the clays break down, silica is released and the aluminium hydroxide minerals become concentrated. Roughly equal proportions of gibbsite, boehmite, and diaspore are found in karst bauxites.
- Lateritic bauxites occur in tropical climatic conditions (continuous cycles of high temperature and rainfall) from the intense weathering of aluminosilicate rocks, whereby the alkalis, alkaline earths and silica are leached out, leaving an accumulation of aluminium hydroxide minerals. The same conditions facilitate the alteration of clays to aluminium hydroxide minerals, since rainwater dilutes acid, thereby lowering pH levels which is a favourable condition for alteration. The role of high temperature in bauxite formation is to increase the rate at which alteration occurs. Gibbsite is the main aluminium mineral of lateritic bauxites.

Apart from these two types of bauxite, there are instances where the bauxite may have no relationship with the parent bedrock, having been transported from another site. Bauxite in the Darling Range was once thought to be a uniform lateritic layer, but is a complex regolith varying in average thickness from 2.5m to 3.6m with a maximum thickness of 12m recorded. Minimum economic cut-off thicknesses used by previous explorers for resources estimates were from 1.8m to 2.5 metres.

### Uses and Applications

Globally, more than 85% of bauxite is used to produce aluminium (metal), 10% is used to produce specialty alumina (non-metal) having various applications, and a small remainder is used in nonmetal bauxite applications.

Aluminium has specific advantages over other commercial metals such as high malleability, low density, high electrical and thermal conductivity, and anti-corrosive properties. It has a multitude of uses and applications including within the transportation, packaging, electrical and construction industries. In the latter case it is alloyed with other metals to increase strength and hardness. On the other hand, aluminium may also be used as an alloy with other metals. It is used as a catalyst in the petroleum industry. Copper is three times denser than aluminium, and is increasingly being replaced by aluminium in the telecommunications and electrical industries as its conductivity is better than that of copper.

### Metallurgical Processing

The Bayer process is the most economic processing method employed in the aluminium industry. It is the process by which bauxite is converted to alumina, by extraction of the aluminium bearing minerals from the bauxite by dissolution of the ore in sodium hydroxide.

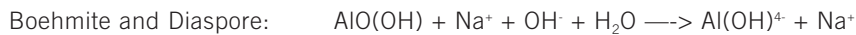
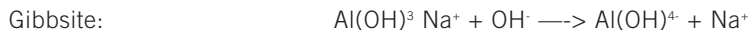
Alumina (powder) is then further processed to form aluminium (metal) and as a general guide, approximately four tonnes of bauxite yield two tonnes of alumina, which is used to produce one tonne of aluminium.

The Bayer process can be divided into three stages; extraction, precipitation and calcination.



## Extraction

The aluminium-bearing minerals gibbsite, boehmite and diasporite are extracted from the insoluble components (mostly oxides), by dissolving them in a solution of sodium hydroxide. The chemical reaction which takes place is as follows:



Beneficiation of the ore refers to the washing, crushing and screening of the bauxite ore to reduce the particle size, and separate the bauxite from unwanted silica fraction. This makes minerals more available to extraction, thereby enhancing bauxite tonnages. The crushed ore is combined with the process liquor and sent as slurry to a heated pressure digester. Beneficiation steps are simple and inexpensive procedures to carry out.

The concentration, temperature and pressure conditions within the digester are set according to the properties of the bauxite ore. Ores having high gibbsite content can be processed at 140°C, while boehmite requires between 200 and 240°C. The pressure is defined by the steam pressure during the process conditions, and at 240°C the steam pressure is approximately 35 atmospheres (atm).

After extraction, the insoluble bauxite residue is separated from the aluminium-containing liquor by settling. The liquor is passed through filters to purify it before being transferred to the precipitators. Caustic soda is recovered from the insoluble mud from the first settling stage by thickening and washing it, after which it is recycled into the main process.

## Precipitation

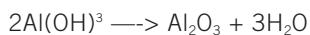
Crystalline aluminium trihydroxide (gibbsite), a hydrate, is precipitated from the digestion liquor in the following chemical reaction:



The hydrate crystals are classified into size fractions and fed into a rotary or fluidised bed calcination kiln. Undersize particles are rejected and fed back into the precipitation stage.

## Calcination

The hydrate is calcined in order to form alumina for the aluminium smelting process. In the calcination process water is expelled to form alumina as seen in the chemical reaction:



The calcination process is critical in determining the properties of the final product and needs to be carefully controlled.

Commercial grade bauxite contains in excess of 30% aluminium oxide and small amounts of the impurities silica, iron and titanium oxides. The main impurity in bauxite is silica, which occurs in quartz and clay minerals. Reactive silica (Re.SiO<sub>2</sub>) is silica which combines with caustic soda to form insoluble sodium silicate compounds. By this process, alumina is lost while caustic soda is consumed and requires replacement. The amount of reactive silica present in the bauxite determines the consumption of caustic soda, which in turn influences costs of processing.

Available alumina (Al<sub>2</sub>O<sub>3</sub>) refers to that portion of the total alumina in the ore that is recoverable by means of employment of the Bayer process at normal pressure.

## Extractable alumina

Extractable alumina refers to the grade which can be recovered from bauxite ore, and the amount of extractable alumina is inhibited by the complex combination of alumina with iron and soluble silica, and by the presence of corundum. Corundum is not digestible in the normal Bayer process and alumina in this form would be lost as red mud waste.

Due to the influence of chemical combinations in bauxite, the extractable alumina is not necessarily equal to the available alumina, and it is necessary to consider each of the following parameters when assessing the extractable alumina:

- total alumina (A)
- reactive silica (S)
- loss on ignition (L)

By analysing the chemistry of bauxite, and applying the following regression equation,  $0.6A - 0.62S + 1.32L - 19.52$ , the extractable alumina can be calculated.

For the production of aluminium metal the alumina is then reduced in an electrolytic bath of molten cryolite (sodium aluminium fluoride). Aluminium is rolled (sheets or plates), extruded (wire) or cast (ingots).

## Environmental Impact

In assessing the environmental impact of bauxite mining, the open-cut method is facilitated as the bauxite occurs at shallow depths. Once ore has been removed, the land is re-contoured and rehabilitated by re-planting of native vegetation.

## Global Aluminium Markets

Western Australia is an established supplier of alumina to the global aluminium market, and in view of its geographical proximity, is an important supplier to Asian countries. In recent times China, followed closely by India, has emerged as a major market for several mineral commodities, and prices for commodities across the board have increased. While Chinese alumina refineries enjoy comparatively low capital and operating costs, the country has limited bauxite reserves, and the country will increasingly rely on foreign imports. A compounding factor is that domestic bauxite is more costly to process than imported bauxite.

## Australian Aluminium Industry

The aluminium industry in Australia covers mining, refining, smelting, semi-fabrication and recycling, and represents an economically important industry. Australia is the world's fifth largest aluminium producer, and produced 1.9 million tonnes (6%) of the world's aluminium in 2005.

Western Australia produces 17% of the world's alumina and 63% of Australia's alumina. Australia is the largest producer and exporter of alumina and in 2005 produced 17.7 million tonnes which constitutes 30% of the world's alumina. Australia has an estimated 22% of the world's total bauxite resources, and with five bauxite mines is the world's largest producer of bauxite. The highest grade bauxite deposits in Australia are at the Gove Mine in Northern Territory and the Weipa Mine in Queensland, with an average grade of approximately 50% available alumina.

Western Australia has large bauxite deposits of lateritic origin in the Darling Range near Perth and on the Mitchell Plateau in the Kimberley region. Bauxite Resources Ltd have tenements in both of these areas. Australia's other three bauxite mines, namely Worsley, Huntly and Willowdale, are situated in Western Australia and have a reported average grade of approximately 30% available alumina.

## Jarrahdale, Huntly and Willowdale Mines

Jarrahdale began operations in 1963, and for 35 years was the only source of bauxite for the Kwinana alumina refinery owned by Aluminium Corporation of America (Alcoa). A total of 168 million tonnes of bauxite was mined until its closure in 1998.

Huntly and Willowdale (Alcoa-owned) currently operate bauxite mines in the Darling Range in Western Australia. Huntly was established in the early 1970's and is the world's largest bauxite mine, producing 20 million tonnes per annum.

Willowdale was established in 1984 and currently supplies 8.5 million tonnes per annum to Alcoa's Wagerup alumina refinery.

## Kwinana, Pinjarra and Wagerup Refineries

The Kwinana, Pinjarra and Wagerup refineries are all located in Western Australia. These refineries are operated by Alcoa World Alumina Australia, and have a combined capacity of 7.3 million tonnes per year.

The Kwinana refinery has been in operation since 1963, and currently has a capacity of 1.9 million tonnes per year. The Kwinana refinery produces mainly smelter grade alumina as well as a variety of specialty aluminas.

## Worsley Refinery

The Mt Saddleback Mine owned 86% by BHP-Billiton Ltd through its subsidiary Worsley Alumina Pty Ltd is located on the eastern edge of the Darling Range, 130km south-east of Perth, Western Australia. The Worsley Refinery is about 15km north-west of Collie. The Mt Saddleback Mine currently mines 12 million dry tonnes per year supplying the Worsley Alumina Refinery which produces approximately 3.2 million tonnes of alumina.

## 4 SOUTHWEST REGION TENEMENTS

### 4.1 Introduction

The tenements in this region are situated within the Darling Plateau which stretches from the area east of Perth, in a north-south direction for hundreds of kilometres. The tenements are grouped into the following projects, Muchea and South Darling Range bauxite projects as shown in Figure 1 and Figure 2.

**Figure 1 Locality Plan and Geology of Muchea Project**

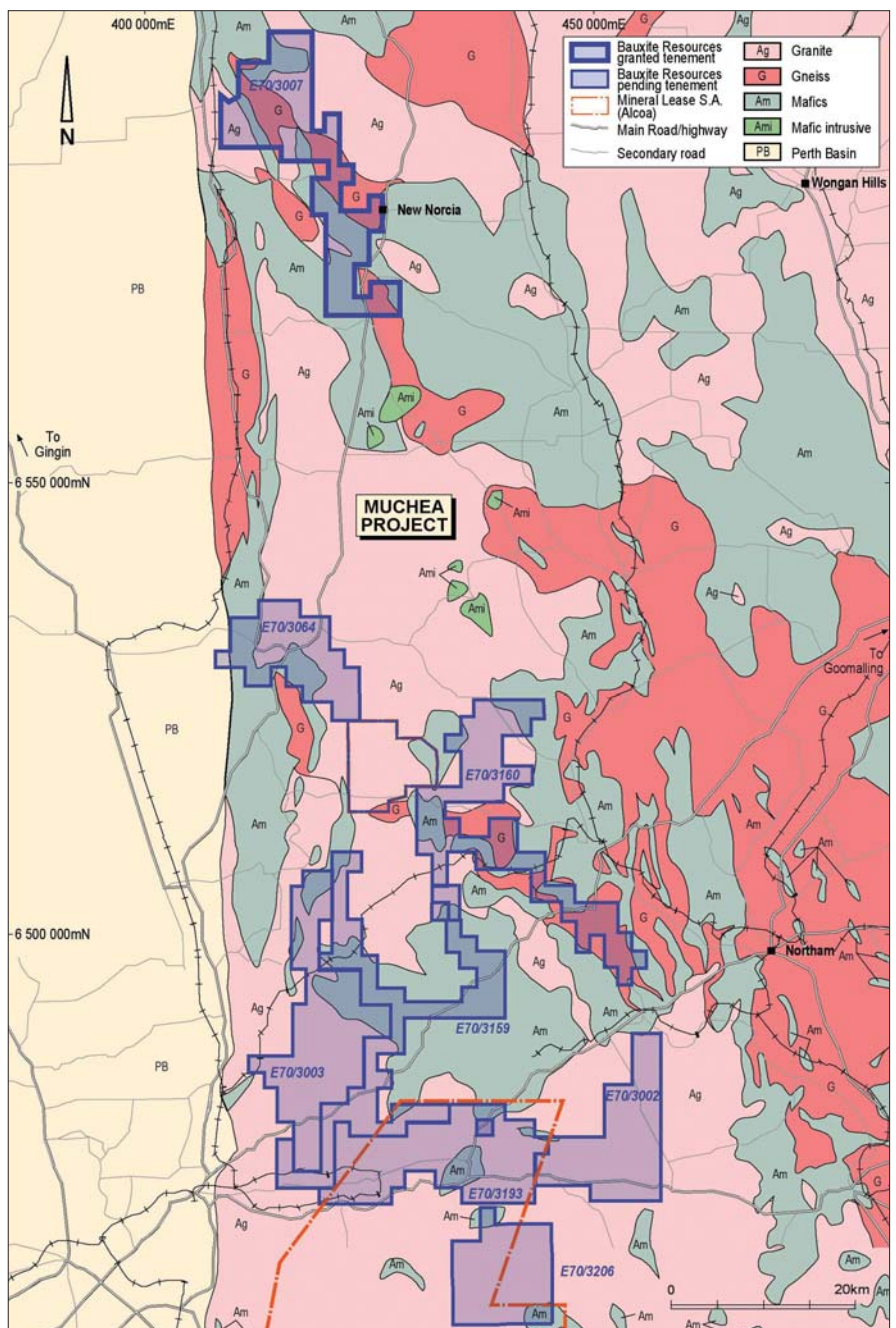
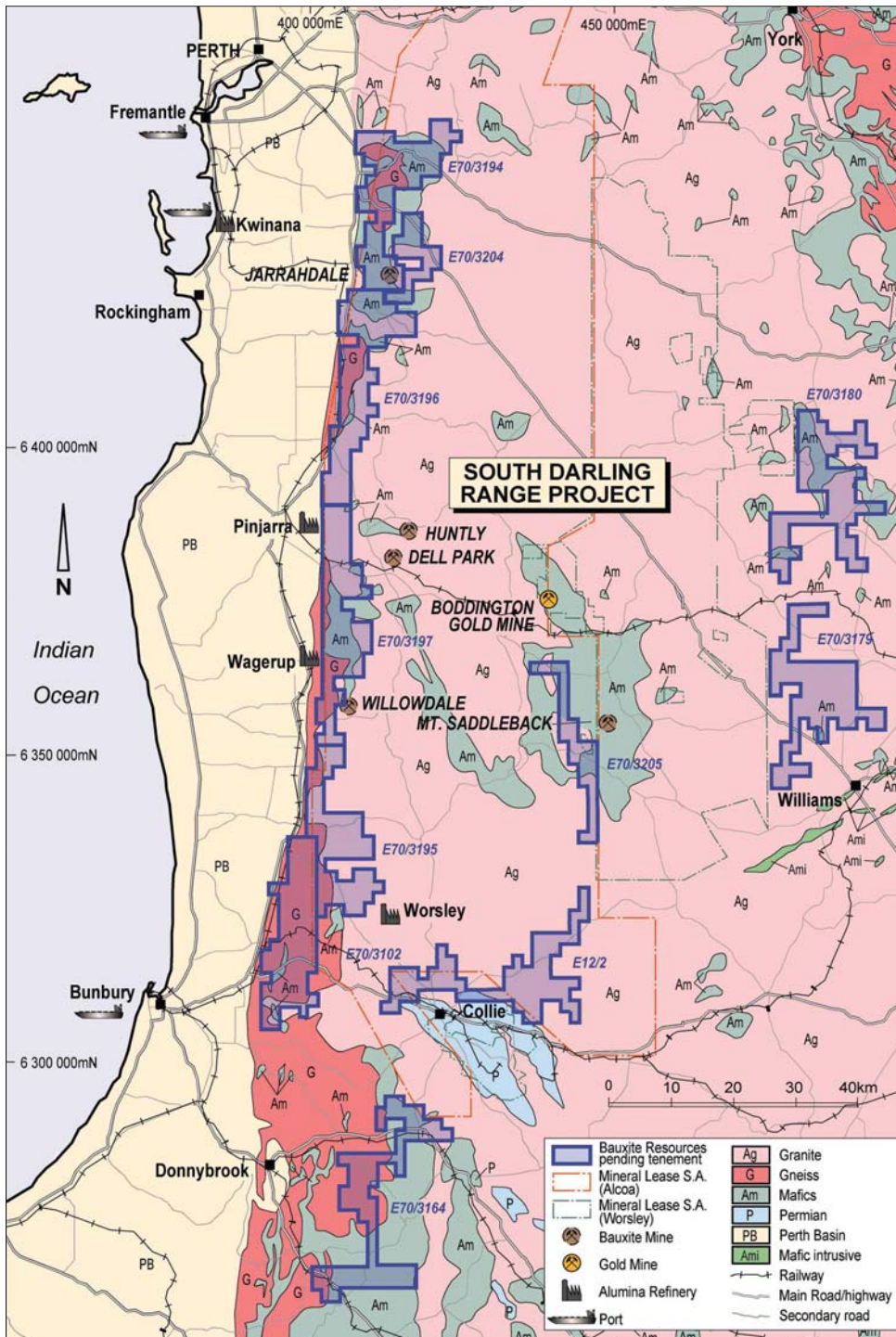


Figure 2 Locality Plan and Geology of South Darling Range Project



## 4.2 Geology and Mineralisation

The Darling Plateau (underlain by Precambrian igneous and metamorphic rocks) lies between 250m and 350m above sea level and is separated from the Perth Basin (Mesozoic and Tertiary sediments) by the Darling Fault, being the major tectonic lineament. The position of the Darling Scarp is closely aligned with the Darling Fault. The plateau can be sub-grouped into lateritic upland areas (horizontal or very gently dipping), deeply incised valley areas and a large area having wide valleys and low hills to the east.

