BAUXITE RESOURCES LIMITED

ANNUAL REPORT 2008

ACN 119 699 982

CORPORATE DIRECTORY

Directors

Daniel Tenardi
Managing Director

Luke Atkins
Executive Chairman

Neil Lithgow
Non-executive Director

David McSweeney
Non-executive Director

Robert Nash
Non-executive Director

Graeme Smith
Company Secretary

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Stock Exchange Listing

ASX Code: BAU (Ordinary Shares)
BAUO (Listed Options)

CONTENTS PAGE

EXECUTIVE SUMMARY AND OVERVIEW

STRONG BUSINESS CASE

Direct Shipping Ore (DSO) bauxite - Stage 1
Business case supported by increasing world demand for bauxite
Substantial price rise in bauxite

STRENGTHENING WORLD BAUXITE MARKET

Demand outstripping supply
China to exhaust local supplies in 10 years
China's imported bauxite from India and Indonesia has supply issues

Foreign Interest in BRL
The Company continues to progress high level discussions, enquiries and approaches made following the Company delegation's visit to China

Freight
Estimated relevant shipping costs substantially reduced on the WA to China C5 sea route

DARLING RANGE - QUALITY GIBBSITE BAUXITE

- Darling Range Gibbsite Ore - easy to liberate
- Low reactive silica
- Low energy and refining costs

EXISTING INFRASTRUCTURE

Ports
3 Alternative Ports - Kwinana, Bunbury, Albany

Rail/Road
Established road and rail networks adjacent or close to Exploration Licences (ELs) servicing all ports

Service Industries/Labour Force
ELs relatively close to Perth , WA's capital city, supplying contracting services and labour requirements

EXPERIENCED BOARD / MANAGEMENT / PERSONNEL

Experienced Mining Board
Considerable Mining and Corporate experience

Experienced Management Team
Considerable previous Darling Range bauxite and alumina experience

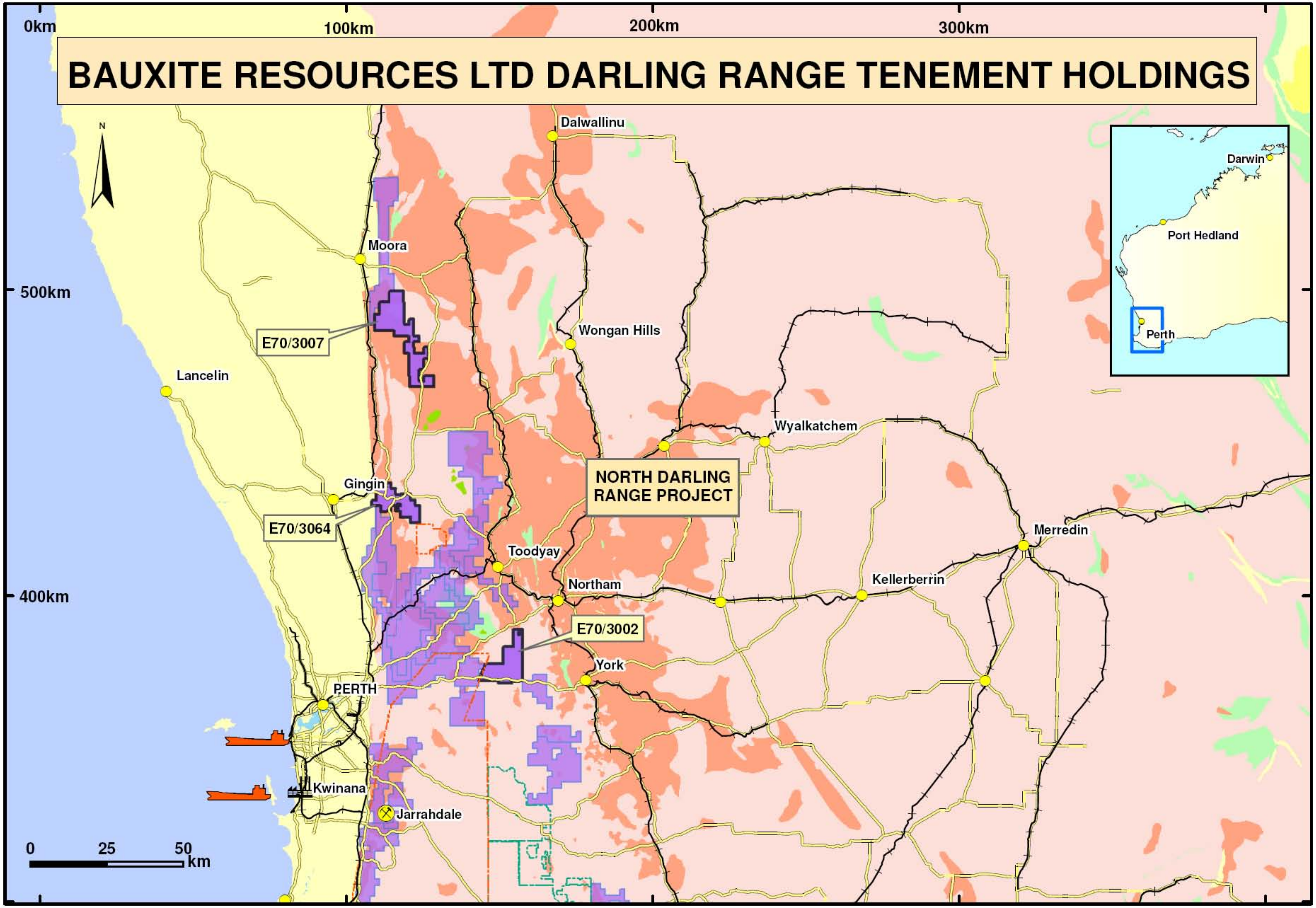
Experienced Personnel
Proven experienced Geological Team, Project Infrastructure Team and Marketing & Logistics Team

SUBSTANTIAL LAND HOLDINGS

- ELs in the Darling Range cover ~7,500km^2
- Darling Range - Largest producing bauxite region in the world
- Substantial volumes of historical information covering large areas of BRL's landholdings

STRONG CORPORATE POSITION

Strong Cash Position/ No debt
$7.4 million in the bank as at 30 September 2008


BAUXITE RESOURCES LTD DARLING RANGE TENEMENT HOLDINGS
0km
100km
200km
300km
500km
400km
N
Dalwallinu
Moora
Wongan Hills
Lancelin
E70/3007
Wyalkatchem
NORTH DARLING
RANGE PROJECT
Gingin
E70/3064
Toodyay
Northam
Merredin
Kellerberrin
E70/3002
York
PERTH
Kwinana
Jarrahdale
Darwin
Port Hedland
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25
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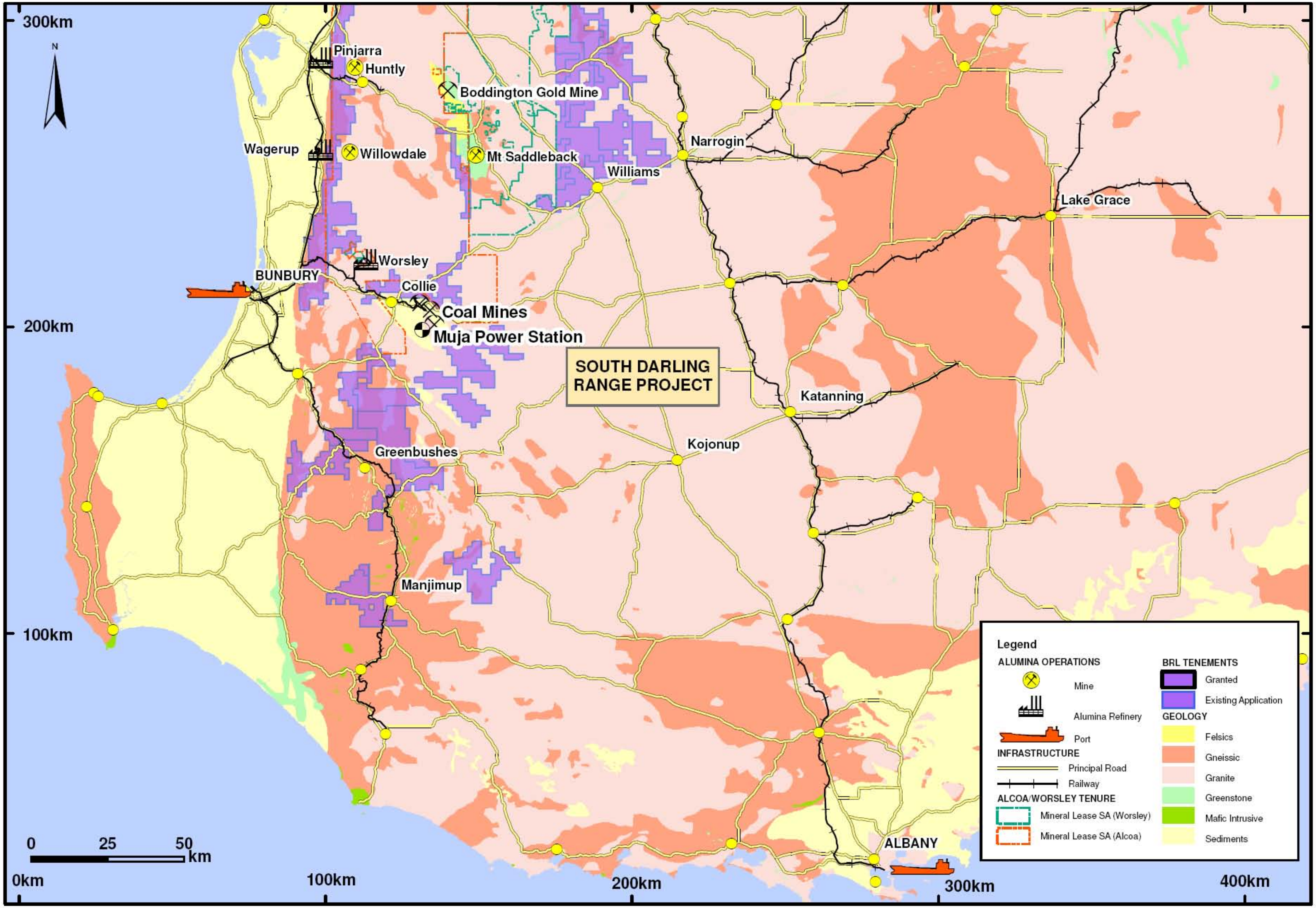
km


300km
200km
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Pinjarra
Huntly
Boddington Gold Mine
Wagerup
Willowdale
Mt Saddleback
Narrogin
Williams
Lake Grace
Worsley
BUNBURY
Collie
Coal Mines
Muja Power Station
SOUTH DARLING
RANGE PROJECT
Katanning
Kojonup
Greenbushes
Manjimup
ALBANY
Legend
ALUMINA OPERATIONS
Mine
Alumina Refinery
Port
INFRASTRUCTURE
Principal Road
Railway
ALCOA/WORSLEY TENURE
Mineral Lease SA (Worsley)
Mineral Lease SA (Alcoa)
BRL TENEMENTS
Granted
Existing Application
GEOLOGY
Felsics
Gneissic
Granite
Greenstone
Mafic Intrusive
Sediments

Chairman's Letter

Dear Shareholder,

Please find herein the 2008 Annual Report and Financial Statements of the Company for the year ended 30 June 2008.

