BRL signs Heads of Agreement with Yankuang Corporation for 50/50 Alumina Joint Venture & $9.85M Share Placement

On Friday 8 Jan 2010, Bauxite Resources Ltd signed a Heads of Agreement with Yankuang Group Corporation Ltd for the joint development and ownership of an alumina refinery in the south west of Western Australia and a $9.85M placement.

The signing ceremony was attended by senior Federal and Western Australian government representatives and agencies; a thirteen person delegation from the Yankuang Group including the Chairman of Yankuang Group and the Director General of the State-owned Assets Supervision and Administration Commission of Shandong Province; and the Chairman, Managing Director and Board Members of Bauxite Resources.

The principle terms of the Heads of Agreement are as follows:

- An agreement will be established to explore and exploit over time a total area of up to 1000 square kilometres of BRL’s tenements (granted or under application) in the Darling Range in the south west of Western Australia (”Tenement Cooperation Agreement”).
- An agreement will be established to explore and exploit BRL’s Darling Range South tenements for a total area of up to 10,000 square kilometres. The costs of the exploration of this area to be shared by BRL and Yankuang 51% and 49% respectively (”Bauxite Resource Joint Venture”)
- BRL and Yankuang will undertake all works and studies necessary to obtain a Bankable Feasibility Study (BFS) for the development of the proposed alumina refinery. The BFS is to establish refinery grade bauxite of no less than 150 million tonnes (with a target of 300 million tonnes).
- Under the proposed “Alumina Refinery JV Agreement”, Yankuang will contribute 75% of the costs of the proposed alumina refinery to earn a 50% interest in the proposed refinery. BRL will receive a 25% free carried interest and will fund a further 25% to bring its interest up to 50%.
- Subject to any necessary shareholder and regulatory approval in both China and Australia, Yankuang will subscribe for 19.7 million shares in BRL at a price of $0.50 per share.

Mr Geng Jiahuai, Chairman of Yankuang Group and Hon Gary Gray AO MP, Parliamentary Secretary for Western & Northern Australia, Member for Brand WA.
Heads of Agreement signed with Yankuang Corporation for 50/50 Alumina Joint Venture

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FIRB and shareholder approval has already been granted for the placement of 19.7 million shares and BRL will proceed with the placement following receipt of the $9.85 million. FIRB approval has also been granted for the 50/50 alumina joint venture.

The Managing Director of Bauxite Resources Ltd Mr Daniel Tenardi said today’s signing of the Heads of Agreement is a significant achievement for BRL and Yankuang after months of extensive negotiations necessary for a large project.

“The proposed alumina joint venture is a significant value adding project that will create many jobs and revenue for Western Australia,” Mr Tenardi said.

“BRL and Yankuang will now proceed with the detailed engineering studies, environmental and regulatory approvals and resource evaluations necessary to bring to fruition a modern, world class, socially and environmentally responsible, low cost alumina producer.”

“The Boards of BRL and Yankuang wish to extend their thanks to the respective government agencies for their support and we look forward to working with staff, government and other stakeholders over the next few years to bring this exciting project online.”
Bauxite Resources in the Press

China link to alumina plan

JUNIOR bauxite miner Bauxite Resources has taken a key first step toward establishing a downstream alumina processing industry in Western Australia after locking in a major Chinese partner.

BRL last Friday finalized a binding heads of agreement with China's Yankuang Corporation to undertake bankable feasibility studies into $1.5 billion bauxite mining and refinery development in the state's South West.

Yankuang, part of the same group which has just acquired Felix Coal for $3.5 billion, will fund 75 per cent of the refinery development to earn a 50 per cent interest.

As a precursor, BRL must confirm bauxite resources of at least 150 million tonnes within its 10,000 square kilometre Darling Range tenements, a target managing director Dan Tenardi said should be achieved in the fourth quarter of this year.

That should allow detailed engineering to begin next year, followed by construction of an initial 800,000 tonnes per annum alumina refinery in 2012, he said.