The abundant seasonal rainfall and topographical setting of the Darling Range facilitates good drainage and provides a favourable setting for the formation of bauxite. In the Darling Range, the lateritic bauxite layers are formed over mature Tertiary surfaces derived from alumina-rich basement rocks which have undergone weathering, thereby concentrating the alumina.

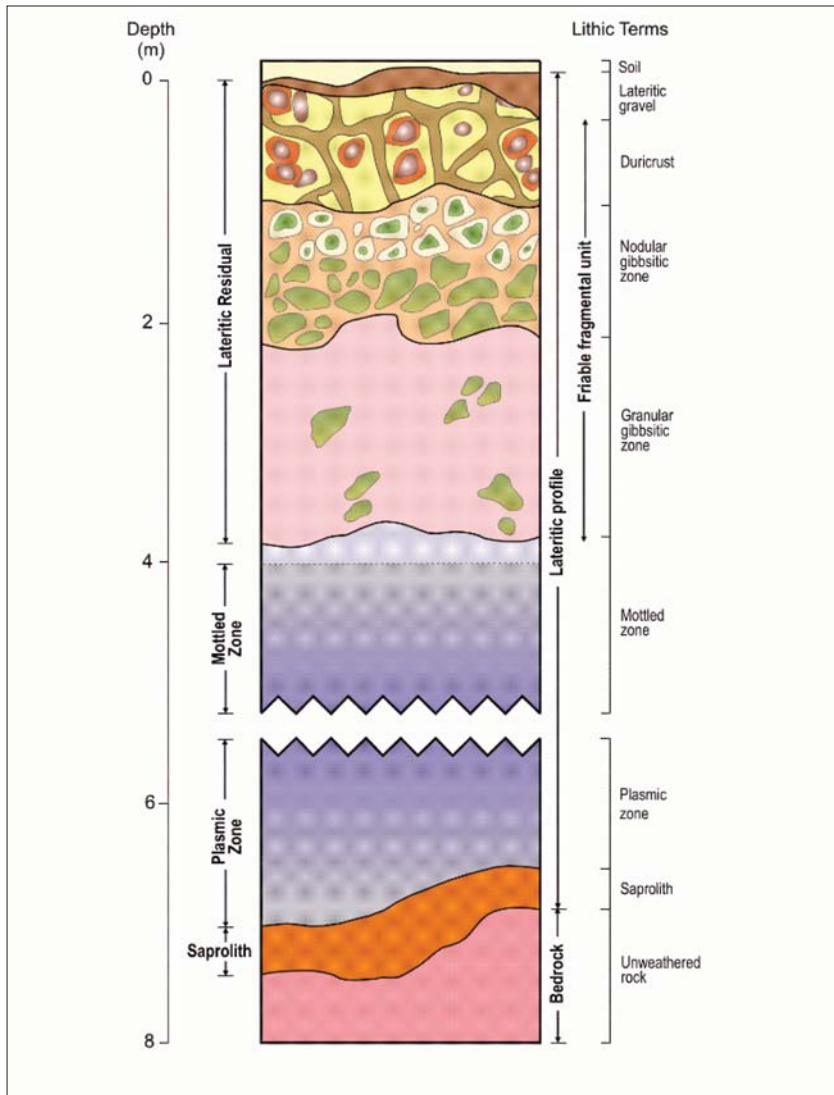
Basement rocks of the Darling Plateau include Archaean igneous and metamorphic rocks of the Yilgarn Craton. These include granite, banded gneiss, migmatitic gneiss, granitic gneiss, metamorphosed argillite and felsic to mafic volcanic rocks, with dolerite dyke intrusions comprising some 10% of the bedrock. These range in size from 1m to 200m, with an average thickness of 10 metres.

The Darling Range is a block-faulted elevation of the Tertiary surface and is covered by extensive laterization, and the bauxite-rich laterites occur in uplifted portions between 200 and 300m above sea-level. While the plateau is capped with bauxite-containing laterite, overlain by a thin soil layer, the potentially mineable bauxitic laterite is confined to the lateritic upland areas. The thickest zone of laterization is located over a length of 150km between the Avon River in the north, the Harris River in the south and a width of 30km extending eastwards from the Darling Scarp, over gently sloping to flat upland area at 280 to 300m above sea level.

The average thickness of the lateritic profile is 20m, and the profile may be divided into separate zones from the base upwards as follows and is illustrated in Figure 3.

- fresh bedrock: unweathered
- saprolith: clay-rich weathered bedrock, may contain some bedrock
- plasmic zone: mottles absent, mainly kaolinite and quartz
- mottled zone: mottles of iron oxyhydroxides in a kaolinitic matrix
- friable fragmental unit: sub-divides into upper nodular gibbsitic zone (characteristically stained red-brown from elevated iron content), and a lower granular gibbsitic zone
- duricrust: strongly cemented ferricrete or ironstone caprock, thickness varies according to type of bedrock
- lateritic gravel: comprised of loose pisoliths and iron-rich nodules
- topsoil: may be absent due to erosion

**Figure 3 Generalised profile of Darling Range laterites**



Source: Report 33 Bauxite Mineralisation in the Darling Range Western Australia

There is a direct relationship between bedrock and the weathered profile. The weathering process begins with slight weathering of the fresh bedrock to saprock. Weathering continues and minerals become altered to kaolinite, goethite and haematite, while quartz and other resistant minerals do not weather. In this way, the original bedrock is usually identifiable from the saprolith layer. Further weathering leads to the bedrock being further broken down, and typically iron begins to segregate as mottles and mottled texture in the 'mottled zone'. The mottled zones are overlain by the ferruginous cemented duricrust, which is formed when iron is precipitated by groundwater fluctuations and thereby accumulates as nodules and pisoliths when the water evaporates. At the uppermost end of the weathering profile the duricrust fragments into loose particles, forming the lateritic gravel layer. The profile may be overlain by a thin cover of topsoil.

The Darling Range bauxite has formed over two parent bedrock types, granite and mafic rocks. In the lateritic profile over granite, quartz is abundant (up to 20%); while there is much less quartz (< 4%) in the profile formed over mafic rocks. Due to greater levels of clay being retained (not altered) near the surface of the laterite profiles derived from dolerite bedrock, these profiles have substantially less available aluminium oxide. In the Darling Range, the parent bedrock which optimally favours bauxite formation is massive, relatively homogenous granite.

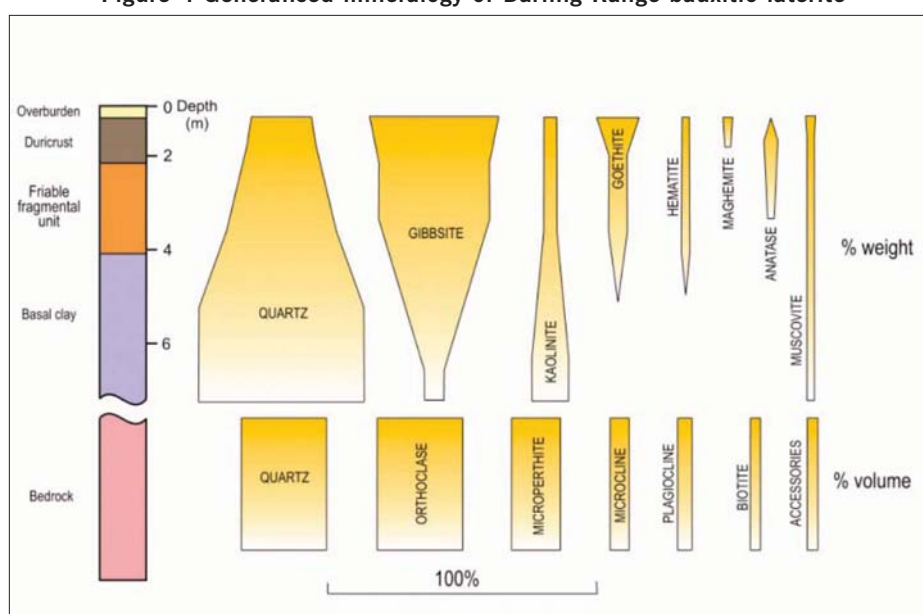
The orebodies appear to occur in gently undulating country, especially along elongated ridges.

Typically, the lateritic profile above the bedrock is composed of the following, in order of magnitude:

- Gibbsite - >50%
- Goethite – 10-30%
- Quartz – 5-20%, especially over granites
- Boehmite – 1%
- Haematite – 2-10%
- Maghemite – 2%
- Kaolinite – 1%

Corundum, rutile, anatase, muscovite and magnetite may also be found in trace quantities. The proportions of the various minerals which constitute the Darling Range bauxites (over granitic and mafic bedrock) are schematically represented in Figure 4.

**Figure 4 Generalised mineralogy of Darling Range bauxitic laterite**



Compared with the bedrock, the upper part of the laterite profile is strongly enriched by aluminium, and the available alumina content is significantly increased above the basal clay layer. Gibbsite, boehmite and corundum are the main aluminium-bearing minerals.

Concentrations of iron are highest in the duricrust and the friable fragmented unit, and there is more iron where the bedrock is dolerite rather than granite.

In the basal clay-rich layer, quartz and kaolinite are the chief constituents, and there is a lower proportion of goethite present with at increasing depth.

Total alumina and silica content alone do not define bauxite ore, since it is the extent of available alumina (available to Bayer processing) and reactive silica (which consumes caustic soda and causes loss of alumina) which determine whether the bauxite is of economic value. Laterite which is rich in aluminium may be regarded as bauxite ore when the following additional criteria are met:

- Available alumina exceeds 27.5%
- Reactive silica does not exceed 2.5%
- Thickness of the laterite is at least 2 metres
- Mining block mass is at least 20 000 tonnes
- Deposit is located outside of conservation or environmentally sensitive areas

### 4.3 Historical Exploration

Although the existence of bauxite in the Darling Range area had been established early last century, and the Geological Survey of Western Australia (GSWA) had conducted some mapping, it was not until the late 1950's that exploration by a commercial entity had taken place. Significant bauxite laterite deposits were discovered by Western Mining Corporation in 1957. The deposits were deemed economically viable; WMC established a joint venture called Western Aluminium No Liability (WANL) and a special mining lease was applied for. This covered an area of 12,619km<sup>2</sup> of mainly forested Crown land, and was granted in 1961.

Scout drilling and sampling of the duricrust revealed significant deposits in the Jarrahdale- Dwellingup region to the south east of Perth, which were later exploited after Aluminium Company of America (Alcoa) joined the venture. Additional drilling and in-fill drilling and gradecontrol drilling allowed the ore body to be defined. The first State Agreement mining lease, ML1SA, was granted to Alcoa over a large part of the bauxite resources in Western Australia's Southwest region, which offered the company Government protection and support, thereby encouraging investor confidence.

Mining at Jarrahdale was commenced in 1963, and was followed by the Huntly and Willowdale mines. Refineries were built at Kwinana, Pinjarra and Wagerup to process the bauxite. WANL became Alcoa in 1977, and the mines are currently owned by Alcoa World Alumina Australia.

In a similar fashion, Worsley Alumina Pty Ltd in a joint venture explored the area near Mt Saddleback. ML 258SA was granted to the consortium, who developed the Mt Saddleback Bauxite mine in 1970, and established a refinery at Worsley.

Exploration and investigations into the bauxite potential of the Chittering area north-north-east of Perth were conducted by a consulting geologist, Dr Bruno Campana in the mid 1960's, who was contracted by the Alusuisse Company in Zurich. Although the project was recommended to the company by Dr Campana, Alusuisse did not pursue their interest in the project. In all probability this was due to the company's active development of the Gove bauxite deposit in the Northern Territory.

Being discharged of any obligations to Alusuisse, Campana applied for and was granted exploration rights in his individual capacity. In 1966, Campana initially entered into a partnership with Hancock & Wright Prospecting of Perth (Hanwright). Several properties in the Darling Range were held in the partnership, and exploration consisting of mapping, surface sampling, scoutdrilling and assaying was undertaken. Their interest was centred on deposits in the Chittering area, north-north-east of Perth, and the Mt Talbot area due east of Perth.

In 1968, Colonial Sugar Refining Company (CSR) who sought to establish a new alumina plant in Western Australia joined the partnership. Exploration was expanded to include drilling (> 6,000 holes) with associated sampling and assaying (50,000 samples) and preliminary resource estimates across nineteen separate areas. Twenty six pits were sunk in order to obtain samples for density testing and mineralogical studies and a pilot mine at Gidgegannup was started for the collection and metallurgical testing of bulk samples.

In 1970 Pacminex Pty Ltd (the exploration and mining subsidiary of CSR which later formed part of CSR's Minerals Division) was commissioned to conduct a feasibility study for the project collectively known as the Chittering Alumina Project, which extended between Perth, York to the east, and Moora to the north. Pacminex proposed to establish an alumina refinery to the north of Perth, and the project's development included exploration, title negotiations, laboratory test refinements, discussions with important consumers in Europe and the US, and negotiations with the relevant government departments of Western Australia.

In 1971, Pacminex appointed aluminium technology experts from Alusuisse to consult during the design and construction phase of the project, and the name of the project was changed to the Muchea Alumina Project.

In 1971 Pacminex Pty Ltd (Pacminex) calculated a Resource Estimate for their project area. The estimate predates the establishment of the JORC Code and in accordance with ASX Listing Rule 5.6, is therefore not reported here.



From 1969, Project Mining Corporation (PMC) expressed interest in bauxite potential and explored the area extending north-south between Bindoon and Manjimup and from the Darling Ranges to some 100km eastwards. The company intended to consolidate its bauxite holdings and enter into a joint venture with another existing project. Exploration included reconnaissance mapping and sampling, test drilling and sampling, assays to examine chemical properties, and calculation of ore reserves at variable cut-off grades. Drilling was completed by 1974, and was restricted to mining tenements and privately held land where the mineral rights had been negotiated with the respective landowners. PMC had spent some A\$2 million on the Gidgegannup-York Bauxite Project by 1972 on an extensive drilling and bulk sampling campaign. In 1970, the company applied for mineral rights to additional land in the Worsley area, but due to legal complications, exploration (including drilling) was only commenced in 1978.

To avoid conflict of interests between the two companies, PMC and CSR, which were both exploring for bauxite in the Southwest region of Western Australia, PMC decided to grant a free one-year option over their holdings in the area between Gidgegannup and York, to Pacminex Pty Ltd (a CSR Ltd subsidiary) who were already exploring the Chittering area to the north of this region. The combined areas formed the project which came to be known as the Muchea Alumina Project. In terms of this renewable option, Pacminex were required to process PMC drilling and calculate ore reserves for the holdings located in the north, and some additional drilling was also undertaken. CSR withdrew from the option arrangement, which were subsequently acquired by Hancock and Wright.

From 1972 to 1978, Hancock and Wright took over CSR's exploration of the southern holdings, subsequently gaining an option to purchase. When this option expired, Bridge Oil Ltd acquired the Darling Range bauxite interests from PMC (then known as Project Oil Exploration Ltd) in 1979.

#### **4.4 Proposed Exploration and Budget**

The exploration work proposed by Bauxite Resources for their tenements in the Darling Range consists of:

- Landsat and aerial photography studies;
- mapping and sampling;
- securing land access agreements;
- petrological studies;
- assessment of exploration and development potential;
- drilling of resource targets and explore for new bauxite mineralised areas;
- resource estimation;
- metallurgical and preliminary plant processing studies;
- preliminary infrastructure assessments; and
- scoping and preliminary feasibility studies

BRL intends to identify additional areas displaying bauxite potential, and apply for further exploration licences accordingly.

The historical data and resource estimates are to be evaluated with a view to completing a JORC compliant resource estimation of the bauxite mineralisation.

BRL intends to seek and approach potential buyers for development and investment in the projects, including possible off-take agreements.

In addition to the proposed exploration, Bauxite Resources intends to conduct scoping and prefeasibility studies for the mining, processing and sale of its bauxite resources.

Bauxite Resources also intends to pursue further project opportunities for developing viable bauxite and alumina production.