It has been a momentous year for the Company and its shareholders in this inaugural year as an ASX publicly listed company. The highlights for the year include the following significant events and milestone achievements:

- The successful seed capital raising of $1,300,000.
- The successful IPO and ASX listing, raising $7,500,000 which closed early and oversubscribed.
- The appointment to the board of highly experienced and respected senior mining executive Mr David McSweeney, formerly CEO and founder of Gindalbie Metals Ltd.
- The successful options issue, raising a further $538,000.
- The significant increase of the Darling Range Exploration Licence (EL) area, which now totals ~7500 km^2, this approximately doubles the size of the EL areas held at the time of listing and is larger than either areas currently held by Alcoa's State Agreement or BHP's State Agreement.
- Strengthening of the management and consulting team through recruitment of experienced management consultants and personnel.
- Successful Board delegation visit to China in April with positive outcomes; discussions and negotiations continuing.
- Relocation to new corporate headquarters in Adelaide Terrace, Perth.
- Completion of preliminary scoping study for the bauxite direct shipping ore (DSO) operation.
- Relationships formed and negotiations in progress with key infrastructure and service providers including rail, port and handling operators.
- The Company maintains a strong cash position.

I am also extremely pleased to report that following a lengthy, considered and exhaustive search for a suitably qualified and experienced Managing Director, the Company has been extremely fortunate in securing the appointment of internationally recognised and highly regarded senior mining executive Mr Daniel Tenardi.

Mr Tenardi's experience and expertise comprehensively satisfied the Company's selection criteria; he brings a wealth of knowledge, experience and wisdom to the board. Mr Tenardi expresses a genuine enthusiasm and excitement for the Company's projects and has pushed ahead with the Company's planned Direct Shipping Ore (DSO) operation as outlined in this Annual Report.

Since June 2008, the Company has made considerable progress with the digital capture of large volumes of historical drilling and exploration data which has enabled the expansion of the exploration program and the subsequent significant increase in the number of Exploration Licence applications.

The Company's planned DSO operation continues to be supported by strong demand for bauxite, principally from China where recently reports indicate that local bauxite supply will be exhausted within 10 years. In addition, there have been significant rises in bauxite prices over the past 12 months and a substantial reduction in shipping freight charges. Further full details of these matters and the Company's activities are covered in this Annual Report.

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

Yours sincerely,

Luke Atkins

Executive Chairman

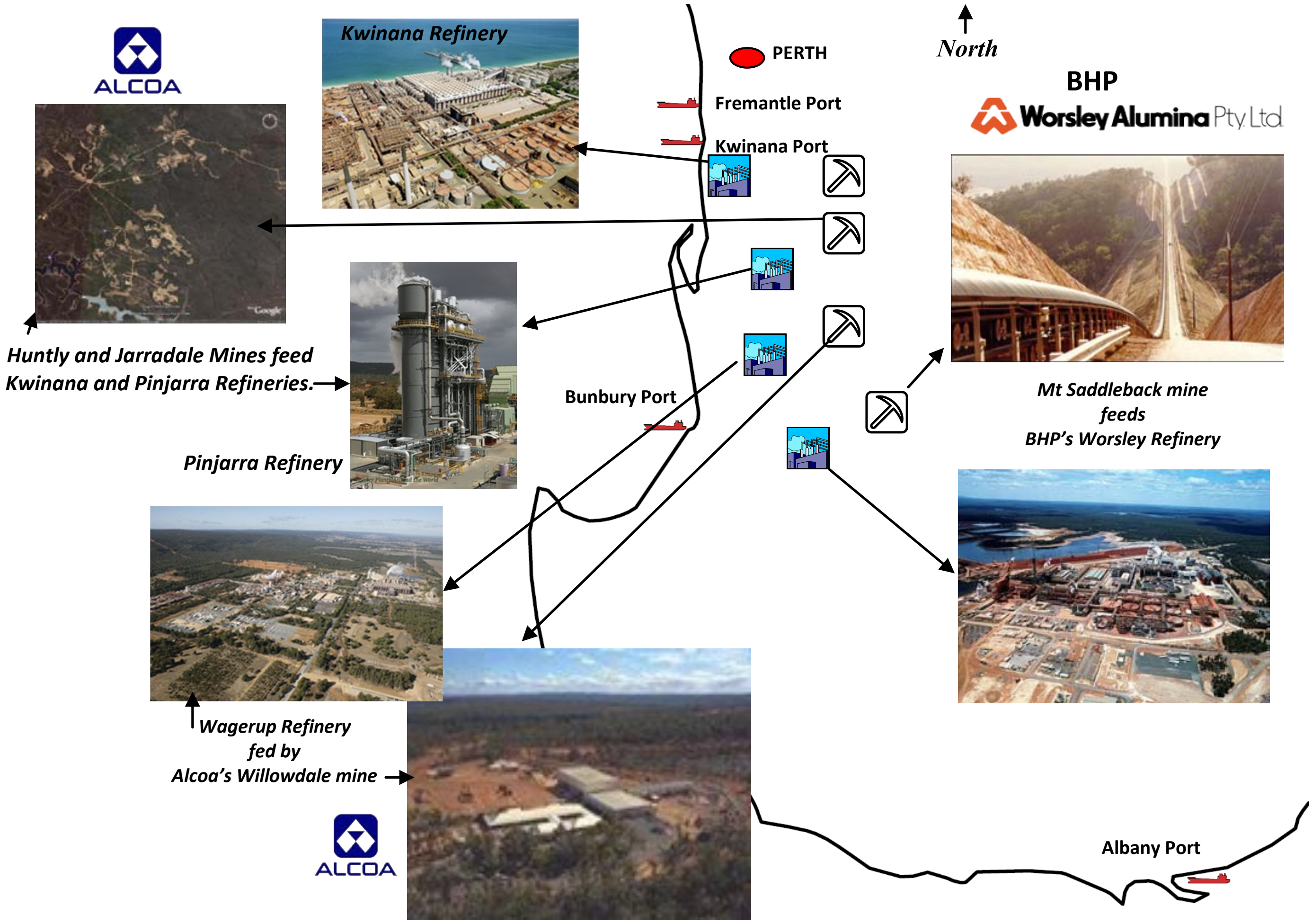
BAUXITE RESOURCES LIMITED
1. OVERVIEW

1.1 Darling Range - Geological Background

The Darling Range is a low escarpment running North-South to the East of the Swan Coastal Plain and Perth, Western Australia. This Range comprises an ancient Tertiary land surface covered by extensive bauxite-rich laterites formed by water leaching soluble minerals from the granitic and gneissic rocks that have left enriched aluminium concentrations. These are generally in uplifted portions of the Tertiary surface between 200 and 300 metres above sea level. The bauxite is found at or near the surface and varies in depth from two to five metres, averaging around three metres. Bauxite is currently being mined in the Darling Range by Alcoa and BHP.

1.2 The Darling Range - The World's Largest Bauxite Mining Region
- The World's Largest Alumina Producing Region

The Darling Range area is the world's largest bauxite mining region and home to the world's largest bauxite mine, Alcoa's Huntly mine. This produces approximately 20 million tonnes (Mt) per annum of bauxite and supplies the world's second largest alumina refinery, Alcoa's Pinjarra refinery as well as their Kwinana refinery. The Darling Range is also the location of Alcoa's Willowdale mine supplying its Wagerup refinery and BHP's Mount Saddleback mine supplying its Worsley refinery. In total these four refineries combine to produce approximately 18% of the world's alumina. Both BHP and Alcoa have substantial upgrades approved and planned; $3billion for BHP's Worsley refinery and $1.5billion for Alcoa's refineries extending their combined alumina capacity to over 12Mt per annum through the ports of Bunbury and Kwinana.



1.3 Darling Range - Simple Surface Bauxite Mining Techniques

Typical Darling Range cross section showing surface caprock with underlying pisolite material

Bauxite mining in the Darling Range is a relatively simple cost effective surface mining operation with little overburden and minimal stripping ratio. Bauxite deposits generally average three metres deep and appear in clusters or pods of confined occurrences.
Once bauxite deposits are determined the area for mining has the top ~30cms of topsoil and organic material removed and stockpiled to one side, retained for reseeding and revegetation purposes. This is currently followed by light impact blasting, if required, or deep ripping of the cap rock by heavy machinery.
The Company is presently evaluating new continuous mining equipment as illustrated below which will alleviate the need for light blasting. The new technologies strip, crush and load the ore in one process avoiding double handling and reducing the environmental impact.

Continuous Surface Bauxite Mining; strips, crushes and loads in one process.

DISCLAIMER: The machinery and equipment shown in photographs in this report are not necessarily the property of the Company.

1.4 Darling Range - Established Environmental Benchmarks for Bauxite Mining

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

1.5 Degraded Farmland - Rehabilitation post mining

BRL's Exploration Licences include large areas of sub-economic and uneconomic degraded farmland, principally because of the gravelly nature of the soil and underlying cap rock at or just below surface level which severely restricts agricultural pursuits. The Company has been working on strategies to access these areas for mining to the mutual benefit of all stakeholders.

Typical Broadacre Degraded Farmland, low population density

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

There are three main forms of bauxite that require different tailored treatments of the Bayer Refining Process to produce alumina. The easiest and most cost efficient form of bauxite to treat is gibbsite or tri-hydrate alumina. Darling Range bauxite is gibbsitic in nature being a true aluminium hydroxide, $Al(OH)_3$, and is extremely low in reactive silica. The other types, bohmite and diaspore are both monohydrate in form being aluminium-oxide hydroxides AlO(OH). Alcoa currently report that its Huntly mine's reactive silica is averaging 1.5% and total recoverable, extractable alumina is running at an average of 32% .

1.6 Darling Range Bauxite - Substantial Alumina Refining Cost Savings - Easy to Liberate

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

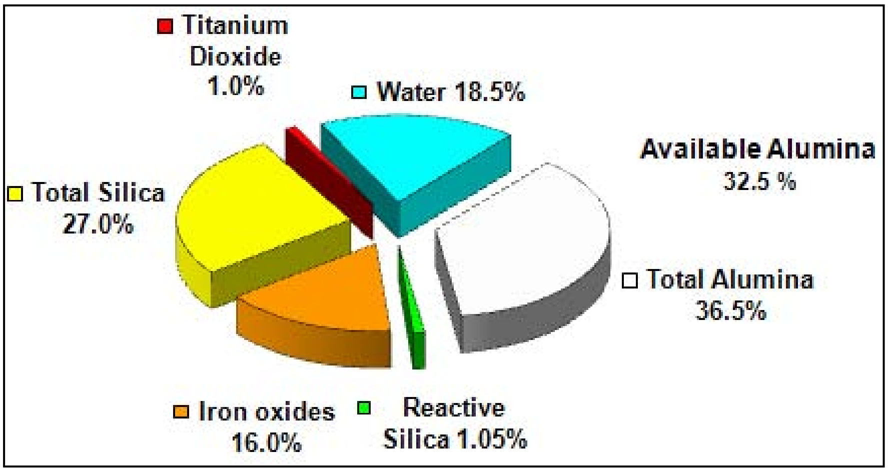
1. Lower energy requirements - the gibbsitic nature of Darling Range bauxite requires lower temperatures and lower pressures for alumina refining therefore substantially saving costs on energy requirements.
2. Lower caustic soda requirements - low reactive silica minimises the caustic soda use as well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

Chinese diaspore bauxite has a different crystalline structure to both gibbsite and bohmite, it is both denser and harder requiring a Bayer-Sinter process for refining; requiring higher temperatures and pressures for dehydration as illustrated in the chart below.