Critically, Yankuang was an innovative refinery developer that would make the planned refinery significantly more efficient than WA's existing operations runs, he said.

"There's been significant advancement made in China, and their refinery at Shandong ... is way ahead of what we have here," Mr Tenardi said.

BRL has identified Kemerton as the most likely refinery location, giving it access to both BRL's proposed Darling Range mine sites and the Bunbury port.

Furthermore, the joint venture agreement ultimately envisages the development of an aluminium smelter—a long-unrealised dream of successive state governments since the 1960s.

The refinery will initially consume around 2.5 million tonnes of bauxite annually, less than half of BRL's planned output, enabling the remainder to be exported to China.

To that end, BRL last week exported the second 44,000t cargo of bauxite from its first pit in Chittering under a short-term trial to deliver 120,000t to China.

By John Phaceas
Chinese Bauxite Import and Price(CIF to Chinese Port)

Graph shows the recovery in Chinese bauxite price and volume imports. Source: Antaike Report Jan 2010

Bauxite marketing news

Aluminum Corp. of China Ltd., the country’s largest producer of the metal, raised spot alumina prices for the third time in five months as smelters start to stock the material before the Lunar New Year holiday.

Prices for the material used to make aluminium increased by 5.7 percent to 2,800 yuan ($410) a metric ton from Jan. 1, the Beijing-based company known as Chalco said today on its Web site. Chalco raised prices by 3.9 percent on Sept. 30, and 6.3 percent on Sept. 1.

Source - China Mining 5 Jan 2010

Chinese car sales have jumped by 53% in 2009, industrial profits rose by 70% in the three months to November compared with the previous year. Trade figures show exports are up 18%, year on year, and imports up by a huge 56%. Domestic demand in China is robust.

Source - Clarksons Daily Analyst 18 Jan 2010

Alumina demand in China is expected to grow by 15% in 2010 on the back of revival in construction and auto segments.

According to reports, long term prospect of aluminium is bright as China is still in the middle of completing urbanization and its metal intensive growth is likely to continue for many years to come. It added that about 65% of aluminium consumption is in the east and middle south China. The urbanization of North West and south west has great potential for aluminium demand.

In the short term, overcapacity, plenty of inventories and reopening of smelters due to return to profitability will cap any upswing in aluminium prices.

However, the current average cost of the Chinese smelters is $2,000 and is rising further due to increase in bauxite and alumina and coal and power prices. These cost push factors provide a strong floor for aluminium prices.

Source - Beijing Commodities Online 30 Dec 2009

In accordance with the Australian Stock Exchange requirements, the technical information contained in this report has been reviewed by Mr. Peter Senini, an employee of the Company. The information in the report to which this statement is attached that relates to Mineral Resources and Mineralisation is based on information reviewed by Mr. Senini, who is a Member of the Australian Institute of Geoscientist. Mr. Senini has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.” Mr. Senini consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

MINER BATTLES FOR ALUMINA REFINERY

Dwindling resources and booming demand for aluminium is firing up Bauxite Resources’ plans for a WA refinery.

With partner Yankuang Corporation, Perth-based Bauxite Resources aims to complete a feasibility study for the estimated $1.5 billion alumina refinery in the South-West.

Bauxite managing director Dan Tenardi said the refinery – the state’s fifth – would use up to 300 million tonnes from Bauxite Resources’ tenements in the southern Darling Range area.

The company has tenements in this area covering about 10,000sq km.

The location of the refinery is yet to be decided, though Mr Tenardi – who previously held senior positions with Alcoa and Rio Tinto – said the South-West had ample supplies of key ingredients necessary for alumina refining and smelting.

“These include silicon from the Kemerton Industrial Park, near Bunbury, low ash and low sulphur thermal coal from around Collie, an existing rail network, Bunbury Port and a skilled labour force,” he said.

The refinery is the second arm to the company’s bauxite activities. It has already started shipping ore to China - the first time bauxite has been exported from WA - on a trial basis.

Sources - The Sunday Times 27 December 2009.