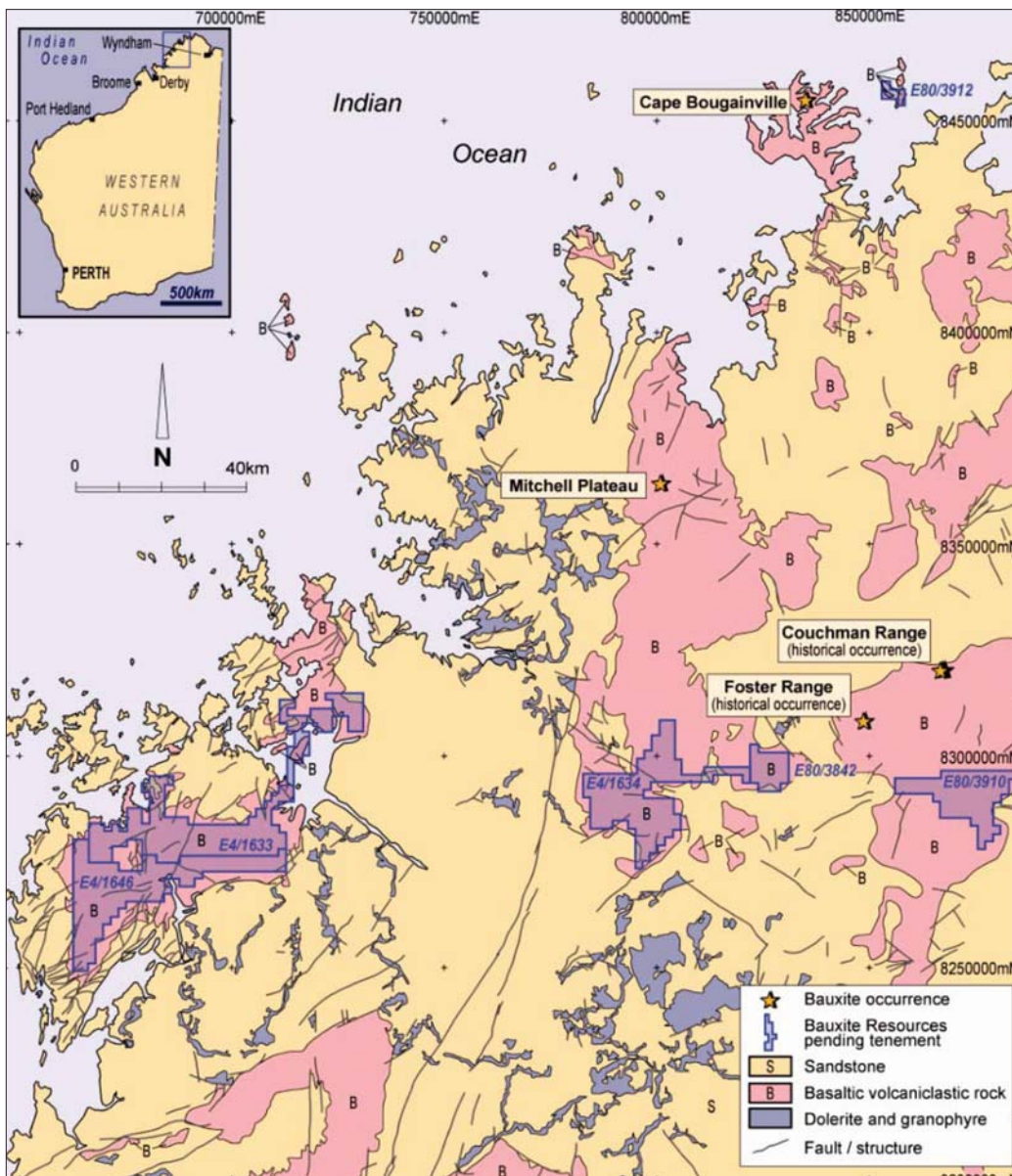
## 5 KIMBERLEY REGION TENEMENTS

### 5.1 Introduction

BRL have applied for six tenements in the Kimberley region. The Kimberley region is situated in the north west of Western Australia, and bauxite deposits have been discovered in several remnant plateau locations since the late 1950's. These include the Mitchell Plateau, Cape Bougainville, West Kulumburu, Mt Leeming and the Couchman Ranges. BRL's tenement outlines overlain on the geology of the area are shown in Figure 5.

Substantial gas resources have been defined in the Browse Basin off the Kimberley coast, and several companies are currently investigating the feasibility of developing these. The bauxite refining industry, which is energy intensive, could benefit from the potential for an abundant energy supply. Producing local liquefied natural gas at competitive prices would satisfy a major pre-requisite for the establishment of an alumina refinery.

Figure 5 Locality Plan and Geology of the Kimberley Region Projects



## 5.2 Geology and Mineralisation

The Mitchell Plateau bauxite deposits extends over an area of 47km north-south and 18km eastwest, with about 40km<sup>2</sup> of the bauxitic laterite surface containing exploitable grades.

The mineralisation style is bauxitic laterite duricrust plateaus. These deposits have been formed over long periods of time during which the basic volcanic rocks (Palaeoproterozoic Carson Volcanics) have been exposed to tropical weathering and are characterized by a thin layer of near surface bauxitic material.

Outcrop in the Kimberley areas of bauxite interest consists of King Leopold Sandstone and Carson Volcanics. King Leopold Sandstone has an estimated thickness of 1000m and is conformably overlain by the Carson Volcanics, the surface of which has been laterised. The most extensive bauxite laterites are formed over bedrock of basaltic material of the Carson Volcanics.

The Mitchell Plateau bauxite deposits generally occur within 0.5m of the surface and are usually 3m to 4m thick but, may extend to 10m thick where laterisation has penetrated deeper in jointed areas. Historically reported grades are from 35%-40% extractable alumina with the higher grades located within deeper bauxite layers. Gibbsite is the dominant mineral but there is approximately 10% boehmite which is concentrated in near surface ores. The main impurities of the ore are ironbearing minerals hematite and goethite, concentrated in the top and bottom zones of the bauxite profile respectively.

The Cape Bougainville bauxite deposits cover an area similar to Mitchell Plateau of 44km<sup>2</sup>. The deposits are much thicker with a profile average of 8.6m and up to 12.5m thick. However these deposits are richer in iron, with overall resultant lower alumina grades.

BRL's tenements are located to the south of the Mitchell Plateau deposits on ground overlying rocks of the Carson Volcanics.

## 5.3 Historical Exploration

Almost all the bauxite exploration in the Kimberley region has focussed on the Mitchell Plateau and Cape Bougainville deposits.

Bauxite was discovered by Reynolds Pacific Mines Pty Ltd at Cape Bougainville in 1958. The bauxite deposits were found to be thick, but with a higher iron content, and therefore lower alumina content. The company regarded the grade of the bauxite too low for economic interest, and relinquished their tenements.

AMAX Corporation discovered bauxite in the Couchman Range which also proved uneconomical to exploit. The search was expanded and deposits in the Mitchell Plateau region were discovered in 1965, where an area of some 40km<sup>2</sup> is laterite-covered bauxite of commercial grade. Exploration including drilling, costeaning, trenching and metallurgical testwork was subsequently undertaken.

AMAX reported that higher grades are usually encountered at depth and that while gibbsite is the primary mineral, some 10% boehmite is found in the near surface rocks. Haematite and goethite found in the uppermost and lowermost zones of the bauxite profile are the main impurities.

AMAX went on to evaluate the bauxite deposits at Cape Bougainville between 1969 and 1971, where drilling and trenching were undertaken. In 1971, the company entered into an economically viable State Agreement which would have allowed it to develop the deposits, establish an alumina refinery, port and town in the remote north Kimberley area. However, due to a decline in world alumina and aluminium prices, the project did not proceed, and AMAX merged with other bauxite partners to form Alumax.

In 1979, CRAE and its subsidiary Mitchell Plateau Bauxite Company Pty Ltd (MPBC), managed the project and in so doing, acquired some of Alumax's interests. The economic viability of mining the Mitchell Plain bauxite deposits was re-evaluated. Although CRAE had plans to construct an alumina refinery near Geraldton, the project was abandoned due to high mining costs coupled with declining aluminium prices.

## 5.4 Proposed Exploration and Budget

Exploration by Bauxite Resources in this area is to target potential Carson Volcanic units within E04/1634 and the Carson Volcanics which may lie under cover in E80/3842. Landsat imagery will be conducted with geological mapping to confirm that laterite plateaus overlying the Carson Volcanics identified from GSWA mapping are bauxite laterites. Exploration will aim to assess the potential of these bauxite laterites for economic extractable alumina and to produce a business strategy to enhance the economic potential of the landholding.

The exploration programme proposed by Bauxite Resources on its Kimberley region tenements includes:

- Landsat;
- aerial photography;
- assessment of exploration and development potential;
- drilling to explore for new bauxite mineralised areas;
- petrology and metallurgical studies;
- preliminary infrastructure assessment; and
- resources evaluation

Bauxite Resources intends to identify additional areas displaying bauxite mineralisation and apply for further exploration licences accordingly.

Bauxite Resources intends to carry out exploration to complete JORC compliant resource estimations where sufficient bauxite mineralisation is encountered.

Bauxite Resources intends to seek and approach potential buyers for development and investment in the projects, including possible off-take agreements.

In addition to the proposed exploration, Bauxite Resources intends to conduct scoping and prefeasibility studies for the mining, processing and sale of its bauxite resources.

Further, Bauxite Resources intends to pursue project opportunities for developing viable bauxite and alumina production.

## 6 CONCLUSIONS AND RECOMMENDATIONS

This report documents the mineral assets of Bauxite Resources Limited (BRL) which has applied for a number of exploration properties in the Kimberley and Southwest region of Western Australia. The company is targeting laterite hosted bauxite deposits. The company currently has access to 226.8km<sup>2</sup> of granted Exploration Licenses and 5,232.2km<sup>2</sup> of applications. The projects are situated within known bauxite metallogenic provinces.

BRL's tenements in the Southwest region overlap some of the areas that were extensively explored by Pacminex in 1971.

Although BRL's tenements in the Kimberley region lie to the south of the Mitchell Plateau bauxite deposits, they are situated on ground overlying rocks of the Carson Volcanics, which are considered prospective for bauxite deposits.

The properties described in this report represent exploration and development projects which are by nature speculative, and involve varying degrees of moderate to high exploration and financial risk. However, most of the properties have been subjected to, or are adjacent to areas that have undergone some type of previous bauxite exploration. Ravensgate is of the opinion that the projects are sufficiently prospective to warrant exploration and development at the budgetary levels proposed by BRL.

A budget of \$1,995,000 has been allocated to exploration programs for all BRL's Licenses in Years 1 and 2, and is justified on the basis of the data made available to Ravensgate for this review.

## 7 GLOSSARY

<b>anomalous</b>	a departure from the expected norm, generally geochemical or geophysical values higher or lower than the norm
<b>assay</b>	the method of determining the concentration of a chemical component of a rock
<b>ABEA</b>	American Bayer Extractable Alumina
<b>conglomerate</b>	a sedimentary rock consisting of rounded rock fragments cemented together
<b>corundum</b>	a mineral valued as an abrasive and gemstone, found widely in metamorphosed shales and in certain kinds of metamorphosed shales and in certain kinds of metamorphic limestone veins or replacement bodies
<b>diamond drilling</b>	a method of obtaining a cylindrical core of rock by drilling with a diamond impregnated bit
<b>fault</b>	a fracture in rocks whereby rocks on one side have been moved relative to the rocks on the other
<b>ferricrete</b>	a mineral conglomerate consisting of surficial sand and gravel cemented into a hard mass by iron oxide derived from the oxidation of percolating solutions of iron salts
<b>granitic</b>	like granite in composition, colour, etc.; having the nature of granite
<b>JORC</b>	Joint Ore Reserves Committee (of the Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and the Minerals Council of Australia)
<b>kaolinite</b>	clay mineral, principal constituent of kaolin, a fine usually white clay formed by the weathering of aluminous minerals (feldspar); used in ceramics and as an absorbent and as a filler (e.g., in paper)

<b>mafic</b>	a term used to describe an igneous rock that has a large percentage of dark-coloured minerals such as amphibole, pyroxene and olivine. Also used in reference to the magmas from which these rocks crystallize. Mafic rocks are generally rich in iron and magnesium
<b>magnetite</b>	an oxide of iron (Fe <sub>3</sub> O <sub>4</sub> ) occurring in isometric crystals, also massive, of a black colour and metallic lustre. It is readily attracted by a magnet and sometimes possesses polarity, being then called loadstone
<b>mottled zone</b>	a layer that is marked with spots or blotches of different colour or shades of colour. The pattern of mottling and the size, abundance, and colour contrast of the mottles may vary considerably and should be specified in soil description.
<b>Palaeozoic</b>	the era of geologic time that includes the Cambrian, Ordovician, Silurian, Devonian, Carboniferous, and Permian periods
<b>pisolite</b>	A variety of calcite, or calcium carbonate, consisting of aggregated globular concretions about the size of a pea quartz mineral species composed of crystalline silica (SiO <sub>2</sub> )
<b>sedimentary</b>	rocks formed by the deposition of particles carried by air, water or ice
<b>sedimentation</b>	the accumulation of sediment
<b>shale</b>	fine grained sedimentary rock with well defined bedding planes
<b>tectonic</b>	forces or movements resulting in the formation of geologic structural features
<b>unconformity</b>	description of rock strata where the layers are interrupted, discontinuous
<b>volcaniclastic</b>	fragments derived from volcanic sources.

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6 August 2007

The Directors  
Bauxite Resources Limited  
35/82 Royal Street  
EAST PERTH WA 6005

Dear Sirs

## **INVESTIGATING ACCOUNTANT'S REPORT**

### **1 Introduction**

This report has been prepared at the request of the Directors' of Bauxite Resources Limited ("Bauxite Resources" or "the Company") for inclusion in the Prospectus.

The Company is offering for subscription a total of 25,000,000 Shares, at an issue price of 20 cents per share payable in full on application, to raise \$5,000,000 ("Capital Raising" or "the Offer"), with a minimum level of subscription of \$4,000,000. The Company will also accept oversubscriptions of up to a further \$2,500,000, through the issues of up to a further 12,500,000 shares at an issue price of 20 cents each. Upon completion of the Capital Raising, application is to be made for admission of the Company's shares to the official list of the Australian Securities Exchange Limited ("ASX").

The Company also proposes, within three months of its shares being listed on ASX, an issue of one option for each two shares held at an issue price of 1 cent each, the terms of which are set out in Section 5.6 of the Prospectus.

Expressions defined in the Prospectus have the same meaning in this report.

### **2. Basis of Preparation**

This report has been prepared to provide investors with information on the Income Statement, the Balance Sheet of the Company and a pro-forma Balance Sheet of the Company as at 30 June 2007 adjusted on the basis that the Capital Raising and certain proposed transactions are completed.

The historical and pro-forma financial information is presented in an abbreviated form insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to financial reports in accordance with the Corporations Act 2001.

The report does not address the rights attaching to the shares to be issued in accordance with the Offer, nor the risks associated with accepting the Offer.

Moore Stephens Perth Corporate Services Pty Ltd has not been requested to consider the prospects for Bauxite Resources nor the merits and risks associated with becoming a shareholder and accordingly has not done so, nor purports to do so.

Consequently Moore Stephens Perth Corporate Services Pty Ltd has not made and will not make any recommendation, through the issue of this report, to potential investors of the Company, as to the merits of the investment and takes no responsibility for any matter or omission in the Prospectus, other than responsibility for this report.

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Email perth@moorestephens.com.au Website www.moorestephens.com.au

### 3. Background

The Company was incorporated in Western Australia on 15 May 2006, as Bauxite Resources Pty Ltd. On 2 May 2007, the members of the Company resolved to change its status to a public company, which was approved by the Australian Securities and Investments Commission on 29 June 2007.

The Company was formed to acquire, explore and ultimately develop Bauxite exploration tenements.

The Company has applied for a number of bauxite exploration licences, as outlined in Section 9 of the Prospectus, which comprise a number of tenements in the Darling Ranges, in the South West region of Western Australia and a number of tenements in the vicinity of the Mitchell Plateau, in the Kimberley region of Western Australia.

Since incorporation the activities undertaken by the Company have comprised the raising of seed capital, the lodgement of applications for a number of bauxite exploration tenements and preparation of the Prospectus to facilitate the Capital Raising.

From the date of incorporation to the date of this report, shares were issued as follows:

	Number of Shares	Paid Up Capital \$
To subscribers on incorporation	3	3
Share split on 21 March 2007	53,999,997	-
To additional subscribers in April, May & June 2007	16,137,500	1,291,000
	<b>70,137,500</b>	<b>1,291,003</b>

### 4. Scope of Report

You have requested Moore Stephens Perth Corporate Services Pty Ltd to prepare an Investigating Accountant's Report on:

- (a) The Operating Results (Income Statement) of Bauxite Resources for the period 15 May 2006 (date of incorporation) to 30 June 2007.
- (b) The Balance Sheet of Bauxite Resources as at 30 June 2007.
- (c) The pro-forma Balance Sheet of Bauxite Resources as at 30 June 2007 adjusted to include funds to be raised by the Prospectus and the completion of certain transactions as disclosed in this report.

We have not separately disclosed all related party transactions, as these are disclosed elsewhere in the Prospectus.



## 5. Scope of Review

The historical financial information has been extracted from the Company's unaudited management accounts for the period 15 May 2006 (date of incorporation) to 30 June 2007. The Directors of Bauxite Resources are responsible for the preparation and presentation of the historical and pro-forma financial information, including the determination of the pro-forma transactions.

We have conducted our review of the historical financial information in accordance with Australian Auditing Standard AUS 902 "Review of Financial Reports". We made such inquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances including:

- (a) A review of contractual arrangements;
- (b) a review of work papers, accounting records and other documents;
- (c) a comparison of consistency in application of the recognition and measurement principles in Accounting Standards and other mandatory professional reporting requirements in Australia, with the accounting policies adopted by the Company;
- (d) a review of the assumptions used to compile the pro-forma Balance Sheet; and
- (e) enquiry of directors, management and others.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

The Operating Results of the Company for the period 15 May 2006 (date of incorporation) to 30 June 2007 are included in Appendix 1.