Types of Bauxite Ore	Gibbsite (Darling Range)	Bohmite	Diaspore (Chinese)
Temperature C^{o}	145	250	~300
Pressure kpa	515	550	~550
Caustic Soda g/L	120-135	120-135	200-300

Bauxite Ore Processing Requirements

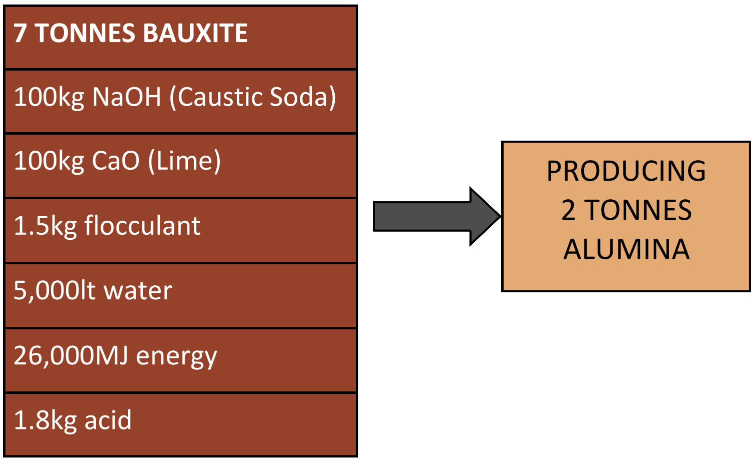
Typical Darling Range Bauxite Ore Structure



In summary, the Darling Range gibbsite bauxite which is processed at a lower refinery operating temperature allows easy liberation of alumina. The lower temperature has the added advantage of inhibiting the gibbsitic ore's quartz content from becoming reactive.

1.8 Darling Range - Alumina Production Process

Darling Range bauxite containing 32% extractible alumina (Al_2O_3) has a typical usage rate of feed and reagents as described in the chart to the right:



1.7 Caustic Soda - Price increases

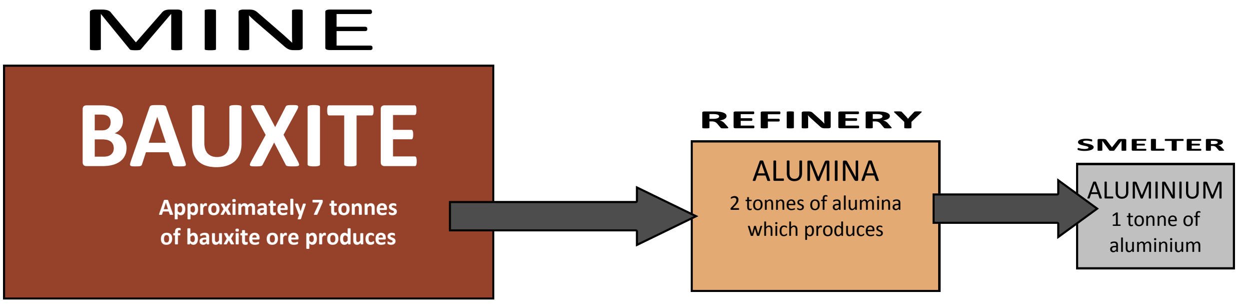
Caustic soda forms approximately 15% of the cost of producing alumina from bauxite. Caustic soda prices have risen significantly to around US$900 per tonne, from about US$700 in July 2008, however, Darling Range bauxite being gibbsitic in nature with low reactive silica requires less caustic soda for refining

Caustic Soda Spot Price	Q4 2007	Q1 2008	Q2 2008	August 2008
West Europe	315-335	325-390	410-550	620-640
US Gulf	390-420	405-525	606-683	860-871

Recent Caustic Coda price rises: Source CRU Monthly Monitor

1.9 BAUXITE - ALUMINA - ALUMINIUM

Metal of the Future - Lightweight - Unique Properties - Totally Recyclable

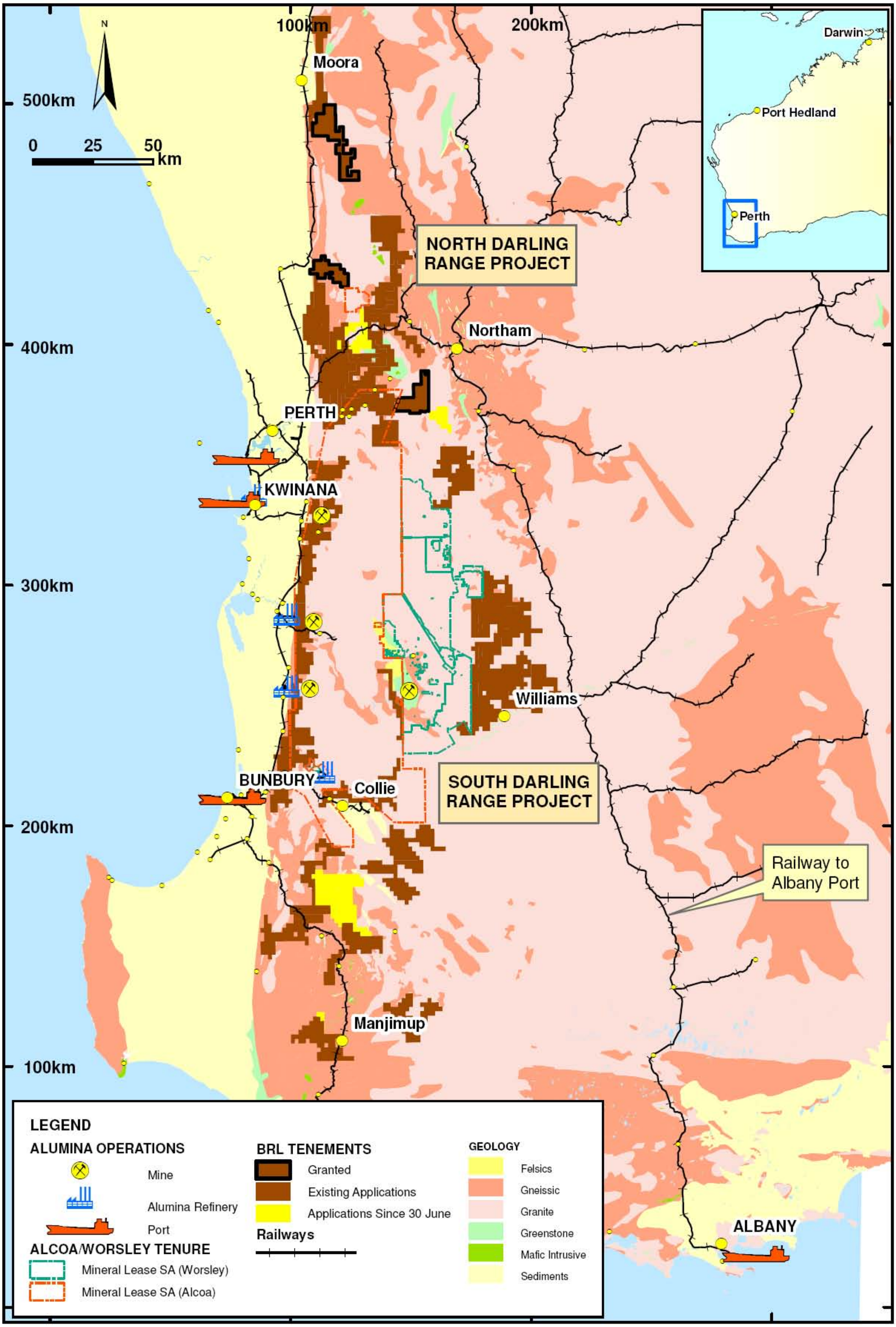


Aluminium is a unique metal: strong, durable, flexible, impermeable, lightweight, corrosion-resistant and 100 percent recyclable. First produced in 1888, aluminium has become the second most-used metal in the world after steel and three-quarters of all aluminium ever produced is still in productive use.

Today, more aluminium is produced than all other non-ferrous metals combined. Annual primary production of aluminium in 2006 was around 34Mt and recycled production around 16Mt. The global stock of aluminium in productive use was around 600Mt, an increase of aluminium in productive use by 24Mt.

Aluminium is light weight (weighing a third of steel); it is an excellent conductor of electricity (twice as conductive as copper and a significantly cheaper alternative, hence its extensive recent use throughout China for electricity transmission); it transmits conducted heat and reflects radiant heat, making it an excellent medium for production of cooking utensils and foils, radiators and building insulation. Aluminium is also extremely strong, this, when combined with its low density (weight) make it ideal for transport and packaging applications. The reduction in weight of transport vehicles is seen as a major contribution in combating carbon emissions.

BAUXITE RESOURCES LTD CURRENT DARLING RANGE TENEMENTS



2. BUSINESS PLAN OVERVIEW

2.1 BRL Stage One - DSO Business Case

The Company has continued to advance its business case of defining an economic >30Mt bauxite resource as Stage One necessary to support a >2Mt per annum direct shipping ore (DSO) of bauxite operation. This plan has been further enhanced by two key factors; firstly shipping rates have plummeted and secondly China is estimated to run out of bauxite in 10 years. It is envisaged that the DSO operation will be in either its raw or beneficiated form to supply the emerging Asian markets in the shorter term, with the ultimate goal to define a resource necessary to support an alumina refinery in the longer term. To this end, the in-house team in conjunction with leading external consultants experienced in this field, are working through a scoping analysis to provide likely costing scenarios for the Stage One DSO and implementing the Project Management Plan.

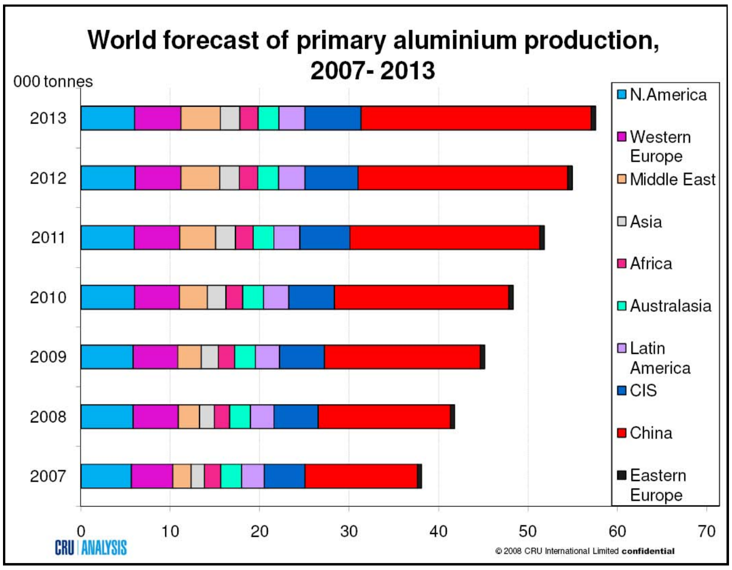
2.2BRL Stage Two - Refinery Business Case (following the establishment of a DSO operation)

High level analysis continues on BRL's Stage Two Alumina Refinery business case; this includes the preliminary scoping study methodology which addresses and evaluates such issues as available energy requirements (coal or gas), potential sites, and assessment of opportunities to develop a refinery in conjunction with other energy providers. Further high level ancillary work addressing the requirements of a refinery continues, however, until the DSO operation is established and or a joint venture partner is secured with suitable funding, the expenditure on progressing the business case will be kept to a minimum.

Globally, energy requirements are likely to become a critical issue, particularly in relation to policy on climate change. In this regard Western Australia is well placed with ample supplies of low ash and low sulphur thermal coal located within the south west region of the State, thus raising the construction of an alumina refinery as a potentially viable business opportunity. Darling Range bauxite is gibbsitic, low in reactive silica (1-3%) and whilst relatively low in extractable alumina (30-33%) it requires low energy in the refining process, adding significant weight to the feasibility of an alumina refinery.

2.3 BRL's Business Strategy - supported by market data

The Company's staged business plan strategy continues to be supported by the latest market data regarding bauxite demand and alumina prices. Long term demand growth for aluminium on a global basis is predicted to rise by 7% pa over the next 10 years with China's growth estimate to be 12.5% pa over the same period. The Company's strategy is further reinforced by Rio Tinto's stated intention to increase it's supply of DSO bauxite from Weipa in Northern Queensland from 18Mtpa to 33Mtpa with a view to go as high as 50 Mt in the longer term. Rio Tinto are also looking at a port arrangement with Chalco, who produce bauxite from the Aurukun deposit, to build a new harbour that could ship 63Mtpa of bauxite.