The Balance Sheet as at 30 June 2007 of the Company is included in Appendix 2.

Also included in Appendix 2 is the pro-forma Balance Sheet of the Company which incorporates the Balance Sheet as at 30 June 2007 adjusted as if certain transactions as disclosed in this report had been finalised at that date. Details of these transactions are set out in Note 2 of Appendix 3.

## 6. Valuation of Interests in Exploration and Mining Tenements

The principal assets of Bauxite Resources will be its interests in exploration and mining tenements, comprising tenement acquisition and exploration costs, which have been capitalised in the Balance Sheet.

The interests in exploration and mining tenements have been included at cost in the pro forma Balance Sheet. We have not performed our own valuations of the tenements and do not express a view on whether the carrying values of the tenements are fairly stated. The value of the tenements may rise or fall depending on future exploration results and world prices for Bauxite.

## 7. Opinion

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- The Income Statement, set out in Appendix 1, does not present fairly the operating results of the Company for the period 15 May 2006 (date of incorporation) to 30 June 2007, in accordance with the accounting methodologies required by Australian Accounting Standards.
- The Balance Sheet of the Company, as set out in Appendix 2, does not present fairly the assets and liabilities of the Company as at 30 June 2007 in accordance with the accounting methodologies required by Australian Accounting Standards.
- The pro-forma Balance Sheet of the Company, as set out in Appendix 2, does not present fairly the assets and liabilities of the Company as at 30 June 2007 in accordance with the accounting methodologies required by Australian Accounting Standards and on the basis of assumptions and transactions set out in Note 2 of Appendix 3.

## 8. Subsequent Events

To the best of our knowledge and belief, there have been no material items, transactions or events subsequent to 30 June 2007 not otherwise disclosed in this report, that have come to our attention during the course of our review which would cause the information included in this report to be misleading.

## 9. Other Matters

Moore Stephens Perth Corporate Services Pty Ltd does not have any pecuniary interest that could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion on this matter.

Moore Stephens Perth Corporate Services Pty Ltd will receive a professional fee for the preparation of this Investigating Accountant's Report.

Moore Stephens Perth Corporate Services Pty Ltd were not involved in the preparation of any other part of the Prospectus and accordingly make no representations or warranties as to the completeness and accuracy of any information contained in any other part of the Prospectus.

Yours faithfully



**Neil Pace**  
**Director**



## APPENDIX 1

### BAUXITE RESOURCES LIMITED

#### Unaudited Income Statement

Set out below are the operating results of the Company for the period 15 May 2006 (date of incorporation) to 30 June 2007;

	<b>15 May 2006 to 30 June 2007</b>
	<b>\$</b>
Operating Revenue	-
Operating Costs before income tax	3,835
Income tax expense	-
Operating loss after income tax	3,835

To be read in conjunction with Appendix 3

## APPENDIX 2

### BAUXITE RESOURCES LIMITED

#### Unaudited Balance Sheet

	Notes	Actual 30 June 2007 \$	Pro-forma 30 June 2007 \$
<b>Current Assets</b>			
Cash Assets	3	1,191,032	5,580,287
<b>Total Current Assets</b>		<b>1,191,032</b>	<b>5,580,287</b>
<b>Non Current Assets</b>			
Tenement Acquisition & Exploration Costs	4	196,881	196,881
<b>Total Non Current Assets</b>		<b>196,881</b>	<b>196,881</b>
<b>Total Assets</b>		<b>1,387,913</b>	<b>5,777,168</b>
<b>Current Liabilities</b>			
Other Payables	5	100,745	-
<b>Total Current Liabilities</b>		<b>100,745</b>	<b>-</b>
<b>Total Liabilities</b>		<b>100,745</b>	<b>-</b>
<b>Net Assets</b>		<b>1,287,168</b>	<b>5,777,168</b>
<b>Equity</b>			
Contributed Equity	6	1,291,003	5,781,003
Accumulated Losses		(3,835)	(3,835)
<b>Total Equity</b>		<b>1,287,168</b>	<b>5,777,168</b>

To be read in conjunction with Appendix 3

## APPENDIX 3

### BAUXITE RESOURCES LIMITED

#### NOTES TO THE INCOME STATEMENT AND BALANCE SHEET

##### Note 1 Statement of Accounting Policies

The Income Statement and Balance Sheets have been prepared in accordance with applicable Accounting Standards, including the Australian Equivalents of International Financial Reporting Standards (“AIFRS”), the Corporations Act 2001 and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial information has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial information.

##### (a) Tenement Acquisition & Exploration Costs

Exploration and evaluation expenditure incurred (including tenement acquisition costs) is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area of interest (or alternatively by its sale) or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, and active operations are continuing.

Accumulated costs in relation to an abandoned area are written off to the income statement in the period in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs will be determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

##### (b) Going Concern

The financial statements have been prepared on a going concern basis, which anticipates the ability of the Company to meet its obligations in the normal course of business. The ability of the Company to meet its existing and future obligations will depend on the ability to raise funds pursuant to the Prospectus, or from other sources, and to raise further funds through the issue of additional share capital to meet future exploration commitments, as and when required.

##### (c) Share Issue Costs

In accordance with Australian Accounting Standard AASB 132.37 Financial Instruments: Presentation, all transaction costs on the issue of equity instruments are to be recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate.

## **(d) Income Tax**

The charge for current income tax expense is based on the profit for the year adjusted for any non assessable or disallowed items.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognized directly in equity are recognised in equity and not in the income statement.

## **(e) Plant & Equipment**

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset at the following rates:

Plant and equipment – 20% to 40%

**Impairment**

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate the carrying value may be impaired.

An impairment exists when the carrying value of an asset or cash generating unit exceeds its estimated recoverable amount. The assets or cash-generating units are then written down to their recoverable amount.

**Derecognition and disposal**

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

**(f) Impairment of Assets**

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Recoverable amount is the higher of its fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset or cash generating unit exceeds its estimated recoverable amount, the assets or cash generating unit is considered impaired and is written down to its recoverable amount.

**(g) Provisions**

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reasonable estimate is made of the amount of the obligation.

The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**(h) Cash and Cash Equivalents**

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

**(i) Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

**Interest**

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

## (j) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

## Note 2 The Preparation of the Pro-Forma Balance Sheet

The 30 June 2007 Balance Sheet of the Company has been adjusted to reflect the impact of the following proposed transactions:

- The issue pursuant to this Prospectus of 25,000,000 ordinary shares at 20 cents each, raising \$5,000,000 cash.
- The payment of an estimated \$510,000 in costs incurred by the Company in relation to the capital raising and the subsequent write off of these costs against the issued capital.
- The repayment of loans owing to related parties amounting to \$100,745.

	<b>Actual 30 June 2007 \$</b>	<b>Pro-forma 30 June 2007 \$</b>
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## Note 3 Cash

Cash	1,191,032	5,580,287
The movements in cash at bank are as follows:		
Actual 30 June 2007		1,191,032
Issue of shares pursuant to Prospectus (assuming full subscription)		5,000,000
Estimated share issue costs		(510,000)
Repayment of related party loans		(100,745)
		<b>5,580,287</b>

Note: The Company is offering for subscription 25,000,000 shares at \$0.20 per share to raise \$5,000,000. The pro-forma cash balance has been prepared on this basis and does not include the potential impact of only the minimum subscription of \$4,000,000 being raised or oversubscriptions of up to \$2,500,000. In the event that only the minimum subscription is raised or oversubscriptions are received the pro-forma cash balance and contributed equity would be decreased / increased by up to \$1,000,000 / \$2,500,000, less any associated share issue costs.



	Actual 30 June 2007 \$	Pro-forma 30 June 2007 \$
<b>Note 4 Tenement Acquisition &amp; Exploration Costs</b>		
<b>Non Current</b>		
Capitalised tenement acquisition and exploration costs	196,881	196,881
The movements in tenement acquisition and exploration costs are as follows;		
Actual 30 June 2007		196,881
Proforma transactions		-
		<b>196,881</b>

#### Note 5 Other Payables

Loans payable to related parties	100,745	-
	100,745	-
The movements in payables are as follows:		
Actual 30 June 2007		100,745
Repayment of loans		(100,745)
		-

<b>Actual 30 June 2007</b>	<b>Pro-forma 30 June 2007 \$</b>
------------------------------------	--

### Note 6 Contributed Equity

95,137,500 ordinary shares fully paid		5,781,003
<b>Movements during the Period:</b>	<b>No of Shares</b>	
<b>Ordinary issued and paid up share capital</b>		
Opening balance as at 30 June 2007	70,137,500	1,291,003
Issue of fully paid ordinary shares pursuant to the prospectus	25,000,000	5,000,000
Transaction costs relating to share issue	-	(510,000)
At reporting date	95,137,500	5,781,003

### Options

At present the Company has on issue 9,000,000 options to acquire ordinary shares, the terms of which are set out in Section 12.4 of the Prospectus.

Within three months of its shares being listed on ASX the Company proposes to issue 47,568,750 options at an issue price of 1 cent each, the terms of which are set out in Section 5.6 of the Prospectus. The number of options issued may increase depending on the level of oversubscriptions, if any, received.

### Note 7 Contingent Assets and Liabilities

There are no material contingent assets or liabilities existing at 30 June 2007 or at the date of this report other than;

- (a) Various tenements may be subject to native title claims with further details outlined in the Solicitor's Report on Mining Tenements. The Company is unable to determine whether or not and to what extent, if any, the claims will affect the Company's liabilities.
- (b) Under the terms of the service contract between the Company and its Executive Chairman, as set out in Section 11.1 of the Prospectus, the Company may be liable for a termination penalty in certain circumstances, equivalent to 6 months of his salary.

### Note 8 Exploration Commitments

For details of proposed exploration commitments refer to the proposed exploration expenditure budgets in Section 3.4 of the Prospectus.

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2 August 2007

The Board of Directors  
Bauxite Resources Limited  
35/82 Royal Street  
EAST PERTH WA 6005

Dear Directors

## TENEMENT REPORT ON WESTERN AUSTRALIAN TENEMENTS

This report is prepared for inclusion in a prospectus to be issued by Bauxite Resources Limited (**Bauxite Resources**) on or about 2 August 2007 (**Prospectus**).

### 1 ASSETS

As at the date of this report, Bauxite Resources Limited (**Bauxite Resources or Company**), holds interests in one granted mining tenement and in various applications for the grant of mining tenements located in Western Australia. All granted mining tenements and all applications are collectively referred to in this report as the **Tenements**.

A schedule of the Tenements is attached to and forms part of this report (**Schedule**). Part I of the Schedule contains a list of the Tenements. Part II of the Schedule contains a summary of the status of the native title claims existing over the Tenements.

### 2. SEARCHES

For the purposes of this report, we have conducted searches and made enquiries in respect of all the Tenements as follows:

- (a) we have reviewed searches of the Tenements in the registers maintained by the Western Australian Department of Industry and Resources (**DIR**). These searches were conducted on 20 June 2007;
- (b) we have reviewed searches of the WA Tenements from the Land Claims Mapping Unit Division of the Department of Land Information (**LCMUD**) to determine if any native title claims are registered over the area of the Tenements. These searches were conducted on 27 June 2007;
- (c) we have obtained a register of extracts from the Register of Native Title Claims maintained by the National Native Title Tribunal (**NNTT**) in respect of registered native title claims identified in the searches from the LCMUD. This material was obtained on 27 June 2007;
- (d) we have reviewed searches from the database of registered aboriginal sites maintained by the Department of Indigenous Affairs (**DIA**) in respect of aboriginal sites registered against the Tenements. These searches were conducted on 2 July 2007; and
- (e) we have reviewed all material agreements relating to the Tenements (**Agreements**) and summarised the material terms (details of which are set out in Part III of the Schedule).

On the basis of the searches conducted and our review of the Agreements, we consider that this report (and the Schedule) provides an accurate statement as to the status of the Tenements as at the date the relevant searches were obtained.

### 3. OPINION

As a result of our searches and enquiries, but subject to the assumptions and qualifications set out below, we are of the view that, as at the date of the relevant searches:

- (a) the details of the Tenements included in this report are accurate as to the status of the Tenements and the Company's interest in the Tenements;
- (b) where title to a Tenement has not been granted or an application for extension of a term of a Tenement is pending, that fact is disclosed in the Schedule; and
- (c) all applicable rents due under the *Mining Act 1978 (WA)* (**Mining Act**) in respect of the Tenements have been paid, unless otherwise noted in the Schedule; and
- (d) the valid grant of any of the current applications for Tenements which may affect native title will require compliance with the applicable processes of the *Native Title Act 1993* as amended by the *Native Title Amendment Act 1998 (Cth)* (which are together referred to as the **NTA**).

### 4. WA TENEMENTS

The Tenements comprise exploration licences granted or applied for under the Mining Act.

#### Exploration Licence

The rights of the holder of an exploration licence are set out in Section 66 of the Mining Act and include the right to enter the land and undertake operations for the purposes of exploration for minerals. Exploration licences granted or applied for before 10 February 2006 remain in force for a term of 5 years. The Minister for State Development (**Minister**) may extend the term by a further period or periods of 1 or 2 years. Exploration licences granted or applied for after 10 February 2006 have a term of 5 years and may be extended for a further 5 years followed by a further period or periods of 2 years.

An exploration licence, or a legal or equitable interest in or affecting an exploration licence, cannot be assigned during the first year of its term without the prior written consent of the Minister. Thereafter, there is no restriction on assignment.

The holder of an exploration licence granted or applied for before 10 February 2006 must relinquish not less than half of the blocks comprising the licence at the end of the third year. A further relinquishment of not less than half of the remaining blocks is required at the end of the fourth year. The holder of an exploration licence granted or applied for after 10 February 2006 must relinquish not less than 40% of the blocks comprising the licence at the end of the fifth year.

#### Generally Applicable Conditions

Mining tenements are granted subject to various conditions prescribed by the Mining Act including payment of rent, compliance with minimum expenditure and meeting reporting requirements.

The standard conditions that apply to the Tenements include environmental conditions. The Tenements are also subject to statutory requirements of certain other Acts, including Aboriginal heritage legislation, environmental protection legislation and rights in water legislation. These standard conditions are not detailed in the Schedule.

#### Specific Conditions

Specific conditions applicable to the individual Tenements are detailed in the notes to Part I of the Schedule.

#### Encumbrances

Encumbrances applicable to the individual Tenements are detailed in the notes to Part I of the Schedule.

## 5. POTENTIAL EXCISIONS FROM TENEMENTS

The Tenements are subject to potential excisions from the application area as follows (the percentage refers the affected area of the Tenement):

Tenement	Type and extent of potential excision
E70/3002	Private land to a depth of 30 metres FNA 2894 FNA 2895 Conservation of Flora and Fauna Reserves 30363 (1.6%) and 39247 (0.2%) National Park Reserve 47883 (6.9%) Mining Lease 70/1SA
E70/3003	Private land to a depth of 30 metres FNA 2874 FNA 3112 Conservation of Flora and Fauna Reserves 41938 (9.4%) and 25919 (0.03%)
E70/3007	Private land to a depth of 30 metres Exploration Licence 70/2904
E70/3064	Private land to a depth of 30 metres Conservation of Flora and Fauna Reserve 32807 (1.3%)
E70/3102	Private land to a depth of 30 metres Conservation of Flora and Fauna Reserve 34811 (0.1%) National Park Reserve 46213 (2.8%) Mining Lease 70/1SA
E70/3159	Private land to a depth of 30 metres FNA 3112 – RAAF defence area National Park Reserves 30192 (3.9%) and 7537 (1.6%) Conservation of Flora and Fauna Reserves 41938 (3.4%), 30191 (1.0%) and 38924 (2.9%) Mining Lease 70/1SA
E70/3160	Private land to a depth of 30 metres Conservation of Flora and Fauna Reserves 43077 (0.1%), 33254 (0.1%), 3156 (0.1%), 22096 (0.4%), 44729 (0.1%) and 19900 (0.2%) Mining Lease 70/1SA
E70/3164	Private land to a depth of 30 metres FNA 2874 FNA 2894 FNA 7500 National Park Reserve 47661 (1.7%) Mining Lease 70/1SA
E70/3179	Private land to a depth of 30 metres FNA 2894 Conservation of Flora and Fauna Reserve 37054 (0.08%) Mining Lease 70/258SA
E70/3180	Private land to a depth of 30 metres FNA 2894 Conservation of Flora and Fauna Reserves 7230 (0.27%), 30563 (0.81%) and 20610 (0.22%) Mining Lease 70/258SA

Tenement	Type and extent of potential excision
E70/3193	Private land to a depth of 30 metres FNA 2874 5GR 18130 (0.06%) Conservation of Flora and Fauna Reserves 14278 (0.46%) and 11310 (0.04%)
E70/3194	Private land to a depth of 30 metres FNA 2874 National Park Reserves 47884 (6.16%) and 47881 (4.67%) Mining Lease 70/1SA
E70/3195	Private land to a depth of 30 metres FNA 2874 FNA 7500 Conservation of Flora and Fauna Reserve 22797 (1.2%) Mining Leases 70/1SA and 70/258SA
E70/3196	Private land to a depth of 30 metres Conservation of Flora and Fauna Reserves 40476 (0.3%), 41701 (0.6%), 32202 (1.4%) and 23012 (0.1%) National Park Reserves 39825 (7.4%) and 28862 (2.0%) Mining Lease 70/1SA
E70/3197	Private land to a depth of 30 metres FNA 2874 Conservation of Flora and Fauna Reserves 39819 (2.5%) and 5098 (0.55%) Mining Lease 70/1SA
E70/3204	Private land to a depth of 30 metres 5GR 39826 (0.33%) National Park Reserve 47884 (0.13%)
E70/3205	Private land to a depth of 30 metres FNA 2788 5GR 39821 (1.12%) Mining Leases 70/1SA and 70/258SA
E70/3206	Private land to a depth of 30 metres Mining Lease 70/1SA
E12/2	Private land to a depth of 30 metres FNA 2874 FNA 7500 5GR 39821 (3.43%) National Park Reserve (0.02%) Conservation of Flora and Fauna Reserve 45961 (0.35%) Mining Leases 70/1SA and 70/262SA
E04/1633	Conservation of Flora and Fauna Reserve (17.48%)
E04/1634	Conservation of Flora and Fauna Reserve (12.46%)
E04/1635	Application terminated
E04/1646	No excisions
E80/3842	No excisions
E80/3910	No excisions
E80/3912	No excisions

## 5.1 Material Excisions

### Mining Leases 70/1SA, 70/258SA and 70/262SA

Exploration licences may not be granted over land already the subject of a mining lease as this land is not considered to be “land open for mining” under section 18 of the Mining Act. As such, those parts of the Tenements that overlap with mining leases 70/1SA, 70/258SA and 70/262SA will be excised from the Tenements if granted.