Given the predicted global growth rate, it is anticipated that consumption of aluminium will double from approximately 36Mt in 2007 to 76Mt in 2017. Of particular importance is that global capacity to produce aluminium will need to increase comparatively and whilst a short term oversupply of alumina is forecast, the growth rate in aluminium demand will off-set the over supply in the medium to long term.

3. PROJECT PROGRAM

PROJECT SCOPING STUDY AND MANAGEMENT PLAN FOR DSO

Following the recent appointment of Mr Daniel Tenardi (post 30 June) as the Managing Director, a comprehensive review has been conducted by him of the Company's project plans of a Stage 1 DSO project in the shorter term and a Stage 2 alumina refinery in the longer term.

A Project Scoping Study and Management Plan, for the DSO, prepared by him is nearing completion with only the subtasks to be agreed and this will form the basis of a DSO Project Budget Proposal to be presented to the Board of directors in November 2008.

BUSINESS CASE OBJECTIVES

In order to progress the DSO business case the Company is working through the following business case objectives:

3.1 STAGE 1 - DSO

3.1.1 Land access and approvals sought in priority areas

The Company is currently working through its land access and approvals strategy with priority being given to previously explored areas in close proximity to existing infrastructure in order to minimise capital expenditure on a DSO.

3.1.2 Cost Efficient Operating Mine Sites on DSO

Minimum unit costs will be achieved by a number of production optimisation initiatives as follows:

- Mining equipment selection will be made taking into account productivity of equipment and labour requirements (increased productivity results in decreased labour requirements).
- Mining rosters would be Monday to Friday resulting in reduced labour cost associated with penalty rates. An attractive roster should also result in increased performance in recruitment and retention.
- Continuous surface miners are being evaluated as a replacement to conventional excavation equipment in order to eliminate the drill and blast process. This would result in lower labour and material costs and also reduced risk associated with blasting in close proximity to roads and neighbours.
- To maximise production efficiency and cost benefits, mining activities will be contracted out to a company with mining experience within the Darling Ranges who can offer the required range of services. This initiative will reduce BRL's requirement for capital and allow funds to be channelled toward company growth.

3.1.3. Secure Rail and Port Infrastructure and Operating Contracts

Long term Rail and Port infrastructure contracts are essential to the success of this project. Due to the large areas covered by BRL's tenements, access to a range of infrastructure option will be necessary to ensure cost effective delivery of material for shipping. Negotiations are currently underway to ensure all options to be pursued are viable and will be finalised by the end of 2008.

3.1.4. Form Shipping Alliance

BRL are currently seeking a long-term (5-10 years) contract to mitigate the risk associated with the volatility and cyclic nature of freight rates. A number of potential alliance partners have been identified and negotiations have commenced. A contract will be awarded during Q1 2009.

3.1.5. Long Term Bauxite Off-take on DSO

China Business News recently released a report suggesting that China would run out of bauxite within 10 years and interest from Chinese alumina refinery operators wanting to import our bauxite has been intense. A long term sales contract with an end user is seen as essential to underpin our business and to this end BRL has employed a marketing professional of Chinese origin to lead the marketing team and a number of potential customers have been identified.

3.2 INFRASTRUCTURE FOR DSO

3.2.1Existing Infrastructure for DSO

The Company's tenements stretch in a semi contiguous belt from Moora in the north to Manjimup in the south a distance of over 400 kilometres and as far east of Narrogin. This area is serviced by a comprehensive road network, a number of standard and narrow gauge rail networks, and the ports of Kwinana, Bunbury to the south and Albany in the south east, all of which are serviced by rail networks that in turn service to varying degrees the Company's tenements. The Company is therefore fortunate to be able to evaluate the benefits of a number of alternative infrastructure solutions.

The current program is to ascertain which potential mine sites, with underlying historical data, to prioritise in view of the supporting infrastructure. To this end the Company is seeking to prioritise its target areas and work towards defining a resource to support a DSO operation taking into account all necessary environmental and land access issues.

3.2.2 Key Infrastructure Operators - Direct Negotiations Currently Underway

In view of cost, timing and efficiency issues the Company has resolved to handle in-house the management of negotiations with the various potential infrastructure service providers and operators under the direction of Daniel Tenardi. To this end the Company is participating in various Port steering committees, in discussions with alternative port service and handling facilities, and negotiating with the various mining contractors, road and rail freight operators and service providers as well as land rehabilitation service providers. The Company is also investigating and evaluating approaches made by other minerals exporters with a view to leveraging off potential synergies for shared infrastructure.

Bunbury Port and existing Bulk Minerals Loader

Kwinana Port

Albany Port

3.3.BENEFICIATION / FREIGHT FOR DSO

3.3.1 Beneficiation Process

Beneficiation is the process whereby bauxite ore is passed through a plant to remove contaminants and upgrade the ore. The process occurs before the initial grinding phase and can pass through several options. Hatch consulting have been engaged to assist the Company and have ascertained a number of solution including:

- Size separation;
- Magnetic separation;
- Floatation and gravity separation; and
- Combinations of above

The primary objectives of beneficiation is to reduce freight handling costs, improve process efficiency and upgrade the product for the refinery customer.

3.3.2 Beneficiation of Bauxite for DSO - Potential for Reducing Freight Costs

Australia is "relatively close", in shipping terms, to the coastal ports of south eastern China. Since the freight cost component is an important variable in any DSO operation, the Company has been exploring the possibilities of beneficiation of bauxite to mitigate freight charges. Following the receipt of a report from Hatch Consulting, which identified a number of beneficiation options, the Company has also been working in conjunction with the CSIRO and other external consultants to examine various beneficiation possibilities.

The Company is managing in-house the compilation of a scoping document to establish the methodology technique for the beneficiation testing program which can be carried out at the CSIRO's pilot plant. This testing is currently underway and it has been resolved to progress this program in conjunction with a selected drilling /exploration program. The Company is extremely fortunate to be able to draw on the expertise of many highly experienced personnel located in Perth.

The ultimate shipping freight rate obtained by the Company on a DSO project will determine the importance of whether the Company elects to beneficiate or not.

3.3.3 DSO - Shipping Freight Rates forecasted to drop to around US$8.00-12.00 per tonne

As a result of the significant increase in vessel construction, freight rates from Western Australia to China have reduced dramatically from about US$50 per tonne to US$13 per tonne in the past four months. The three year forward freight market has fallen even harder to as low as US$8.00 per tonne. The Company is currently evaluating its shipping options and exploring various shipping alternatives.

3.4. STAGE 2 - REFINERY

3.2 Feasibility Study for Stage 2 Alumina Refinery

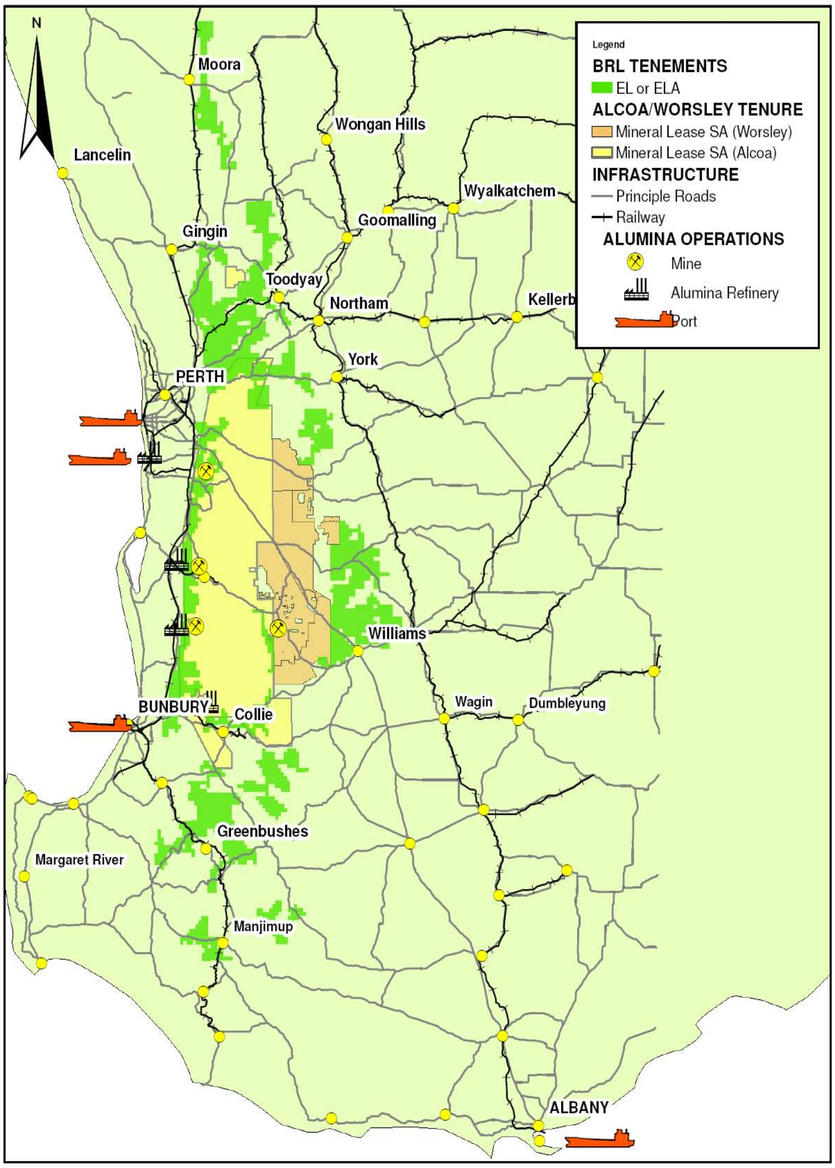
It is predicted that the global production of aluminium will increase from 36Mtpa to 76Mtpa over the next ten years which will result in an increase in demand for alumina to feed aluminium smelters. Greenhouse issues and Carbon tax will impact on the cost of power to process materials and will continue to be a global issue. Darling Range bauxite is low in reactive silica and requires significantly less power to convert into alumina.

The factors mentioned above support a feasibility study into down-stream processing of material in Western Australia following the commencement of the DSO project and the identification of sufficient resources to underpin the establishment of a refinery.

4. EXPLORATION PROGRAM
4.1 OVERVIEW

As at 1 September 2008, the Company holds 47 Exploration Licences (ELs) in its three project areas; 44 tenements are located in the North and South Darling Range project areas and three tenements in the Kimberley project area. Three of these ELs have been granted in the North Darling Range project area.

The Company is reaching the end of its comprehensive historical data review phase and electronic capture of that information for interpretation. This information forms the basis of the current target generation phase. Reconnaissance mapping, rock chip and sampling procedures are all currently underway as a part of the exploration program planning phase. Assaying has been carried out confirming the bauxite within the target areas is consistent with the generally known attributes of Darling Range bauxite.



BRL TENEMENTS IN COMPARISON TO ALCOA AND BHP-WORSLEY STATE AGREEMENTS

0 50 100 km

4.2 BRL's Experienced Geological Team

The Company now has two fulltime geologists and two consulting geologists including Mr Peter Senini, possibly one of the most experienced Darling Range bauxite geologists.
Mr Senini has been able to provide invaluable knowledge to the Company drawing from his 28 years experience with Alcoa in the Darling Range where on his recent departure he held the position of Alcoa's head geologist.

4.3 BRL's Tenement package - Largest tenement holder in the Darling Range.

BRL is now the largest tenement holder in the Darling Range comprising some 7,500km^2 of highly prospective bauxite ground; the second and third large tenement holders are the bauxite miners Alcoa (7,128km^2) and BHP (2,630km^2) respectively.

4.4 BRL's tenements contain the same land type as that currently mined for bauxite.

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

4.5 Established Environmental Guidelines in Bauxite Exploration and Mining

The Darling Range area, the largest bauxite mining area in the world, is covered by established environmental guidelines and precedents. Mining in the Darling Range, through Alcoa's and BHP's practices, have set the benchmark for environmental protection guidelines. Land rehabilitation and reafforestation programs have been refined and accepted by relevant statutory and stakeholder bodies over the past 40 or so years. Alcoa's West Australian program has been recognised as one of the best ecological restoration programs in the world by the United Nations Environmental Programme and the Society for Ecological Restoration International. BRL is committed to emulating and improving upon these established processes and procedures, especially in relation to degraded farmland.

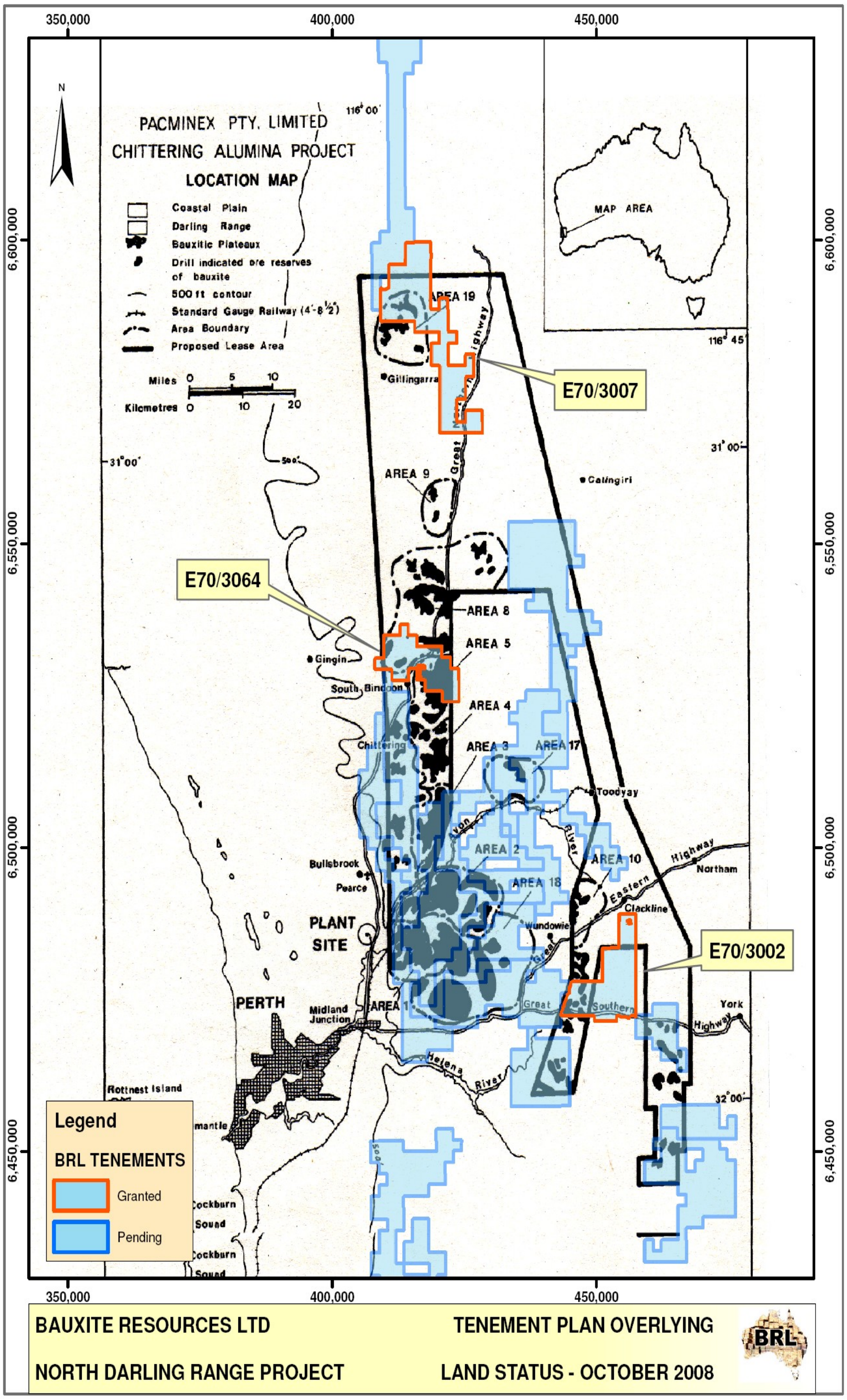
4.6 Historical Data Review Relating to Areas Held by BRL

The Company has been fortunate to obtain a significant portion of the historical data relating to previous companies bauxite exploration.

Since the appointment of Exploration Manager, Peter Bleakley, the exploration team has been focussed on reviewing the substantial volumes of historical data, hardcopy exploration reports and drilling results conducted by several companies that explored for bauxite in the Darling Range including; CSR/Pacminex, Vam Ltd, Project Mining Corporation, Hancock and Wright, Bridge Oil Ltd, Alcoa and BHP.

The team have electronically plotted and captured this data and digitally overlayed it onto BRL's tenements which includes significant areas of these historically explored areas.

This historical data goes back some 40 years being part of a concerted bauxite exploration campaign involving all of these companies. In that regard, the various competitive project holdings were, disjointed, and fragmented with significant encroachments of Alcoa's State Agreement "leased area" at that time. This has since been substantially reduced in size to an area more relevant to Alcoa's refinery locations.



4.7 New Exploration Ground Totalling ~7,500km^2 in the Darling Range

Since listing in October 2007 and after gaining a detailed knowledge and understanding of the historical data following its electronic capture and interpretation, the Company has substantially increased its tenement holding from 3,693 km^2 to 7,478 km^2 in the Darling Range. These fresh applications have concentrated on areas with underlying historical data showing bauxite mineralisation; are close to existing infrastructure and in areas that are of the same land category as Alcoa's and BHP's current mining operations where the established environmental benchmarks have been set and can be similarly implemented. These areas allow the company a variety of choices as to selecting a suitable mine site with supporting infrastructure.

Current Bauxite mining in the Darling Range

4.8 Target Generation

The initial Stage 1 exploration program is targeting a >30MT to support the commencement of a >2MT per annum DSO operation. In that regard the areas of interest as priority targets are those areas with historical data on areas of Crown and freehold uneconomic to sub-economic degraded farmland close to existing infrastructure and services.

The target generation phase, under the stewardship of the new Managing Director Mr Dan Tenardi (post 30 June) has moved to the program planning stage following the selection of a number of priority targets. To this end a number of Native Title Agreements relating to the areas have been successfully negotiated and a strategy has been implemented in conjunction with the Company's tenement managers to expedite the grant of priority applications and approaches to relevant landowners as and where necessary.

5. **BAUXITE** RESOURCES LIMITED **- THE CHINA FACTOR**

5.1 BRL's China Trip - Positive Outcomes

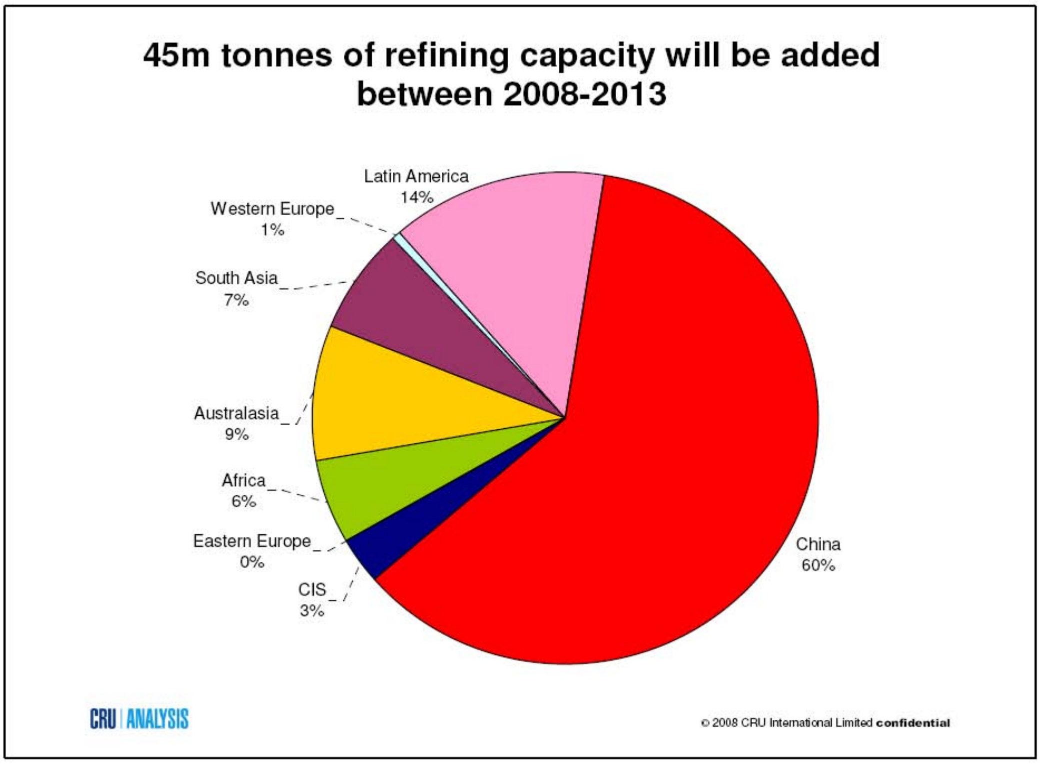
In April this year, a four member delegation from BRL visited China to follow up on various approaches made directly to the Company and to the West Australian State Government, Department of Industry and Resources (DOIR) representatives in China, relating to bauxite and alumina off-take, investment and joint venture opportunities.

The information obtained on the trip was highly informative and gave the delegation an enlarged perspective of the China growth story and how this specifically relates to the bauxite and alumina industries. Furthermore, the discussions, briefings and presentations on the trip have generated a high level of ongoing interest in the Company and its projects.

5.2 China - Unprecedented Levels of Demand for Aluminium

China's consumption of aluminium grew by 37.7% in 2007, accounting for roughly one third of total world consumption. This is despite the fact that the per capita use of aluminium in China is currently 6 kg compared to 20 kg in the EU and USA. China's emerging middle class, growth in urbanisation and industrial production has accelerated the countries aluminium demand to the point where it now has to rely on imported bauxite supply. In 1995 China imported 0.5Mt of bauxite; in 2008, it is predicted bauxite imports will increase to 31Mt. In 2007 alumina production in China reached 20.9Mt and is predicted to rise to 32Mt in 2008, further, aluminium production in China is expected to grow by 17.8% in 2008.

China to construct more than half of the World's new alumina refining capacity



5.3 Chinese Bauxite facing exhaustion on overuse in 10 years

According to China's largest aluminium producer, Aluminium Corp of China, China has less than two percent of the world's bauxite resources but uses 10% of it's total resource per annum and that this will deplete the overall resource in ten years. China is expecting a further 2.5Mt of alumina processing capacity to be released in the following 2-3 years which is estimated to consume 12.5Mt of bauxite. Moreover, China's aluminium output has maintained an annual growth of 28% since 2001, 10 percentage points higher than that of other producing countries.

5.4 China Demand for Bauxite Grows

In response to growing demand, rising alumina prices and restricted availability of bauxite the Chinese aluminium industry has seen a swing towards upstream production. In the past three years there has been an explosive growth in Chinese alumina capacity, mostly from non government owned refineries and consequently a surge in bauxite demand. The Chinese bauxite market has had to rely on a dwindling home supply of mixed and unreliable quality, Indonesian bauxite that is sourced illegally and Indian supply that is becoming restricted as local governments refuse export permits in a measure to maintain supply to their own refineries.