### Private Land

Under section 29 of the Mining Act, the written consent of the owner and occupier of private land must be obtained before a mining tenement in respect of the natural surfaces and to within a depth of 30 metres is granted over the following categories of private land:

- (a) in bona fide and regular use as a yard, stockyard, garden, orchard, vineyard, plant nursery or plantation;
- (b) under cultivation (as defined in broad terms under the Mining Act);
- (c) the site of a cemetery, burial ground or reservoir;
- (d) land on which there is erected a substantial improvement (as determined by the Warden);
- (e) within 100 metres of any private land referred to above; or
- (f) a separate parcel of land having an area of 2,000 square metres or less.

However, it is not necessary to obtain the consent of the owner and occupier if the mining tenement is granted only in respect of that part of the private land which is not less than 30 metres below the lowest part of the natural surface. This is commonly referred to as the grant of “subsurface rights”. After the grant of a sub-surface rights tenement, if the holder of the tenement subsequently obtains the consent of the private land owner and occupiers, the tenement holder may apply to the Minister for the mining tenement to be amended to include the surface areas.

“Private land” is defined as any land alienated from the State after 1899 for any estate of freehold or land which is the subject of a conditional purchase agreement or of a lease.

All of the Tenements encroach on private land. To the extent that the consents of each private land owner and occupier is required and has not been obtained, each Tenement may only be granted in respect of land below a depth of 30 metres underneath that private land.

## File Notation Areas (FNA)

The TENGRAH database maintained by DIR indicates that “File Notation Area” 2788, 2874, 2894, 2895 and 7500 have been recorded over parts of the Tenements under the following State Agreements:

- (a) Alumina Refinery Agreement Act 1961;
- (b) Alumina Refinery (Worsley) Agreement Act 1973; and
- (c) Alumina Refinery Agreements (Alcoa) Amendment Act 1987.

FNAs are noted by DIR to record areas that may be required for future use by a government department or agency, or in the above case, in relation to State Agreements entered into by the State and Alcoa of Australia Limited, (**Alcoa**), and Worsley Alumina Pty Ltd, (**Worsley**), in relation to mining operations. FNAs are not enforceable and are merely used to notify interested persons of the intended future use of the land. Accordingly, although the FNAs will not impact the grant of the Tenements, it is likely that in the future this land may be required by the State in relation to its requirements under the above State Agreements.

The FNAs represent areas that DIR has identified as being affected by the above State Agreements. Each State Agreement includes a provision that excludes the grant of mining tenements if that grant is likely to unduly prejudice or interfere with the current or future operations of Alcoa or Worsley in areas in which Alcoa or Worsley holds mining leases and other leases under the State Agreement. The FNAs have been recorded over the areas of the mining lease referred to above and as such the FNAs have limited practical effect as this land is not open for mining and cannot be included in the grant of another mining tenement (other than a miscellaneous licence) in any event.

## National Park and Conservation of Flora and Fauna Reserves

Under sections 23 and 24 of the Mining Act, mineral exploration and mining cannot be conducted within the area of mining tenements within national parks and nature reserve, including but not limited to Class A and Class C reserves, without the prior consent of the Minister for Industry and Resources who must first consult and obtain the consent of the Minister for Environment. Furthermore, a mining lease or general purpose lease cannot be granted within the area of a Class A nature reserve or national park unless both Houses of Parliament by resolution consent to the grant.

We also note that the current policy of the Western Australian State Government is to “prohibit mineral or petroleum exploration or production in all National Parks, all Nature Reserves and all Marine Nature Reserves”. DIR have advised that in accordance with this policy DIR will recommend that the Minister refused to grant any applications for mining tenements that substantially encroach on national parks and nature reserves, and in the case of minor encroachments that those parts of applications be excised.

## 6. ABORIGINAL SITES – WA TENEMENTS

Tenements in Western Australia are granted subject to an endorsement reminding the tenement holder of its obligation to comply with the requirements of the *Aboriginal Heritage Act 1972 (WA)* (**Heritage Act**).

The Heritage Act (section 18) protects sites and areas of significance to Aboriginal persons. The Minister’s consent is required where any use of land is likely to result in the excavation or other alteration of or damage to an Aboriginal site or any objects on or under that site.

Although Aboriginal sites may be registered under the Heritage Act, the Act protects all Aboriginal sites whether registered or not. The existence of sites is largely known only to Aboriginal people and most sites are not registered. We have accessed the database of registered Aboriginal sites maintained by the Department of Indigenous Affairs (**DIA**). This database indicates that the following Aboriginal sites are in the vicinity of the Tenements:



Tenement	Site ID and type
E70/3002	3758 Ceremonial, Mythological, Repository/Cache
E70/3003	640 Mythological; 3188 Unknown; 3387 Water Source; 3452 Camp; 3525 Mythological; 3536 Mythological; 3722 Mythological; 3778 Mythological; 3779 Mythological, Repository/Cache; 3802 Artefacts/Scatter; 3805 Artefacts/Scatter; 3806 Artefacts/Scatter; 3807 Artefacts/Scatter; 3808 Artefacts/Scatter; 3809 Quarry, Artefacts/Scatter; 3810 Artefacts/Scatter; 3814 Artefacts/Scatter; 3815 Artefacts/Scatter; 3817 Artefacts/Scatter; 3823 Artefacts/Scatter; 3830 Ceremonial, Mythological, Man-made Structure; 3849 Artefacts/Scatter; 3850 Artefacts/Scatter; 3851 Artefacts/Scatter; 3852 Artefacts/Scatter; 3853 Artefacts/Scatter; 3854 Artefacts/Scatter; 3855 Artefacts/Scatter; 15731 Artefacts/Scatter; 15736 Artefacts/Scatter; 15737 Artefacts/Scatter; 15738 Artefacts/Scatter; 15739 Artefacts/Scatter; 15740 Artefacts/Scatter; 17507 Artefacts/Scatter; 17508 Artefacts/Scatter; 17510 Camp, Water Source; 17511 Hunting Place; 17512 Ceremonial, Mythological; 17513 Camp, Water Source; 17514 Mythological; 21317 Artefacts/Scatter.
E70/3007	19138 Mythological; 19183 Mythological; 20008 Mythological, Historical; 20749 Mythological; 21615 Mythological; 21616 Mythological; 21617 Mythological; 21618 Mythological; 21619 Mythological; 21620 Mythological.
E70/3064	3353 Artefacts/Scatter; 3422 Skeletal Material/Burial; 3928 Camp; 3929 Skeletal Material/Burial, Man-made Structure; 19138 Mythological; 19183 Mythological; 20008 Mythological, Historical; 20749 Mythological; 21615 Mythological; 21616 Mythological; 21617 Mythological; 21618 Mythological; 21619 Mythological; 21620 Mythological.
E70/3102	16711 Mythological; 16713 Mythological; 16715 Historical; 17776 Mythological; 17783 Ceremonial; 17784 Man-made Structure, Historical; 19795 Mythological; 19796 Mythological; 21905 Mythological.
E70/3159	640 Mythological; 3188 Unknown; 3231 Modified Tree; 3389 Artefacts/Scatter; 3435 Fish Trap, Modified Tree, Artefacts/Scatter; 3452 Camp; 3536 Mythological; 3605 Engraving; 3989 Artefacts/Scatter; 15729 Artefacts/Scatter; 15730 Artefacts/Scatter; 15731 Artefacts/Scatter; 15732 Artefacts/Scatter; 15733 Artefacts/Scatter; 15734 Artefacts/Scatter; 15736 Artefacts/Scatter; 15737 Artefacts/Scatter; 15739 Artefacts/Scatter; 21360 Artefacts/Scatter.
E70/3160	3536 Mythological; 3728 Artefacts/Scatter; 3730 Artefacts/Scatter; 3731 Artefacts/Scatter; 3732 Artefacts/Scatter; 3733 Artefacts/Scatter.
E70/3164	5821 Artefacts/Scatter; 16713 Mythological; 16903 Artefacts/Scatter; 16904 Artefacts/Scatter; 16908 Artefacts/Scatter; 16909 Artefacts/Scatter; 17021 Historical; 18443 Artefacts/Scatter, Historical; 19795 Mythological; 19796 Mythological; 20434 Mythological; 21306 Artefacts/Scatter; 21905 Mythological.
E70/3179	-
E70/3180	-
E70/3193	640 Mythological; 3188 Unknown; 3194 Artefacts/Scatter; 3386 Artefacts/Scatter; 3390 Artefacts/Scatter; 3391 Artefacts/Scatter; 3536 Mythological; 3551 Artefacts/Scatter; 3691 Artefacts/Scatter; 3758 Ceremonial, Mythological, Repository/Cache; 4296 Manmade Structure, Modified Tree, Artefacts/Scatter; 15735 Artefacts/Scatter.
E70/3194	3191 Man-made Structure; 3263 Artefacts/Scatter; 3454 Artefacts/Scatter; 3512 Mythological; 3536 Mythological; 3538 Mythological; 3696 Massacre; 3714 Mythological; 3715 Camp, Water Source; 15082 Camp; 15119 Artefacts/Scatter; 15976 Artefacts/Scatter; 16108 Mythological; 16717 Mythological, Manmade Structure, Artefacts/Scatter; 18177 Artefacts/Scatter; 18193 Mythological.
E70/3195	15713 Artefacts/Scatter; 15714 Artefacts/Scatter; 17776 Mythological.

Tenement	Site ID and type
E70/3196	3582 Ceremonial, Mythological; 3594 Plant Resource, Camp; 3945 Artefacts/Scatter; 3946 Artefacts/Scatter; 3947 Artefacts/Scatter; 3948 Artefacts/Scatter; 3949 Artefacts/ Scatter; 3950 Artefacts/Scatter; 3953 Artefacts/Scatter; 4113 Artefacts/Scatter; 16784 Artefacts/Scatter; 18191 Artefacts/Scatter; 18192 Artefacts/Scatter.
E70/3197	3537 Mythological; 3546 Camp; 3687 Mythological; 4113 Artefacts/Scatter; 4328 Artefacts/Scatter; 15720 Artefacts/Scatter; 15853 Engraving; 15854 Plant Resource; 15855 Hunting Place; 15856 Aboriginal Track; 16738 Artefacts/Scatter.
E70/3204	-
E70/3205	3537 Mythological; 4064 Artefacts/Scatter; 4174 Artefacts/Scatter; 4175 Artefacts/Scatter; 4288 Artefacts/Scatter; 4289 Artefacts/Scatter; 4290 Artefacts/Scatter; 4291 Artefacts/Scatter; 15126 Engraving, Grinding patches/grooves.
E70/3206	3758 Ceremonial, Mythological, Repository/Cache.
E12/2	4690 Ceremonial, Mythological; 4691 Skeletal Material/Burial; 4696 Mythological; 4791 Artefacts/Scatter; 4792 Artefacts/Scatter; 4793 Artefacts/Scatter; 4794 Artefacts/Scatter; 4796 Artefacts/Scatter; 4800 Artefacts/Scatter; 5303 Artefacts/Scatter; 5304 Artefacts/Scatter; 15331 Skeletal Material/Burial, Modified Tree; 16004 Camp; 16713 Mythological; 17286 Camp; 18690 Camp; 19795 Mythological; 19796 Mythological; 20262 Artefacts/Scatter; 21905 Mythological; 23072 Artefacts/Scatter.
E04/1633	13526 Artefacts/Scatter; 13527 Artefacts/Scatter; 13528 Quarry, Artefacts/Scatter; 13529 Artefacts/Scatter; 14847 Painting; 14986 Painting, Engraving, Grinding Patches/Grooves; 14987 Ceremonial, Mythological, Skeletal Material/Burial, Painting; 14988 Painting; 14990 Ceremonial, Mythological, Painting; 14991 Painting; 14992 Ceremonial, Modified Tree, Painting.
E04/1634	-
E04/1635	14930 Man-made Structure; 24152 Ceremonial, Mythological, Fish Trap Historical; 24153 Ceremonial Quarry, Historical.
E04/1646	14986 Painting, Engraving, Grinding Patches/Groves.
E80/3842	-
E80/3910	-
E80/3912	14793 Mythological, Painting; 14794 Mythological, Painting.

A practical method of minimising the danger of unintentional disturbance of a site is to undertake an Aboriginal heritage survey with local Aboriginal communities before the commencement of land disturbing activities. This is an informal process because the Heritage Act does not actually prescribe a mechanism for identifying Aboriginal sites. Prior to the Minister giving consent under Section 18 of the Heritage Act, an evaluation of the site and a recommendation must first be made by the Aboriginal Cultural Materials Committee. Under DIA guidelines, a proponent must undertake an Aboriginal heritage survey and consult with traditional owners before making an application for consent.

The *Aboriginal and Torres Strait Islander Heritage Protection Act 1984 (Cth)* (**Heritage Protection Act**) affords additional protection to Aboriginal sites in Western Australia. It allows declarations to be made which protect or preserve objects or areas which are of significance to Aboriginals, whether situated on private or Crown land. A protection order may be issued even if the State Minister has given consent to land use under Section 18 of the Heritage Act.

Two types of declarations may be made in relation to significant Aboriginal objects or Aboriginal areas (being objects or areas of significance to Aboriginals in accordance with Aboriginal tradition) under the Heritage Protection Act:

- (a) emergency declarations of preservation which remain in force for a maximum of 60 days; and
- (b) declarations of preservation (which remain in force for the terms specified in the declarations).

Before making a permanent declaration in relation to an area, the Minister for Aboriginal Affairs must commission a report on the area, which addresses specific matters such as the significance of the area, the extent of the area to be protected and the effects of the declaration on any non-Aboriginal interests in the land. Compensation is payable by the Minister for Aboriginal Affairs to a person who is, or is likely to be, affected by a permanent declaration of preservation.

It is an offence to contravene a declaration made under the Heritage Protection Act.

In respect of the sites identified on the Tenements, the Company needs to ensure that any interference with such sites is in strict conformity with the provisions of the Heritage Act.

## 7. NATIVE TITLE – MABO AND NATIVE TITLE LEGISLATION

The *Racial Discrimination Act 1975 (Cth)* (**RDA**) was enacted by the Federal Parliament in 1975. It made racial discrimination unlawful. The RDA is binding on the State of Western Australia.

On 3 June 1992, the High Court of Australia held in *Mabo v. Queensland (no.2) (1992) 175 CLR 1* (**Mabo #2**) that the common law of Australia recognises a form of native title which reflects the entitlements of Aboriginal people to their traditional lands in accordance with their traditional laws and customs. In order to succeed in a native title claim the persons making such claim must show that they enjoy certain customary rights and privileges in respect of a particular area of land and that by these rights and privileges they have a connection with that land.

In *Mabo # 2*, the High Court held that native title could be extinguished through loss of traditional connection with the land or by legislative or executive actions which are inconsistent with the continued right to enjoy native title. In particular, native title may be extinguished by the State:

- (a) granting a title or interest in land, such as a freehold or leasehold title; or
- (b) appropriating or reserving and using land for a public purpose such as public works,

which is inconsistent with the continued right to enjoy native title in respect of the same land. Extinguishment may be whole or partial depending upon the nature of the State's action. The principles concerning extinguishment have been developed in subsequent High Court and Federal Court decisions.

The grant of a mining tenement only partially extinguishes native title rights and interests. Under section 44H of the NTA and at common law, the rights held under mining tenements will prevail over any inconsistent native title rights. In the case of exploration licences, recent court decisions have held that there is considerable scope for the co-existence of native title rights and the exploration licensee's rights.

The Commonwealth Parliament responded to the Mabo decision by passing the *Native Title Act 1993 (Cth)*. This Act enabled a State Parliament to validate any mining tenements granted prior to its commencement which might otherwise have been invalid by reason of the RDA. *The Native Title Act 1993* was extensively amended by the *Native Title Amendment Act 1998 (Cth)*. These amendments include the ability of a State Parliament to validate any titles which may have been invalidly granted over pastoral leases and certain other leasehold interests during the period 1 January 1994 to 23 December 1996. The State of Western Australia has enacted the validating legislation contemplated by the NTA: the *Titles (Validation) and Native Title (Effect of Past Acts) Act 1995* as amended by the *Titles (Validation) and Native Title (Effect of Past Acts) Amendment Act 1999*.

## 8. NATIVE TITLE – NATIVE TITLE CLAIMS

Persons claiming to hold native title may lodge an application for determination of native title with the Federal Court. The Court will then refer the application to the Native Title Registrar for the registration test.

If the Native Title Registrar is satisfied that the lodged claim meets the registration requirements set out in the NTA (**Registration Test**), it will be entered on the Register of Native Title Claims maintained by the National Native Title Tribunal (**Register**). Claimants of registered claims are afforded certain procedural rights under the NTA including the “right to negotiate”.

Claims which fail to meet the Registration Test are recorded on the Schedule of Applications Received. Such claims may be entered on the Register at a later date if additional information is provided by the claimant that satisfies the Registration Test. If a claim fails to meet the Registration Test, this only means that the native title claimants do not have access to the future act procedures under the NTA. It does not mean that the claim has been dismissed or discontinued. An unregistered claim must still be heard and determined by the Federal Court.

Some of the Tenements relate to land which is currently the subject of one or more registered native title claims. These claims are identified in Part II of the Schedule.

We have not undertaken the considerable historical, anthropological and ethnographic work that would be required to determine the likelihood that existing claims may be successful, or the possibility of any further native title claims being made in the future.

The main issue for the Company is the existence of registered native title claim. That effectively requires the Company to observe the provisions of the NTA in proceeding with its applications for Tenements. The reason for this is that an act which affects native title rights such as the grant of a mining tenement may be invalid unless there has been compliance with the provisions of the NTA. Until the native title claim has been determined by the Federal Court the existence of native title will be uncertain. Prudence dictates that native title should be assumed to exist over all claimed land other than freehold, “exclusive possession” leasehold or vested reserve until the claim has been determined.

Some of the Tenements relate to land which is currently the subject of one or more native title agreements. A summary of these agreements is included in Part III of the Schedule.

## 9. NATIVE TITLE – VALIDITY OF TITLES

### (a) Tenements granted since 23 December 1996

Mining tenements granted since 23 December 1996 may be invalid if they were granted over land other than freehold, “exclusive possession” leasehold or vested reserve and the applicable processes prescribed by the NTA were not complied with. We understand that it has been the practice of the State Government since 23 December 1996 to comply with these processes subject to certain cases between July 2000 and February 2001 where the Minister granted mining tenements over enclosed or improved pastoral leasehold land relying on *WA v Ward* (2000) 170 ALR 159 (since overruled by the High Court on this point).

E70/3007 was granted since 23 December 1996 (although not between July 2000 and February 2001). On the basis that the procedural requirements of the NTA were complied with prior to their grant, E70/3007 is valid so far as native title is concerned.

## (b) Future Tenement Grants

The valid grant of any of the current applications for Tenements which may affect native title requires compliance with the provisions of the NTA.

The NTA regulates all future actions (such as the grant of a mining tenement) which affect native title rights. These actions are known as “future acts”. A future act will be valid if it falls within one of a number of categories of land dealings specified in the NTA provided that there is compliance with the applicable procedural requirements: NTA Part 2, Division 3, Subdivisions B-P.

Accordingly, if the grant of any of the current applications for Tenements affects native title, the grant will be a future act and will be valid only if there has been compliance with the relevant requirements of the NTA. In order to determine whether the grant of any of the current applications will affect native title, a determination must be made as to whether the native title exists in the area. This will require a hearing by the Federal Court (or a consent determination) as to the existence of native title, which could take years. However, in the interim, the validity of the grant of the current applications for Tenements can be assured if the State and the applicants for the Tenements comply with the requirements of the NTA on the assumption that native title does in fact exist in the area.

These requirements are known as the “right to negotiate procedures”. They are contained in Part 2 Division 3 Subdivision P of the NTA. They involve the notification and advertising of a proposed grant, negotiation by the State and the tenement applicant with any registered native title claimants and, if agreement cannot be reached, determination by the National Native Title Tribunal.

In the case of low impact mining tenements, the State may nominate that the NTA expedited procedure applies. As a general practice, the State of Western Australia nominates the expedited procedure in relation to exploration licences. If the registered native title claimants do not object to the expedited procedure within four months after receiving notification of the proposed act, the grant may proceed. If they do object and the objection is upheld by the National Native Title Tribunal, the right to negotiate procedure applies.

Tenements may also be validly granted under an Indigenous Land Use Agreement (Subdivisions B, C and D of the NTA) which must be entered into with all the registered native title claimants for the area and registered under the NTA.

All Tenements, with the exception of E70/3007, are current applications.

## 10. OBJECTIONS

Set out below is a summary of the Tenements currently affected by objections:

Tenement	Objection	Objector	Overlapping area
E70/3003	8H/067	Shire of Chittering	Chittering valley conservation reserve
E70/3180	30H/067 31H/067	Desmond Milton & Lorraine Morrison Timothy Watts & Jenny Watts	Private farming land Old jarrah trees & rare natural vegetation
	32H/067 33H/067	Graeme Parsons & Barbara Parsons John Bostock	Private farming land Not specified
E70/3194	34H/067	Denis Hill	Mining Lease 70/733 & Miscellaneous Licence 70/62
E70/3197	35H/067	Alcoa of Australia Limited	Mining Lease 70/16 Mining Lease 1SA Private land
E12/2	37H/067	Wesfarmers Premier Coal Limited	Mining Lease Application 12/28

We do not express an opinion as to the outcome of any hearing in relation to the objections.

## 11. QUALIFICATIONS

While the status of the Tenements is dealt with in the Schedule, we point out, by way of summary, that:

- (a) we have assumed the accuracy and completeness of all Tenement searches and other information or responses which were obtained from the relevant department or authority. We cannot comment on any obligations of the Company that may arise from agreements that are not registered as a dealing, encumbrance or otherwise noted on the searches of the Tenements obtained from the DIR;
- (b) the holding of the Tenements is subject to compliance with the terms and conditions and the provisions of the Mining Act;
- (c) we have assumed the accuracy and completeness of any instructions or information which we have received from the Company or any of its officers, agents and representatives;
- (d) with respect to any application for the grant of a Tenement, we express no opinion as to whether such application will ultimately be granted and that reasonable conditions will be imposed upon grant, although, subject to successful resolution of the objections noted in section 10, we have no reason to believe that any application will be refused or that unreasonable conditions will be imposed;
- (e) we have not undertaken searches to determine the classification of reserves which overlap the Tenements as set out in Section 5. Accordingly, we do not express an opinion on the potential impact of mining or exploration activities on national parks and reserves which overlap the Tenements;
- (f) where compliance with the requirements necessary to maintain a Tenement in good standing is not disclosed on the face of the searches referred to in this report, we express no opinion on such compliance;
- (g) references in the Schedule to any area of land are taken from details shown on searches obtained from the DIR. It is not possible to verify the accuracy of those areas without conducting a survey;
- (h) where Ministerial consent to any agreement or dealing referred to in Part II of the Schedule is being or will be sought, we express no opinion as to whether such consent will be granted, or the consequences of consent being refused, although we have no reason to believe that any application for consent will be refused; and
- (i) the information in the Schedule is accurate as at the date the relevant searches were obtained. We cannot comment on whether any changes have occurred in respect of the Tenements between the date of the searches and the date of the Prospectus.

## 12. CONSENT

This report is given solely for the benefit of the Company and the directors of the Company in connection with the issue of the Prospectus and is not to be relied on or disclosed to any other person or used for any other purpose or quoted or referred to in any public document or filed with any government body or other person without our prior consent.



Yours faithfully  
**STEINEPREIS PAGANIN**

## PART I TENEMENT SCHEDULE

Tenement	Holder / Applicant	Shares Held	Grant Date (Application Date)	Expiry Date	Area Size	Annual Rent (Next Rental Year)*	Minimum Annual Expenditure	Relationships	Encumbrances/Deals	Notes	Native Title
E70/3002	Bauxite Resources Limited	120/120	(16/05/2006)	-	49 Blocks	\$5,147	\$49,000	-	-	1	WC00/7, Ballardong People (unregistered) WC03/6, Single Noongar Claim (Area 1) (unregistered)
E70/3003	Bauxite Resources Limited	120/120	(16/05/2006)	-	70 Blocks	\$7,354	\$70,000	-	Objection 8H/067	-	WC03/6, Single Noongar Claim (Area 1) (unregistered)
E70/3007	Bauxite Resources Limited	120/120	23/04/2007	22/04/2012	69 Blocks	\$7,597	\$69,000	-	-	2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18	WC97/71, Yued (registered) WC03/6, Single Noongar Claim (Area 1) (unregistered)
E70/3064	Bauxite Resources Limited	120/120	(10/10/2006)	-	39 Blocks	\$4,097	\$39,000	-	-	19	WC97/71, Yued (registered) WC03/6, Single Noongar Claim (Area 1) (unregistered)
E70/3102	Bauxite Resources Limited	120/120	(30/01/2007)	-	70 Blocks	\$7,354	\$70,000	-	-	20	WC98/58 Gnaala Karla Booja (registered) WC03/6, Single Noongar Claim (Area 1) (unregistered)
E70/3159	Bauxite Resources Limited	96/96	(26/03/2007)	-	70 Blocks	\$7,354	\$70,000	-	-	21	WC03/6, Single Noongar Claim (Area 1) (unregistered)
E70/3160	Bauxite Resources Limited	96/96	(26/03/2007)	-	70 Blocks	\$7,354	\$70,000	-	-	22	WC97/71, Yued (registered) WC00/7, Ballardong People (unregistered) WC03/6, Single Noongar Claim (Area 1) (unregistered)

Tenement	Holder / Applicant	Shares Held	Grant Date (Application Date)	Expiry Date	Area Size	Annual Rent (Next Rental Year)*	Minimum Annual Expenditure	Relationships	Encumbrances/ Dealings	Notes	Native Title
E70/3164	Bauxite Resources Limited	96/96	(30/03/2007)	-	70 Blocks	\$7,354	\$70,000	-	-	-	WC98/58 Gnaala Karla Booja (registered) WC98/63 South West Boorjarah (unregistered) WC03/6, Single Noongar Claim (Area 1) (unregistered) WC06/4, South West Boorjarah 2 (unregistered)
E70/3179	Bauxite Resources Limited	96/96	(12/04/2007)	-	70 Blocks	\$7,354	\$70,000	-	-	-	WC98/58 Gnaala Karla Booja (registered) WC03/6, Single Noongar Claim (Area 1) (unregistered)
E70/3180	Bauxite Resources Limited	96/96	(12/04/2007)	-	70 Blocks	\$7,354	\$70,000	-	Objection 30H/067 Objection 31H/067 Objection 32H/067 Objection 33H/067	-	WC98/58 Gnaala Karla Booja (registered) WC03/6, Single Noongar Claim (Area 1) (unregistered)
E70/3193	Bauxite Resources Limited	96/96	(14/05/2007)	-	64 Blocks	\$6,723	\$64,000	-	-	-	WC03/6, Single Noongar Claim (Area 1) (unregistered)
E70/3194	Bauxite Resources Limited	96/96	(14/05/2007)	-	69 Blocks	\$7,248	\$69,000	-	Objection 34H/067	-	WC98/58 Gnaala Karla Booja (registered) WC03/6, Single Noongar Claim (Area 1) (unregistered)
E70/3195	Bauxite Resources Limited	96/96	(14/05/2007)	-	60 Blocks	\$6,303	\$60,000	-	-	-	WC98/58 Gnaala Karla Booja (registered) WC03/6, Single Noongar Claim (Area 1) (unregistered)



Tenement	Holder / Applicant	Shares Held	Grant Date (Application Date)	Expiry Date	Area Size	Annual Rent (Next Rental Year)*	Minimum Annual Expenditure	Relationships	Encumbrances/Deals	Notes	Native Title
E70/3196	Bauxite Resources Limited	96/96	(14/05/2007)	-	69 Blocks	\$7,248	\$69,000	-	-	23	WC98/58 Gnaala Karla Booja (registered) WC03/6, Single Noongar Claim (Area 1) (unregistered)
E70/3197	Bauxite Resources Limited	96/96	(14/05/2007)	-	70 Blocks	\$7,354	\$70,000	-	-	-	WC98/58 Gnaala Karla Booja (registered) WC03/6, Single Noongar Claim (Area 1) (unregistered)
E70/3204	Bauxite Resources Limited	96/96	(22/05/2007)	-	21 Blocks	\$2,206	\$21,000	-	-	-	WC98/58 Gnaala Karla Booja (registered) WC03/6, Single Noongar Claim (Area 1) (unregistered)
E70/3205	Bauxite Resources Limited	96/96	(22/05/2007)	-	28 Blocks	\$2,941	\$28,000	-	-	-	WC98/58 Gnaala Karla Booja (registered) WC03/6, Single Noongar Claim (Area 1) (unregistered)
E70/3206	Bauxite Resources Limited	96/96	(22/05/2007)	-	41 Blocks	\$4,307	\$41,000	-	-	-	WC03/6, Single Noongar Claim (Area 1) (unregistered)
E12/2	Bauxite Resources Limited	96/96	(22/05/2007)	-	70 Blocks	\$7,354	\$70,000	-	Objection 37H/067	-	WC98/58 Gnaala Karla Booja (registered) WC03/6, Single Noongar Claim (Area 1) (unregistered)
E04/1633	Bauxite Resources Limited	120/120	(30/11/2006)	-	177 Blocks	\$18,594	\$177,000	-	-	-	WC99/7, Dambimangari (registered) WC99/35, Ulungu (registered)
E04/1634	Bauxite Resources Limited	120/120	(30/11/2006)	-	126 Blocks	\$13,236	\$126,000	-	-	-	WC95/23, Ngarinyin (determined)

Tenement	Holder / Applicant	Shares Held	Grant Date (Application Date)	Expiry Date	Area Size	Annual Rent (Next Rental Year)*	Minimum Annual Expenditure	Relationships	Encumbrances/ Dealings	Notes	Native Title
E04/1635	Bauxite Resources Limited	120/120	(30/11/2006)	Application terminated 06/06/2007	15 Blocks	-	-	-	Objection KR76/067 WITHDRAWN	-	WC99/35, Ungluu (registered)
E04/1646	Bauxite Resources Limited	120/120	(10/01/2007)	-	141 Blocks	\$14,812	\$141,000	-	-	-	WC99/7, Dambimangari (registered)
E80/3842	Bauxite Resources Limited	120/120	(10/01/2007)	-	24 Blocks	\$2,521	\$24,000	-	-	-	WC95/23, Ngarinyin (determined)
E80/3910	Bauxite Resources Limited	120/120	(21/03/2007)	-	72 Blocks	\$7,564	\$72,000	-	-	-	WC99/11, WanijinaWungurr Willinggin Native Title (determined)
E80/3912	Bauxite Resources Limited	96/96	(26/03/2007)	-	5 Blocks	\$525	\$5,000	-	-	-	WC99/35, Ungluu (registered)

#### Key to Tenement Schedule

E – Exploration Licence

\* – Where tenement application is pending, annual rent and minimum annual expenditure cannot be accurately stated.

The above figures are used as a guide only.

References to numbers in the “Notes” column refers to the notes following this table.

**Notes:**

All Tenements are subject to the standard endorsements and conditions imposed by DIR.

1. Description of Land NOT included in the grant of the Licence:
  - (a) any private land referred to in Section 29(2) of the Mining Act 1978 except that below 30 metres from the natural surface of the land;
  - (b) Conservation of Flora and Fauna Reserve 30363, 39247 and National Park Reserve 47883; and
  - (c) Mining Lease 70/ISA.
2. Description of Land NOT included in the grant of the Licence:
  - (a) PERTH: 2474, 9;
  - (b) any private land referred to in Section 29(2) of the Mining Act 1978 except that below 30 metres from the natural surface of the land;
  - (c) Exploration Licence 70/2904;
  - (d) Conservation of Flora and Fauna Reserve 45337.
3. The licensees attention is drawn to the provisions of the Aboriginal Heritage Act 1972 and any Regulations there under.
4. The licensees attention is drawn to the Environmental Protection Act 1986 and Environmental Protection (Clearing of Native Vegetation) Regulations 2004, which provides for the protection of all native vegetation from damage unless prior permission is obtained.
5. The land the subject of this licence affects a Rare Flora Site/s (including Rare Flora Site/s 15419, 16720, 16721, 21354, 21355, 21352, 21353) declared under the Wildlife Conservation Act 1950. The licensee is advised to contact the Department of Environment and Conservation for information on the management of Declared Rare Flora (or Priority Listed Flora) present within the tenement area.
6. All surface holes drilled for the purpose of exploration are to be capped, filled or made safe immediately after completion.
7. All costeans and other disturbances to the surface to the land made as a result of exploration, including drill pads, grid lines and access tracks getting back filled and rehabilitated to the satisfaction of the Environmental Officer, Department of Industry and Resources (DoIR). Back filling and rehabilitation being required no later than six months after excavation unless otherwise approved in writing by the Environmental Office (DoIR).
8. All waste materials, rubbish, plastic sample bags, abandoned equipment and temporary buildings being removed from the mining tenement prior to or at the termination of the exploration program.