5.5 Bauxite Price

As there is no "spot price" for bauxite it is difficult to obtain price information, however, it has been reported that in the past year bauxite prices have hit $75CIF per tonne and remained relatively steady compared to a softening of alumina prices.

5.6 Chinese Bauxite Imports Surge

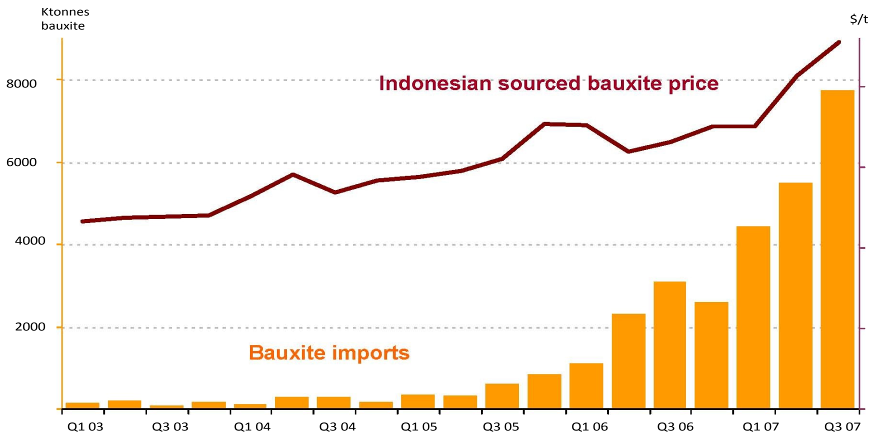
The Chinese government is encouraging Chinese companies to secure bauxite resources overseas so as to ease domestic supply tension.

From an importation of less than half a million tonnes of bauxite in 2001, China's imports of bauxite have surged to 25Mt per annum in 2007, with industry predicting that this will further increase to 35Mt per annum in 2009.

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

4

Surge in China's alumina output is largely dependent on imported bauxite



Source: China Customs Statistics

5.7 International perspective - 88 Million tonne (Mt) of Bauxite Required

Current global aluminium production is around 38Mt per annum, forecasted to increase to 55Mt per annum by 2013. This additional 17Mt per annum of aluminium metal would require 33Mt of alumina capacity in turn requiring additional bauxite capacity of 88Mt per annum.

5.8 Overseas Interest, Off-take and Investment

BRL continues to receive, evaluate and progress various expressions of interest predominately from Asian interests interested in off-take of DSO bauxite, funding and investment opportunities, with interest also expressed in the minerals exploration potential for all other minerals over the Company's tenement areas.

6. PROJECT REVIEWS

6.1 North Darling Range Project - 18 ELs Covering approximately 2,988km²

The North Darling Range project encompasses the tenement areas that lie north of Perth. This covers part of an area in the Darling Range which was the subject of major exploration work completed in the late 1960's, 1970's and 1980's by,

- CSR / Pacminex;
- Project Mining Corporation (PMC);
- Bridge Oil Pty Ltd; and
- Vam Ltd.

CSR/Pacminex, PMC and Bridge Oil all conducted extensive exploration resource estimates using various parameters, in summary:

- Over 10,000 drill holes comprising 172,000 feet drilling carried out;
- 87,950 samples were taken;
- 1971 State Alumina Refinery Agreement reached (now lapsed).
- In excess of $2million (circa in the order of $40m in today's terms) spent up until 1971 on the CSR/Pacminex Project.
- Additional BRL ELs in areas adjacent to previously explored ground.

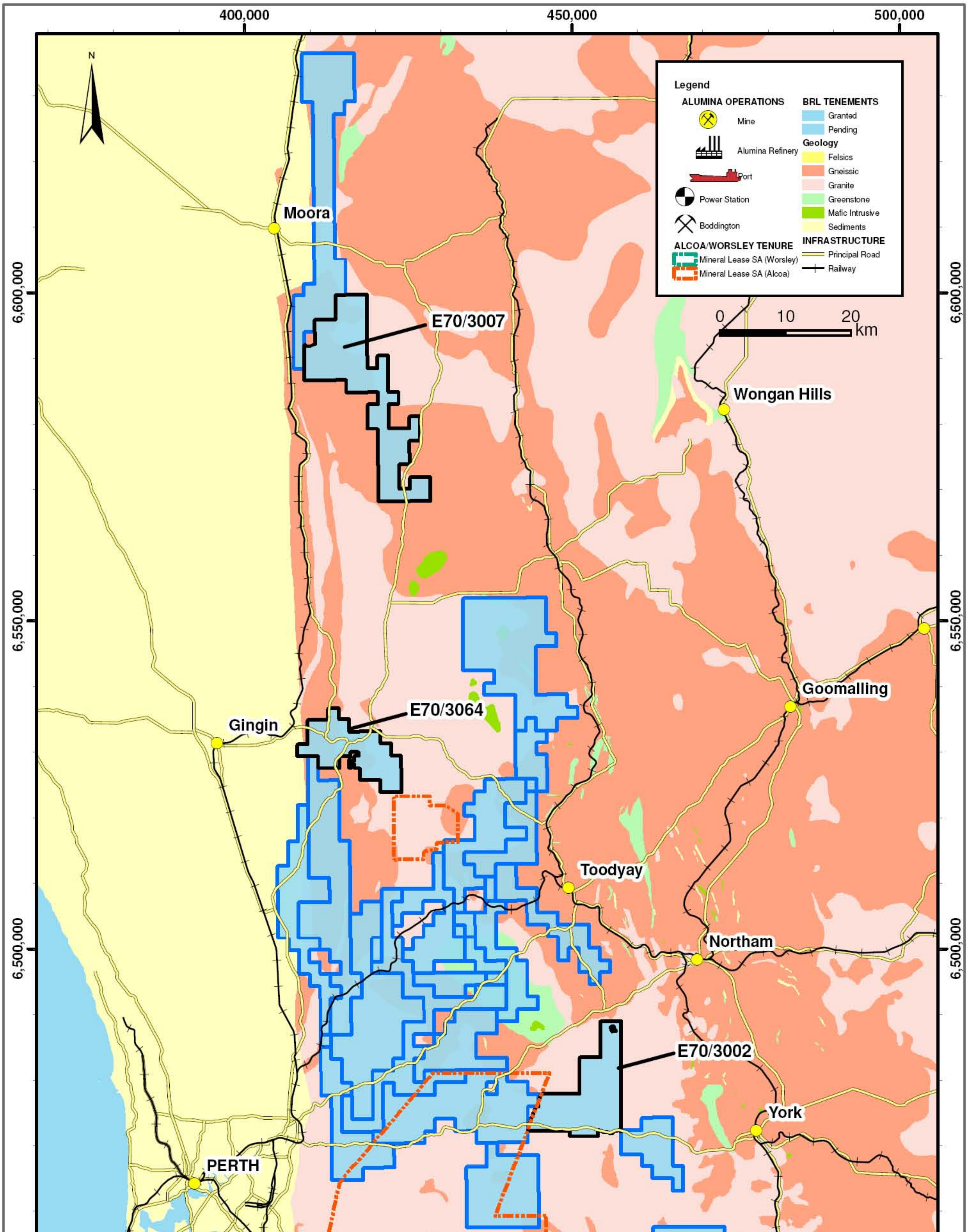
Tenements held by the Company in the North Darling Range Project area also cover significant areas with bauxitic laterites indicated from the Geological Survey of Western Australia 1:250,000 scale geology map sheets. Field verification by the Company confirms extensive bauxitic laterites within its ELs and applications. 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 bauxitic 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 bauxitic laterites are commonly in the order of three metres in thickness, and overlie a distinguishable saprolite weathered zone.

Work is progressing well on digitisation of the significant volumes of historical data and is assisting in prioritisation of exploration targets. Recent field trips and reconnaissance mapping has outlined a number of potential targets areas. Work will focus on surface mapping of target areas followed by resource definition drilling, and subject to the procurement of all necessary land access arrangements and regulatory approvals.

Detailed geological mapping and rockchip sampling was completed over the Berrybrow licence E70/3002 by the Company during September 2008. This work defined extensive areas of potentially bauxitic laterites in the southern half of the licence that require further evaluation. Results from surface samples are awaited.

It is envisaged that drilling will initially focus on those areas identified by CSR/Pacminex as containing economic bauxite mineralisation in areas serviced by existing infrastructure and then to focus on other areas identified by BRL.



BAUXITE RESOURCES LTD | **TENEMENT PLAN**

NORTH DARLING RANGE PROJECT | **SEPTEMBER 2008**

BRL

6.2 **South Darling Range Project - 26 ELs Covering approximately 4,490km²**

The South Darling Range project encompasses areas that lie south of Perth. This project covers large areas of privately owned land within the Alcoa State Agreement area, and now following further exploration licence applications, significant areas of ground adjoining Alcoa and Worsley Alumina's mineral lease areas. The project extends from Jarrahdale in the north in a broad band that covers Williams to the east and down through to south of Manjimup.

The project covers areas that contains significant bauxite mineralisation identified by previous exploration in the 1960s and 1970s conducted by;

- PMC
- Vam Ltd
- Alcoa
- BHP and
- Bridge Oil Pty Ltd

PMC and Vam conducted exploration resource estimates using various parameters, in summary:

- Greater than 7,500 holes were drilled;
- Greater than 20,000 samples were analysed;

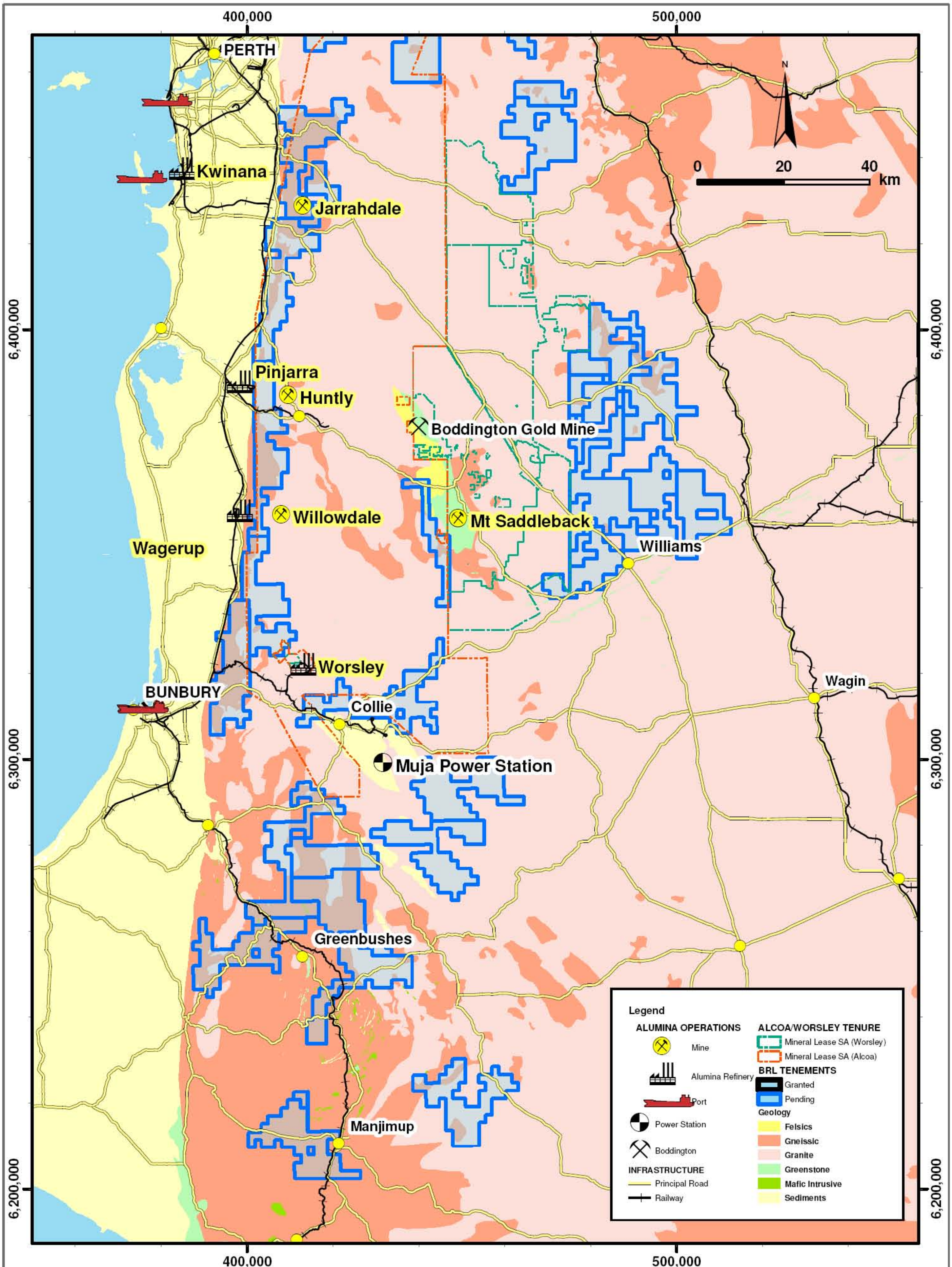
Further, the project covers additional areas reported by the West Australian Geological Survey as containing bauxitic laterites. To the knowledge of the Company, no exploration to assess the economic potential of these additional bauxitic laterites has been carried out to date.