9. Unless the written approval of the Environmental Office (DoIR) is first obtained, the use of drilling rigs, scrapers, graders, bulldozers, backhoes or other mechanised equipment for surface disturbance or the excavation of costeans is prohibited. Following approval, all top soil being removed ahead of mining operations and separately stock piled for replacement after backfilling and/or completion of operations.
10. In areas of native vegetation within the tenement, no exploration activities commencing until the licensee provides a plan of management to prevent the spread of dieback disease (*Phytophthora* sp) to the Director, Environment, DoIR, for assessment and until his written approval has been received. All exploration activities shall than comply with the commitments made in the management plan.
11. No excavation, excepting shafts approaching closer to the Great Northern Highway, Highway verge or the road reserve than the distance twice the depth of the excavation and mining on the Great Northern Highway, Highway verge being confined below a depth of 30 metres from the natural surface, on any other road or road verge to below 15 metres from the natural surface.
12. No interference with Geodetic Survey Station Moora 25, Moora 25T and Moora 145 and mining within 15 metres thereof being confined to below a depth of 15 metres from the natural surface.
13. No interference with the use of the Ariel Landing Ground and mining thereon being confined to below a depth of 15 metres from the natural surface.

**In respect to the area of land designated Proposed Water Reserve 8 TENGRAPH, hereinafter referred to as the designated area, the following additional conditions shall apply:**

14. Prior to accessing the licence area, the licensee shall consult with the Environmental Officer, DoIR, and ensure that where required all vehicles and equipment entering the designated area are washed down to remove soil and plant propagules and adhering to such conditions specified in the prevention of the spread of soil born diseases.
15. Prior to any activity involving disturbance to vegetation and soils including:

- (a) exploration access; and
- (b) exploration sampling,

the licensee preparing a detailed program for each phase of proposed exploration for written approval by the Director Environment, DoIR. The Director, Environment, DoIR to consult with the Regional / District Manager, Department of Environment and Conservation or government agency (as relevant) prior to approval. This program to describe the environmental impacts and programs for their management is to include:

- (a) maps and/or aerial photographs showing the proposed locations of all ground activities and disturbances;
- (b) the purpose, specifications and extent of each activity and disturbance;
- (c) description of all vegetation types (in general terms), land forms and unusual features likely to be disturbed by such proposed disturbances;
- (d) details on proposal that may disturb sensitive terrestrial habitats including any declared rare flora and fauna if applicable;
- (e) procedures to protect the integrity of special eco systems such as wet land systems, mangle communities and rainforests areas (and/ or associated rainforests monitoring sites) if applicable.
- (f) techniques, prescription and timetable of rehabilitation of all proposed disturbances;

- (g) undertaking for corrective measures for failed rehabilitation;
  - (h) details of water requirements within the designated area;
  - (i) details of refuse disposal; and
  - (j) proposals for instruction and supervision of personnel and contractors in respect to environmental conditions.
16. Access to and from and the movement of vehicles within the licence area being restriction to ground or seasonal conditions and routes approved under the program or otherwise agreed by the Environmental Officer, DOIR.
17. At agreed intervals, not greater than 12 monthly, the licensee providing a brief report to the Director, Environment, DOIR outlining the progress of the operation and rehabilitation program and the proposed operations and rehabilitation program for the next 12 months.
18. Prior to the cessation of the exploration/prospecting activity in the designated area, the licensee notifying the Environmental Officer, DOIR and arranging an inspection as required.
19. Description of Land NOT included in the grant of the licence:
- (a) PERTH 2834; r, s, x, y, z;
  - (b) any private land referred to in Section 29(2) of the Mining Act 1978 except that below 30 metres from the natural surface of the land;
  - (c) Conservation of Flora and Fauna Reserve 32807; and
  - (d) Exploration Licence 70/2692.
20. Description of Land NOT included in the grant of the licence:
- (a) any private land referred to in Section 29(2) of the Mining Act 1978 except that below 30 metres from the natural surface of the land;
  - (b) Conservation of Flora and Fauna Reserve 34811, National Park Reserve 46213; and
  - (c) Mining Leases 70/989 and 70/1053.

21. Description of Land NOT included in the grant of the licence:
- (a) PERTH 3122; z, 3123; a;
  - (b) any private land referred to in Section 29(2) of the Mining Act 1978 except that below 30 metres from the natural surface of the land;
  - (c) File Notation Area 3112, National Park Reserve 30192, 7537, Conservation of Flora and Fauna Reserve 41938, 30191 and 38924; and
  - (d) Application for Exploration Licence 70/2230.
22. Description of Land NOT included in the grant of the licence:
- (a) PERTH 3052; i, 3124 cdj;
  - (b) any private land referred to in Section 29(2) of the Mining Act 1978 except that below 30 metres from the natural surface of the land;
  - (c) Conservation of Flora and Fauna Reserve 42077, 33254, 3156, 22096, 44729, 19900; and
  - (d) Exploration Licence 70/2088, Application for Exploration Licence 70/2905.
23. Description of Land NOT included in the grant of the licence:
- (a) ALBANY 384; puz, 456; dejtxy, 528; c;
  - (b) any private land referred to in Section 29(2) of the Mining Act 1978 except that below 30 metres from the natural surface of the land;
  - (c) Section 19/172, Conservation of Flora and Fauna Reserve 40476, 41701, 39825, 32202, 23012 and 28862; and
  - (d) Exploration Licence 70/323, 70/1590, 70/2407, 70/2417, 70/2610, Mining Lease 70/803.

## PART II

### STATUS OF NATIVE TITLE CLAIMS

Tribunal Number	Federal Court Number	Application Name	Status	RNTC Status	In Mediation
WC00/7	WAD6181/98	Ballardong People	Active	Not Registered	Yes
WC03/6	WAD6006/03	Single Noongar Claim (Area 1)	Active	Not Registered	Yes
WC97/71	WAD6192/98	Yued	Active	Registered	Yes
WC98/58	WAD6274/98	Gnaala Karla Booja	Active	Registered	Yes
WC98/63	WAD6279/98	South West Boojarah	Active	Not Registered	Yes
WC06/4	WAD253/06	South West Boojarah 2	Active	Registered	No
WC99/7	WAD6061/98	Dambimangari	Active	Registered	Yes
WC99/35	WAD6033/99	Uunguu	Active	Registered	Yes
WC95/23	WAD6016/96	Ngarinyin	Finalised	Determined	No
WC99/11	WAD6015/99	Wanjina/Wunggurr Willinggin	Finalised	Determined	No

## **PART III NATIVE TITLE AGREEMENTS**

### **1 Heritage Protection Agreement 1**

On 16 March 2007, the Company entered into an agreement with Charmaine Walley and Malcolm Ryder on behalf of the Yued People (**Native Title Party**) and the South West Aboriginal Land and Sea Council Aboriginal Corporation (**Corporation**) (**Agreement**).

The material terms of the Agreement are as follows:

- (a) (**Protection of heritage sites**): the Company undertakes to ensure the preservation of Aboriginal heritage sites and objects on the area of land covered by exploration licence 70/3007 (**Tenement**);
- (b) (**No objection**): the Native Title Party and Corporation undertake not to lodge an objection to the grant of the Tenement;
- (c) (**Term**): the Agreement is to continue until terminated by written agreement between the parties or upon the expiration of the Tenement;
- (d) (**Notification**): prior to commencing any exploration activity on the Tenement, the Company must provide the Corporation with 20 days' written notice of its intention to commence that activity and must issue a survey request to the Corporation to undertake an Aboriginal heritage site search on the area of the Tenement affected by the proposed exploration activity.
- (e) (**Survey**): The Corporation may nominate certain persons to survey the Tenement area and, at the completion of the survey, will advise the Company of any Aboriginal heritage sites within the affected area that it requests be avoided during the performance of the exploration activity.
- (f) (**Compensation**): the Company is required to recompense the Corporation for the cost of the survey as follows:
  - (i) \$300 per surveyor per day for the duration of the survey; and
  - (ii) reasonable expenses incurred for logistical support and the cost of archaeologists or anthropologists.
- (g) (**Assignment**): the Company may sell or transfer its rights and obligations under this Agreement with the consent of the Corporation and the Native Title Party.

### **2 Heritage Protection Agreement 2**

On 1 June 2007, the Company entered into an agreement with Peter Michael and Mervyn Abraham on behalf of the Gnaala Karla Booja People (**Native Title Party**) and the South West Aboriginal Land and Sea Council Aboriginal Corporation (**Corporation**) (**Agreement**).

The Agreement relates to the preservation of Aboriginal sites and objects on the area of land covered by exploration licence 70/3102. The material terms of the Agreement are otherwise the same as stated above in Heritage Protection Agreement 1.



## 10 RISK FACTORS

### 10.1 Introduction

An investment in the Company is not risk free and prospective new investors should consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

### 10.2 Economic Risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities. Further, share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (a) general economic outlook;
- (b) interest rates and inflation rates;
- (c) currency fluctuations;
- (d) changes in investor sentiment toward particular market sectors;
- (e) the demand for, and supply of, capital; and
- (f) terrorism or other hostilities.

### 10.3 Market Conditions

The market price of the Shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

### 10.4 Exploration Success

The mineral tenements of the Company as described in this Prospectus are at various stages of exploration, and potential investors should understand that mineral exploration and development are high-risk undertakings.

The mineral tenements of the Company as described in this Prospectus are at various stages of application and grant. There can be no assurance that the tenement applications that are currently in the pending status will be granted.

There can be no assurance that when a tenement is granted, that it will be granted in its entirety. Some of the tenement area applied for may be excluded.

Some of the tenements cover ground that has been released pursuant to clauses within Western Australian Government State Agreements, which may exclude the right to explore for, or mine bauxite. While the Company will endeavour to negotiate with the State Government and other relevant parties to secure the bauxite exploration and mining rights for these areas, there can be no guarantee that the Company will be able to negotiate the bauxite rights to these areas.

Where the tenements cover freehold land, the Company will be required to negotiate with landholders in order to gain access. There exists a number of conditions whereby freehold landowners are entitled to withhold permission to access their land for the purpose of exploration. While the Company will endeavour to secure access to these areas, there can be no guarantee that these endeavours will be successful.

There can be no assurance that exploration of the tenements, or any other tenements that may be acquired in the future, will result in the discovery of an economic ore deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

The exploration costs of the Company described in the Independent Geologist's Report are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.

## **10.5 Operating Risks**

The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits; failure to achieve predicted grades in exploration and mining; operational and technical difficulties encountered in mining; difficulties in commissioning and operating plant and equipment; mechanical failure or plant breakdown; unanticipated metallurgical problems which may affect extraction costs; adverse weather conditions; industrial and environmental accidents; industrial disputes; and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

Having been incorporated on 15 May 2006, the Company does not have any operating history, although it should be noted that the Company's directors have between them significant operational experience. No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or mining of its tenement interests. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses.

## **10.6 Resource Estimates**

Resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Company's operations.

## **10.7 Commodity Price Volatility and Exchange Rate Risks**

If the Company achieves success leading to mineral production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

## 10.8 Environmental Risks

The operations and proposed activities of the Company are subject to State and Federal laws and regulation concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

In this regard, the Department of Industry & Resources in Western Australia from time to time reviews the environmental bonds that are placed on tenements. The Directors are not in a position to state whether a review is imminent or whether the outcome of such a review would be detrimental to the funding needs of the Company.

## 10.9 Title Risks and Native Title

Interests in tenements in Australia are governed by the respective State legislation and are evidenced by the granting of licences or leases. Each licence or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.

It is also possible that, in relation to tenements which the Company has an interest in or will in the future acquire such an interest, there may be areas over which legitimate common law native title rights of Aboriginal Australians exist. If native title rights do exist, the ability of the Company to gain access to tenements (through obtaining consent of any relevant landowner), or to progress from the exploration phase to the development and mining phases of operations may be adversely affected.

The Directors will closely monitor the potential effect of native title claims involving tenements in which the Company has or may have an interest.

## 10.10 Additional Requirements for Capital

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the capital raising. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be.

## 10.11 Reliance on Key Management

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

## 10.12 Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the securities offered under this Prospectus. Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those securities.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for securities pursuant to this Prospectus.

## 11 MATERIAL CONTRACTS

### 11.1 Executive Services Agreement

The Company has entered in an executive services agreement with Executive Resource Personnel Pty Ltd for the provision of services by the executive chairman of the Company, Luke Atkins. The terms of the agreement provide that on successful listing of the Company's Shares on ASX, Mr Atkins will be remunerated at \$5,500 per week, plus a motor vehicle allowance of \$12,000 per annum, plus other agreed expenses as determined by the Board. The term of the agreement is for a period of two years and may be terminated by the Company by giving six month's written notice. Mr Atkins may terminate the agreement by giving the Company two months' written notice.

### 11.2 Consultancy Agreements

The Company has entered into a consultancy agreement with Cliff Harding and Associates Pty Ltd for a period of one year. Under the terms of the agreement, which will commence on the ASX listing of the Company, Mr Harding shall be paid at the rate of \$1,000 per day plus GST for a minimum of 30 days per year.

The Company has also agreed to pay consulting fees plus GST in consideration for work performed by various parties to prepare the Company for Official Quotation of its Shares on ASX. The fees will be paid upon the successful listing of the Company's Shares on ASX as follows:

Entity	(\$)
Dilkara Nominees Pty Ltd	15,000
Big Fish Nominees Pty Ltd <sup>1</sup>	15,000
Tailrain Pty Ltd <sup>2</sup>	15,000

Notes:

- 1 Big Fish Nominees Pty Ltd is a company controlled by Director, Neil Lithgow.
- 2 Tailrain Pty Ltd is a company controlled by Director, Luke Atkins.

### 11.3 Lead Manager to the Offer

The Company has entered into an agreement with Cunningham Securities Pty Ltd (CSPL) as Lead Manager to the Offer. The agreement provides that CSPL will be paid a 5% plus GST commission on monies raised plus a management fee of \$40,000 plus GST payable on the successful listing of the Company's Shares on ASX.

## 12 ADDITIONAL INFORMATION

### 12.1 Rights Attaching to Securities

#### Shares

The rights, privileges and restrictions attaching to Shares can be summarised as follows:

**(a) General Meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

**(b) Voting Rights**

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

(i) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;

(ii) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and

(iii) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such shares registered in the shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

**(c) Dividend Rights**

Subject to the rights of persons (if any) entitled to shares with special rights to dividend the Directors may declare a final dividend out of profits in accordance with the Corporations Act and may authorise the payment or crediting by the Company to the shareholders of such a dividend. The Directors may authorise the payment or crediting by the Company to the shareholders of such interim dividends as appear to the Directors to be justified by the profits of the Company. Subject to the rights of persons (if any) entitled to shares with special rights as to dividend all dividends are to be declared and paid according to the amounts paid or credited as paid on the shares in respect of which the dividend is paid. Interest may not be paid by the Company in respect of any dividend, whether final or interim.

**(d) Winding-Up**

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the shareholders or different classes of shareholders. The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no shareholder is compelled to accept any shares or other securities in respect of which there is any liability. Where an order is made for the winding up of the Company or it is resolved by special resolution to wind up the Company, then on a distribution of assets to members, shares classified by ASX as restricted securities at the time of the commencement of the winding up shall rank in priority after all other shares.

(e) **Transfer of Shares**

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules.

(f) **Variation of Rights**

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

## 12.2 Disclosure of Interests

Directors are not required under the Company's Constitution to hold any Shares. As at the date of this Prospectus, the Directors have relevant interests in Securities as set out in the table below:

Director	Shares	Options
Neil Lithgow <sup>1</sup>	600,000	2,000,000
Robert J Nash <sup>2</sup>	250,000	1,000,000
Luke F Atkins <sup>3</sup>	Nil	2,000,000

Notes:

- 1 Neil Lithgow controls Big Fish Nominees Pty Ltd. Big Fish Nominees Pty Ltd holds 18,000,000 Shares and 3,000,000 Options in the Company on trust for the Lithgow Family Trust. Neil Lithgow holds 600,000 Shares as trustee for the Lithgow Family Trust and is a beneficiary of the trust.
- 2 Robert Nash holds 250,000 Shares and 1,000,000 Options as trustee for the Nash Family Trust and is a beneficiary of the trust.
- 3 Luke Atkins controls Tailrain Pty Ltd which acts as trustee for the Children's Trust which holds 17,350,000 Shares in the company and 1,000,000 Options.

## 12.3 Remuneration

The Constitution provides that the remuneration of non-executive Directors will be not more than the aggregate fixed sum determined by a general meeting. The aggregate remuneration for non-executive Directors has been set at an amount not to exceed \$250,000 per annum.

A meeting of Directors has provided for Neil Lithgow to be paid Director's fees of \$30,000 per annum commencing on the listing date of the Company, and Robert Nash to be paid Director's fees of \$30,000 per annum commencing from his date of appointment and payable following listing.

The remuneration of executive directors will be fixed by the Directors and may be paid by way of fixed salary or consultancy fee. Details of the remuneration of Luke Atkins is contained in Section 11.1 of this Prospectus.