Significant areas covered by the Company's ELs have the same environmental land category classification as those areas where Alcoa and BHP are currently mining bauxite. These mining operations are conducted according to established environmental principles and world's best practices which have enabled the Darling Range to become the world's leading bauxite producing region on the virtual doorstep of the State's capital city Perth.

EL70/3312, in the Manjimup area of the South Darling Range, covers parts of areas which were previously explored for bauxite by Vam Ltd from 1969 to 1973. Drilling by Vam Ltd of the residual Tertiary/ Quaternary lateritic bauxites overlying the Archaean granitic and gneissic basement had been completed with 2,368 Scout holes for 6,891 metres. The Scout drilling was completed along tracks and areas which were selected visually on the ground and from monochromatic aerial photographs.

Work on digital capture of historical data is nearing completion and is being used to prioritise exploration targets. Reconnaissance mapping has outlined a number of potential targets areas and work has commenced on the procurement of land access arrangements. Work will focus on surface mapping and sampling of target areas followed by resource definition drilling, and subject to, the procurement of necessary regulatory approvals.

The South Darling Range project area has been identified during the exploration process as having the greatest potential to support a DSO project out of the Bunbury Port to overseas markets. Some of the tenements areas identified cover areas that may relate to Alcoa and Worsley State Agreements. The terms of the State Agreements may affect the Company's applications 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.



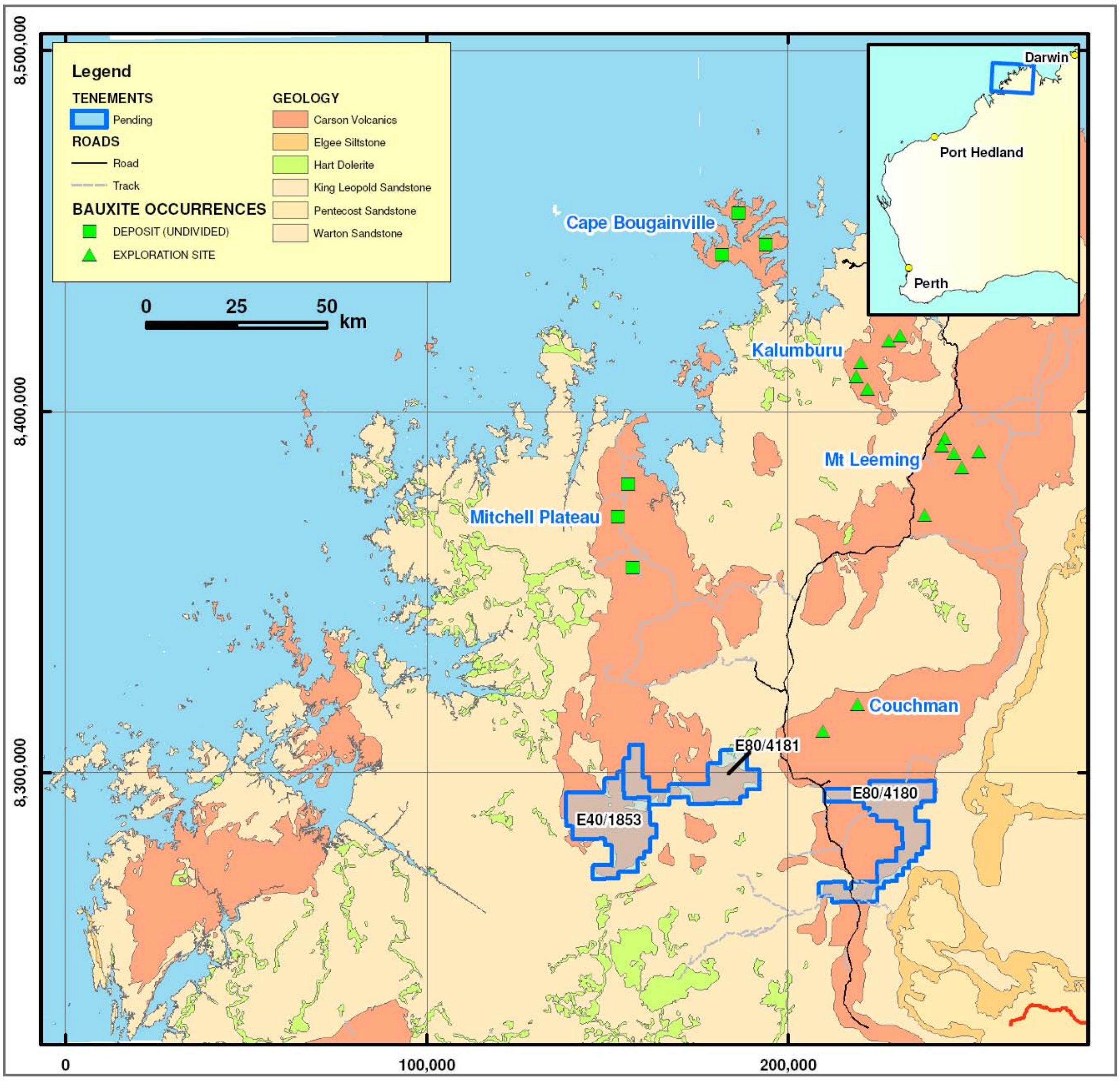
BAUXITE RESOURCES LTD **TENEMENT PLAN**

SOUTH DARLING RANGE PROJECT **SEPTEMBER 2008**

6.3 Kimberley Project - 3 ELs covering approximately 1,153km²

In keeping with the Company's prescribed, staged business development, BRL has formulated a business strategy to accommodate its Kimberley tenement holdings. Progress has been made for this longer term project with tenement applications pending and work for the quarter encompassing the review of known resources on adjoining ground and the interpretation of satellite imagery as part of further target generation and landholding rationalisation.

In recent months the Company has rationalised its Kimberley tenement landholdings. The Company withdrew its previous applications and simultaneously applied for three new exploration licences over the most prospective targets. This will allow the Company to focus on the Darling Range Project in the short term for establishment of a DSO operation, while securing tenure over highly prospective targets in the Kimberley region.



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

7. STAFF AND KEY PERSONNEL

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

Managing Director Dan Tenardi
(Appointed 8 September 2008)

DIRECTORS

From Left, Neil Lithgow, Director, Luke Atkins, Executive Chairman, David McSweeney, Director, Rob Nash, Director and Graeme Smith, Company Secretary.

EXPLORATION

Exploration Manager Peter Bleakley and Geologist Richard Millington

Historical data entry team, Taylor Mathews & David O'Donoghue

ADMINISTRATION

Kevin Woodthorpe, Project Infrastructure Manager

Helen Trlin, Office & Communications Manager

Chester Chen, Marketing & Logistics Manager

OUR VISION:

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

OUR MISSION:

" To become a significant bauxite miner and alumina producer"

BAUXITE RESOURCES LIMITED

ABN 72 119 699 982

Annual Financial Report

for the year ended 30 June 2008

Corporate Information

ABN 72 119 699 982

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

Company Secretary
Graeme Smith

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Facsimile: +61 8 9221 4385

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PERTH WA 6000

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Cnr Pinaster Parade & The Promenade
ELLENBROOK WA 6069

Share Register
Security Transfer Registrars Pty Ltd
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APPLECROSS WA 6153
Telephone: (08) 9315 2333
Facsimile: (08) 9315 2233

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

Internet Address
www.bauxiteresources.com.au

Securities Exchange Listing
Bauxite Resources Limited shares (ASX code:BAU) and 20 cent Options (ASX code:BAUO) expiring on or before 31 January 2009 are listed on the Australian Securities Exchange.

Contents

Directors' Report

Your directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Bauxite Resources Limited and the entities it controlled at the end of, or during, the year ended 30 June 2008.

DIRECTORS

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

Names, qualifications, experience and special responsibilities

Luke Atkins, LLB (Executive Chairman)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

David McSweeney, LLB MAusIMM (Non Executive Director, appointed 20 November 2007)

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

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

Directors' Report continued

COMPANY SECRETARY

Graeme Smith, BEc, MBA, MComLaw, FCPA, FCIS, MAusIMM (appointed 22 October 2007)

Graeme Smith is a finance professional with over 20 years experience in accounting and company administration. He graduated from Macquarie University with a Bachelor of Economics degree and has since received a Master of Business Administration and a Master of Commercial Law. He is a Fellow of both the Australian Society of Certified Practicing Accountants and the Chartered Institute of Secretaries and Administrators.

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

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

	Ordinary Shares	Options over Ordinary Shares
Luke Atkins	17,041,667	7,195,323
Daniel Tenardi	-	-
Neil Lithgow	18,291,666	11,820,322
Robert Nash	204,900	1,102,450
David Mcsweeney	627,500	6,000,000

PRINCIPAL ACTIVITIES

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

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

DIVIDENDS

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

REVIEW OF OPERATIONS

Finance Review

The Group began the financial year with a cash reserve of $1,182,561. Bauxite Resources Limited raised $7.5 million through the issue of 37.5 million ordinary shares at initial public offer and was admitted to the official list of Australian Securities Exchange Limited on 22 October 2007.

The Company allotted and issued 53,818,750 options on 27 March 2008 raising $538,187.

The Group has recorded an operating loss after income tax for the period ended 30 June 2008 of $770,254 (2007: $5,301 profit).

At 30 June 2008 surplus funds available totalled $7,641,339.

Operating Results for the Year

Summarised operating results are as follows:

	2008	
	Revenues	Results
	$	$
Consolidated entity revenues and loss from ordinary activities before income tax expense	427,392	(768,664)

Shareholder Returns

	2008	2007
Basic earnings per share (cents)	(0.8)	0.0

Directors' Report continued

Risk Management

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

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

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

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

- Bauxite Resources Limited was admitted to the official list of Australian Securities Exchange Limited on 22 October 2007 following an Initial Public Offering of 37.5 million ordinary shares to raise $7.5 million.
- In March 2008 a one for two entitlements issue of 53,818,750 listed options was completed by the Company raising $538,188.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group expects to maintain the present status and level of operations and hence there are no likely developments in the Group's operations.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is subject to significant environmental regulation in respect to its exploration activities.