## 12.4 Options

The rights, privileges and restrictions attaching to the Options can be summarised as follows:

Each Option will entitle the holder to subscribe for one Share in the Company on the following terms:

- (a) the Options are exercisable any time other than the first 12 months from the date of issue and expire on 31 May 2012 (**Expiry Date**);
- (b) the exercise price of each Option is 20 cents;
- (c) the Options may be exercised wholly or in part by completing an application form for Shares (**Notice of Exercise**) delivered to the Company's share registry and received by it any time prior to the Expiry Date;
- (d) upon the exercise of an Option and receipt of all relevant documents and payment, the holder will be allotted and issued a Share ranking pari passu with the then issued Shares. The Company will apply to ASX to have the Shares granted for Official Quotation. The Options will not be listed on ASX;
- (e) there will be no participating entitlement inherent in the Options to participate in the new issues of capital which may be offered to Shareholders during the currency of the Options. Prior to any new pro rata issue of securities to Shareholders, holder of Options will be notified by the Company in accordance with the requirements of the ASX Listing Rules;
- (f) in the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to the holders of Shares after the date of issue of the Options, the exercise price of the Options will be adjusted in accordance with the formula set out in ASX Listing Rule 6.22.2;
- (g) in the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the expiry date, all rights of an Option holder are to be changed in a manner consistent with the ASX Listing Rules;
- (h) Shares issued pursuant to the exercise of an Option will be issued not more than 14 days after the date of the Notice of Exercise; and
- (i) The options are subject to any escrow requirements that may be determined by the listing Rules of ASX.

## 12.5 Employee Incentive Option Plan

Under the terms of the Company's Incentive Option Plan ("Plan"), the Board may offer free Options to persons ("Eligible Persons") who are:

- (a) full-time or part-time employees (including a person engaged by the Company under a consultancy agreement);  
or
- (b) Directors,

of the Company or any subsidiary based on a number of criteria including contribution to the Company, period of employment, potential contribution to the Company in the future and other factors the Board considers relevant.

Upon receipt of such an offer, the Eligible Person may nominate an associate to be issued with the options.

(a) **Number of options**

The maximum number of Options issued under the Plan at any one time is 5% of the total number of Shares on issue in the Company provided that the Board may increase this percentage, subject to the Corporations Act and the Listing Rules.

(b) **Terms of options**

Each Option entitles the holder, on exercise, to one ordinary fully paid share in the Company.

The exercise price for the Options will be such price as determined by the Board (in its discretion) on or before the date of issue provided that in no event shall the exercise price be less than the weighted average sale price of Shares sold on ASX during the five Business Days prior to the date of issue or such other period as determined by the Board (in its discretion).

Shares issued on exercise of Options will rank equally with other Shares of the Company.

Options may not be transferred other than to an associate of the holder. Quotation of Options on ASX will not be sought. However, the Company will apply to ASX for official quotation of Shares issued on the exercise of Options.

An Option may only be exercised after that Option has vested and any other conditions imposed by the Board on exercise satisfied. The Board may determine the vesting period (if any). An Option will lapse upon the first to occur of the expiry date, the holder acting fraudulently or dishonestly in relation to the Company, the employee ceasing to be employed by the Company or on certain conditions associated with a party acquiring a 90% interest in the Shares of the Company.

If, in the opinion of the Board any of the following has occurred or is likely to occur, the Company entering into a scheme of arrangement, the commencement of a takeover bid for the Company's Shares, or a party acquiring a sufficient interest in the Company to enable them to replace the Board, the Board may declare an option to be free of any conditions of exercise. Options which are so declared may, subject to the lapsing conditions set out above, be exercised at any time on or before their expiry date and in any number.

(c) **Future Issues of Shares**

**New Issues**

There are no participating rights or entitlements inherent in the Options and Option holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that the record date for determining entitlements to any such issue will be at least 6 Business Days after the issue is announced. Option holders shall be afforded the opportunity to exercise all Options which they are entitled to exercise pursuant to the Plan prior to the date for determining entitlements to participate in any such issue.

**Bonus Issues**

If the Company makes an issue of Shares to Shareholders by way of capitalisation of profits or reserves ("**Bonus Issue**"), each Option holder holding any Options which have not expired at the time of the record date for determining entitlements to the Bonus Issue shall be entitled to have issued to him upon exercise of any of those Options the number of Shares which would have been issued under the Bonus Issue ("**Bonus Shares**") to a person registered as holding the same number of Shares as that number of Shares to which the Option holder may subscribe pursuant to the exercise of those Options immediately before the record date determining entitlements under the Bonus Issue (in addition to the Shares which he or she is otherwise entitled to have issued to him or her upon such exercise). The Bonus Shares will be paid by the Company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the Bonus Issue and upon issue rank *pari passu* in all respects with the other Shares issued upon exercise of the options.

(d) **Reconstruction of Capital**

In the event of any reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the expiry of any Options, the number of Options to which each Option holder is entitled or the exercise price of his or her Options or both or any other terms will be reconstructed in a manner determined by the Board which complies with the provisions of the Listing Rules.



(e) **Taxation**

Under current taxation laws any taxation liability in relation to the Options, or the Shares issued on exercise of the Options, will fall on the participants. The Company will not be liable to fringe benefits tax in relation to Options or Shares issued under the Plan.

(f) **Participation by Directors**

Although Directors are eligible to be offered Options under the Plan, this first requires specific Shareholder approval due to the requirements of the ASX Listing Rules and the Corporations Act.

The Options are exercisable by completing the application for exercise of Options and delivering the same together with payment for the number of shares in respect of which the Options are exercised to the registered office of the Company.

Subject to ASX Listing Rules the Options are freely transferable in whole or part at any time prior to expiry.

Within 14 days of the receipt of a properly executed notice of exercise and application monies the Company will issue to the Option holder the number of shares specified in that notice.

Option holders are permitted to participate in new issues of securities offered to shareholders on the prior exercise of the Option in which case the Option holder shall be afforded the period of at least 10 business days prior to and inclusive of the book's closing date (to determine the entitlements to the issue) to exercise the Option.

In the event of any reorganisation (including consolidation, subdivision, reduction or cancellation) of capital of the Company, the rights of Option holders are to be changed to the extent necessary to comply with ASX Listing Rules on a reorganisation of capital at the time of the reorganisation.

## 12.6 Fees and Benefits

Other than as set out below or elsewhere in this Prospectus, no:

- (a) Director of the Company;
- (b) person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (c) promoter of the Company; or
- (d) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in the Prospectus as a financial services licensee involved in the issue,

has, or had within 2 years before lodgement of this Prospectus with the ASIC, any interest in:

- (i) the formation or promotion of the Company;
- (ii) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the offer of Securities under this Prospectus; or
- (iii) the offer of Securities under this Prospectus,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons as an inducement to become, or to qualify as, a Director of the Company or for services rendered in connection with the formation or promotion of the Company or the offer of Securities under this Prospectus.

Ravensgate has acted as the Independent Geologist and has prepared an Independent Geologist's Report which has been included in Section 7 of this Prospectus. The Company estimates that it will pay Ravensgate a total of \$20,000 for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Ravensgate has not received any other fees from the Company.

Moore Stephens has acted as auditor and Moore Stephens Perth Corporate Services Pty Ltd as the Investigating Accountant and has prepared an Investigating Accountant's Report which has been included in Section 8 of this Prospectus. The Company estimates it will pay Moore Stephens Perth Corporate Services Pty Ltd a total of \$8,000 for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Moore Stephens, and Moore Stephens Perth Corporate Services Pty Ltd have not received any other fees from the Company.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer, has prepared a Solicitor's Report on Tenements which has been included in Section 9 of this Prospectus and has been involved in due diligence enquiries on legal matters. The Company estimates it will pay Steinepreis Paganin \$30,000 for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has not received any other fees for legal services.

## 12.7 Consents

Each of the parties referred to in this section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

Ravensgate has given its written consent to being named as the Independent Geologist to the Company in this Prospectus and to the inclusion of the Independent Geologist's Report in Section 7 in the form and context in which the report is included. Ravensgate has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Moore Stephens, and Moore Stephens Perth Corporate Services Pty Ltd has given their written consent to being named as auditor and Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 8 in the form and context in which the report is included. Moore Stephens has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Steinepreis Paganin has given its written consent to being named as the solicitor to the Company in this Prospectus and to the inclusion of the Solicitor's Report on Tenements in Section 9 in the form and context in which the report is included. Steinepreis Paganin have not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Security Transfer Registrars Pty Ltd has given its written consent to being named the Company's Share Registry in this Prospectus and has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Cunningham Securities Pty Ltd has given its written consent to be named as the Lead Manager to the Offer in this Prospectus and has not withdrawn its consent prior to lodgment of this Prospectus with ASX.

## 12.8 Restricted Securities

ASX has indicated that certain existing security holders may be required to enter into agreements which restrict dealings in Securities held by them. These agreements will be entered into in accordance with the Listing Rules.

## 12.9 Expenses of the Offer

The total expenses of the Offer are estimated to be approximately \$510,000 plus GST and are expected to be applied towards the items set out in the table below:

Item of Expenditure	Amount (\$)
ASIC & ASX fees	30,000
Geological Report	20,000
Advisers	135,000
Printing Prospectus	25,000
Brokers Commission/Management Fee	300,000
<b>Total</b>	<b>510,000</b>

## 12.10 Litigation

As at the date of this Prospectus, other than objections relating to tenement applications which are detailed in the Solicitors Report on the Tenements as disclosed in Section 9 of the Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

## 12.11 Electronic Prospectus

Pursuant to Class Order 00/044, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the relevant application forms. If you have not, please email the Company at [admin@baxiteresources.com.au](mailto:admin@baxiteresources.com.au) and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus or both. Alternatively, you may obtain a copy of the Prospectus from the Company's website at [www.baxiteresources.com.au](http://www.baxiteresources.com.au).

The Company reserves the right not to accept an application form from a person if it has reason to believe that when that person was given access to the electronic application form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

## **12.12 Taxation**

The acquisition and disposal of Securities in the Company will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Securities from a taxation viewpoint and generally. To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Securities under this Prospectus.

## **12.13 Forecasts**

The Company is an exploration company with the intention to become a bauxite producer in the medium term. Given the speculative nature of exploration, mineral development and production, there are significant uncertainties associated with forecasting future revenue. On this basis, the Directors believe that reliable forecasts can not be prepared and accordingly have not included forecasts in this Prospectus.

## **12.14 Deeds of Indemnity, Insurance and Access**

The Company has entered into a deed of indemnity, insurance and access with each of its Directors. Under these deeds, the Company agrees to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting in the capacity as an officer of the Company. The Company is also required to maintain insurance policies for the benefit of the relevant officer and must also allow the officers to inspect Company documents in certain circumstances.

## 13 DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.



**L F Atkins**  
**For and on behalf of**  
**Bauxite Resources Limited**

13 August 2007

## 14 GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

**A\$ or \$** means an Australian dollar.

**Application Form** means the application form accompanying this Prospectus relating to the Offer.

**ASIC** means Australian Securities & Investments Commission.

**ASX** means ASX Limited (ABN 98 008 624 691).

**Board** means the board of Directors as constituted from time to time.

**Business Day** means a weekday when trading banks are ordinarily open for business in Perth, Western Australia.

**Company or Bauxite Resources** means Bauxite Resources Limited (ABN 72 119 699 982).

**Closing Date** means the closing date of the Offer as set out in Section 3.4.

**Constitution** means the constitution of the Company.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Directors** means the directors of the Company at the date of this Prospectus.

**Exposure Period** means the period of 7 days after the date of lodgement of this Prospectus, which period may be extended by the ASIC by not more than 7 days pursuant to Section 727(3) of the Corporations Act.

**Listing Rules** means the official listing rules of ASX.

**Offer** means the offer of Shares pursuant to this Prospectus as outlined in Section 4.

**Official List** means the Official List of ASX.

**Official Quotation** means official quotation by ASX in accordance with the Listing Rules.

**Option** means an option to acquire a Share.

**Prospectus** means this prospectus.

**Securities** means Shares and Options.

**Share** means a fully paid ordinary share in the capital of the Company.

**Share Registry** means Security Transfers Registrars Pty Ltd.

**Shareholder** means a holder of Shares.

**WST** means Western Standard Time, Perth, Western Australia.

**PIN CHEQUE(S) HERE**  
**Application Form**  
**Bauxite Resources Limited**  
**ABN 72 119 699 982**



Fill out this Application form if you wish to apply for shares in Bauxite Resources Limited

- Please read the Prospectus dated 13 August 2007.
- Follow the instructions to complete this Application form (see reverse).
- Print clearly in capital letters using black or blue pen.

Broker Reference – Stamp Only

Broker Code      Advisor Code

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
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**A Number of shares you are applying for**

x \$0.20 per share =

**B Total amount payable**

Minimum of 10,000 shares be applied for, and thereafter in multiples of 2000 shares.

**C Write the name(s) you wish to register the shares in (see reverse for instructions)**

Applicant 1

Name of Applicant 2 or < Account Designation >

Name of Applicant 3 or < Account Designation >

**D Write your postal address here**

Number / Street


Suburb/Town

State

Postcode

**E CHESS participant – Holder Identification Number (HIN)**

Important please note if the name & address details above in sections C & D do not match exactly with your registration details held at CHESS, any Securities issued as a result of your application will be held on the Issuer Sponsored subregister.

**F Enter your Tax File Number(s), ABN, or exemption category**

Applicant #1

Applicant #2

Applicant #3

**G Cheque payment details**

Please enter details of the cheque(s) that accompany this application.

Name of drawer of cheque

Cheque No.

BSB No.

Account No.

Cheque Amount A\$







**H Contact telephone number (daytime/work/mobile)**

**I Email address**



By submitting this Application form, I/We declare that this Application is completed and lodged according to the Prospectus and the instructions on the reverse of the Application form and declare that all details and statements made by me/us are complete and accurate. I/We agree to be bound by the constitution of Laserbond Limited (the Company). I/We was/were given access to the Prospectus together with the application form. I/We represent, warrant and undertake to the Company that our subscription for the above shares will not cause the Company or me/us to violate the laws of Australia or any other jurisdiction which may be applicable to this subscription for shares in the Company.

## Guide to the Application Form

### YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

Please complete all relevant sections of the appropriate Application Form using BLOCK LETTERS.

These instructions are cross-referenced to each section of the Application Form.

#### Instructions

- A** If applying for Shares insert the *number* of Shares for which you wish to subscribe at Item **A** (not less than 10,000 and then in multiples of 2000) multiply by \$0.20 AUD to calculate the total for Shares and enter the *\$amount* at B.
- C** Write your *full name*. Initials are not acceptable for first names.
- D** Enter your *postal address* for all correspondence. All communications to you from the Company will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- E** If you are sponsored in CHESS by a stockbroker or other CHESS participant, you may enter your CHESS HIN if you would like the allocation to be directed to your HIN.  
**NB: your registration details provided must match your CHESS account exactly.**
- F** Enter your Australian *tax file number* ("TFN") or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN /ABN of each joint Applicant. Collection of TFN's is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application Form.
- G** Complete *cheque details* as requested. Make your cheque payable to **Bauxite Resources Limited Share Offer Account** in Australian currency, cross it and mark it "**Not negotiable**". Cheques must be made in Australian currency, and cheques must be drawn on an Australian Bank.
- H** Enter your *contact details* so we may contact you regarding your Application Form or Application Monies.
- I** Enter your *email address* so we may contact you regarding your Application Form or Application Monies or other correspondence.

#### Correct Forms of Registrable Title

Note that ONLY legal entities can hold the Shares. The Application must be in the name of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person.

Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
Individual	Mr John David Smith	J D Smith
Company	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings	Mr John David Smith & Mrs Mary Jane Smith	John David & Mary Jane Smith
Trusts	Mr John David Smith <J D Smith Family A/C>	John Smith Family Trust
Deceased Estates	Mr Michael Peter Smith <Est Lte John Smith A/C>	John Smith (deceased)
Partnerships	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son
Clubs/Unincorporated Bodies	Mr John David Smith <Smith Investment A/C>	Smith Investment Club
Superannuation Funds	John Smith Pty Limited <J Smith Super Fund A/C>	John Smith Superannuation Fund

#### Lodgement

Mail your completed Application Form with cheque(s) attached to the following address:

<b>Mailing address:</b> <b>Security Transfers Registrars Pty Ltd</b> PO Box 535 APPLECROSS WA 6953	<b>Delivery address:</b> <b>Security Transfers Registrars Pty Ltd</b> Alexandrea House Suite 1, 770 Canning Highway APPLECROSS WA 6153
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It is not necessary to sign or otherwise execute the Application Form.

If you have any questions as to how to complete the Application Form, please contact Security Transfer Registrars Pty Ltd on (08) 9315 2333.







Fill out this Application form if you wish to apply for shares in Bauxite Resources Limited

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Broker Reference – Stamp Only

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<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
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Name of drawer of cheque

Cheque No.

BSB No.

Account No.

Cheque Amount A\$







**H Contact telephone number (daytime/work/mobile)**

**I Email address**



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**NB: your registration details provided must match your CHESS account exactly.**
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# BAUXITE RESOURCES LIMITED

ABN 72 119 699 982

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

## Registered Office

35/82 Royal Street, East Perth WA 6004

Telephone (08) 9221 5019

Facsimile (08) 9221 4385