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

REMUNERATION REPORT

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

A Principles used to determine the nature and amount of remuneration

B Details of remuneration

C Service agreements

D Share-based compensation

E Additional information

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

A Principles used to determine the nature and amount of remuneration

Remuneration Policy

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

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

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

Directors' Report continued

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

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

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

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

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

Performance based remuneration

The Managing Director has a milestone performance payment of $750,000 on the loading of the first shipload of bauxite within 3 years of commencement of service.

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

No relationship exists between shareholder wealth, director and executive remuneration and Company performance.

The table below shows the gross revenue, losses and earnings per share for the periods since incorporation of the listed entity.

	2008 $	2007 $
Revenue	427,392	10,468
Net profit/(loss)	(770,254)	5,301
Earnings per share (cents)	(0.8)	0.0

B Details of remuneration

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

The key management personnel of Bauxite Resources Limited and the Group include the directors and company secretary as per pages 3 and 4 above and the following executive officers who have authority and responsibility for planning, directing and controlling the activities of the Group:

- Peter Bleakley – *Exploration Manager, appointed 30 January 2008*

Given the size and nature of operations of Bauxite Resources Limited and the Group, there are no other employees who are required to have their remuneration disclosed in accordance with the *Corporations Act 2001*.

Directors' Report continued

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

	Short-Term		Post Employment		Share-based Payments	Total
	Salary & Fees	Non Monetary	Superannuation	Retirement benefits	Options	
	$	$	$	$	$	$
Directors						
Luke Atkins						
2008	**206,308**	**2,798**	**-**	**-**	**-**	**209,106**
2007	-	-	-	-	-	-
Neil Lithgow						
2008	**20,870**	**2,798**	**1,878**	**-**	**-**	**25,546**
2007	-	-	-	-	-	-
Robert Nash						
2008	**34,000**	**2,798**	**2,812**	**-**	**-**	**39,610**
2007	-	-	-	-	-	-
David McSweeney (appointed 20 November 2007)						
2008	**18,333**	**1,631**	**1,650**	**-**	**469,133**	**490,747**
Other key management personnel						
Graeme Smith (appointed 22 October 2007)						
2008	-	-	-	-	-	-
Peter Bleakley (appointed 30 January 2008)						
2008	**60,692**	**-**	**5,462**	**-**	**-**	**66,154**
Total key management personnel compensation						
2008	**340,203**	**10,025**	**11,802**	**-**	**469,133**	**831,163**
2007	-	-	-	-	-	-

C Service agreements

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

Luke Atkins, Executive Chairman:

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

D Share-based compensation

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

	Grant Date	Granted Number	Vested Number	Date vesting or vested and exercisable	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Exercised Number	% of Remuneration
Directors									
David McSweeney	18/01/2008	2,000,000	2,000,000	18/01/2008	15/05/2012	25	17.9	N/A	72.9
David McSweeney	18/01/2008	4,000,000	-	06/02/2010	15/05/2012	40	13.4	N/A	22.7

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

E Additional information

Performance income as a proportion of total compensation

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

Directors' Report continued

DIRECTORS' MEETINGS

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

	Directors Meetings	
	A	**B**
Luke Atkins	6	6
Neil Lithgow	6	6
Robert Nash	6	6
David McSweeney	5	5

Notes

A – Number of meetings attended.

B – Number of meetings held during the time the director held office during the year.

SHARES UNDER OPTION

At the date of this report there are 68,530,180 unissued ordinary shares in respect of which options are outstanding.

	Number of options
Balance at the beginning of the year	9,000,000
Movements of share options during the year	
Issued, exercisable at 20 cents, on or before 31 January 2009	53,818,750
Issued, exercisable at 25 cents, on or before 15 May 2012	2,000,000
Issued, exercisable at 40 cents, on or before 15 May 2012	4,000,000
Issued, exercisable at 50 cents, on or before 31 May 2012	100,000
Exercised at 20 cents (31 January 2009)	(388,570)
Total number of options outstanding as at 30 June 2008 and the date of this report	**68,530,180**

The balance is comprised of the following:

Date options issued	Expiry date	Exercise price (cents)	Number of options
27 Mar 2008	31 Jan 2009	20	53,430,180
10 May 2007	31 May 2012	20	9,000,000
6 Feb 2008	15 May 2012	25	2,000,000
6 Feb 2008	15 May 2012	40	4,000,000
20 Jun 2008	31 May 2012	50	100,000
Total number of options outstanding at the date of this report			**68,530,180**

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

INSURANCE OF DIRECTORS AND OFFICERS

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

(a) a wilful breach of duty; or

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

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

The total amount of insurance contract premiums paid is $10,025.

Directors' Report continued

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Moore Stephens or associated entities. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

– All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor;

– None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

Moore Stephens received or are due to receive the following amounts for the provision of non-audit services:

	2008 $	2007 $
Investigating Accountants Report	8,000	-

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 10.

Signed in accordance with a resolution of the directors.

Luke Atkins
Executive Chairman

Perth, 25 September 2008

MOORE STEPHENS

Partners

Syd Jenkins
Neil Pace
Dino Travaglini
Ray Simpson
Suan-Lee Tan
Ennio Tavani

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

I declare that, to the best of my knowledge and belief, during the financial year ended 30 June 2008, there have been:

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

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

Neil Pace

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

Signed at Perth this 25th day of September 2008.

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Corporate Governance Statement

The Board of Directors

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

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

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

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

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

Role of the Board

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

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

Appointments to Other Boards

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

Independent Professional Advice

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

Continuous Review of Corporate Governance

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

ASX Principles of Good Corporate Governance

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

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

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

Corporate Governance Statement continued

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

A = Adopted
N/A = Not adopted

Corporate Governance Statement continued

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

A = Adopted
N/A = Not adopted

Corporate Governance Statement continued

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

A = Adopted
N/A = Not adopted

Income Statements

YEAR ENDED 30 JUNE 2008	Notes	Consolidated		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
REVENUE FROM CONTINUING OPERATIONS	4	**427,392**	10,468	**427,392**	10,468
EXPENDITURE					
Depreciation and amortisation expense		**(14,643)**	-	**(14,643)**	-
Salaries and employee benefits expense		**(315,161)**	-	**(315,161)**	-
Administration expenses		**(396,681)**	(5,167)	**(396,680)**	(5,167)
Share-based payments expense	26	**(469,571)**	-	**(469,571)**	-
PROFIT/(LOSS) BEFORE INCOME TAX		**(768,664)**	5,301	**(768,663)**	5,301
INCOME TAX BENEFIT / (EXPENSE)	6	**(1,590)**	-	**(1,590)**	-
NET PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF BAUXITE RESOURCES LIMITED		**(770,254)**	5,301	**(770,253)**	5,301
Basic and diluted earnings per share for profit or loss attributable to the ordinary equity holders of the Company (cents per share)	25	**(0.8)**	0.0		

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

Balance Sheets

AT 30 JUNE 2008

	Notes	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
CURRENT ASSETS					
Cash and cash equivalents	7	**7,641,339**	1,182,561	**7,641,339**	1,182,561
Trade and other receivables	8	**116,786**	3,240	**116,786**	3,240
TOTAL CURRENT ASSETS		**7,758,125**	1,185,801	**7,758,125**	1,185,801
NON-CURRENT ASSETS					
Other financial assets	9	**-**	-	**48,988**	-
Plant and equipment	10	**141,517**	6,577	**141,517**	6,577
Tenement acquisition and exploration	11	**612,292**	200,342	**563,305**	200,342
Intangible assets	12	**1,174**	1,467	**1,174**	1,467
TOTAL NON-CURRENT ASSETS		**754,983**	208,386	**754,984**	208,386
TOTAL ASSETS		**8,513,108**	1,394,187	**8,513,109**	1,394,187
CURRENT LIABILITIES					
Trade and other payables	13	**119,334**	117,320	**119,334**	117,320
TOTAL CURRENT LIABILITIES		**119,334**	117,320	**119,334**	117,320
TOTAL LIABILITIES		**119,334**	117,320	**119,334**	117,320
NET ASSETS		**8,393,774**	1,276,867	**8,393,775**	1,276,867
EQUITY					
Contributed equity	14	**8,689,156**	1,271,566	**8,689,156**	1,271,566
Reserves	15(a)	**469,571**	-	**469,571**	-
Retained earnings / (accumulated losses)	15(b)	**(764,953)**	5,301	**(764,952)**	5,301
TOTAL EQUITY		**8,393,774**	1,276,867	**8,393,775**	1,276,867

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

Statements of Changes in Equity

YEAR ENDED 30 JUNE 2008	Notes	Consolidated		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
TOTAL EQUITY AT THE BEGINNING OF THE FINANCIAL YEAR		**1,276,867**	-	**1,276,867**	-
PROFIT/(LOSS) FOR THE YEAR		**(770,254)**	5,301	**(770,253)**	5,301
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF BAUXITE RESOURCES LIMITED		**(770,254)**	5,301	**(770,253)**	5,301
Transactions with equity holders in their capacity as equity holders:					
Shares issued during the year	14	**8,116,287**	1,291,003	**8,116,287**	1,291,003
Transaction costs	14	**(698,697)**	(19,437)	**(698,697)**	(19,437)
Employee share options	15	**469,571**	-	**469,571**	-
		7,887,161	1,271,566	**7,887,161**	1,271,566
TOTAL EQUITY AT THE END OF THE FINANCIAL YEAR		**8,393,774**	1,276,867	**8,393,775**	1,276,867

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

Cash Flow Statements

YEAR ENDED 30 JUNE 2008	Notes	Consolidated		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments to suppliers and employees		**(723,364)**	8,168	**(723,363)**	8,168
Interest received		**427,392**	10,468	**427,392**	10,468
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	24	**(295,972)**	18,636	**(295,971)**	18,636
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment of security deposit		**(72,110)**	-	**(72,110)**	-
Payment for purchase of subsidiary		**-**	-	**(1)**	-
Loans to subsidiary		**-**	-	**(48,165)**	-
Payments for plant and equipment		**(145,706)**	(6,577)	**(145,706)**	(6,577)
Expenditure on mining interests		**(346,183)**	(200,342)	**(298,018)**	(200,342)
Payments for intangible assets		**-**	(1,467)	**-**	(1,467)
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		**(563,999)**	(208,386)	**(564,000)**	(208,386)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issues of ordinary shares		**8,116,287**	1,291,003	**8,116,287**	1,291,003
Payment of share issue costs		**(696,793)**	(19,437)	**(696,793)**	(19,437)
Repayment of borrowings		**(100,745)**	-	**(100,745)**	-
Proceeds from borrowings		**-**	100,745	**-**	100,745
NET CASH INFLOW FROM FINANCING ACTIVITIES		**7,318,749**	1,372,311	**7,318,749**	1,372,311
NET INCREASE IN CASH AND CASH EQUIVALENTS		**6,458,778**	1,182,561	**6,458,778**	1,182,561
Cash and cash equivalents at the beginning of the financial year		**1,182,561**	-	**1,182,561**	-
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	7	**7,641,339**	1,182,561	**7,641,339**	1,182,561

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

Notes to the Financial Statements

30 JUNE 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Bauxite Resources Limited as an individual entity and the consolidated entity consisting of Bauxite Resources Limited and its subsidiaries. The financial report is presented in the Australian currency. Bauxite Resources Limited is a company limited by shares, domiciled and incorporated in Australia. The financial report was authorised for issue by the directors on 25 September 2008. The directors have the power to amend and reissue the financial report.

(a) Basis of preparation

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

Compliance with IFRS

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

Historical cost convention

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

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Bauxite Resources Limited ("Company" or "parent entity") as at 30 June 2008 and the results of all subsidiaries for the year then ended. Bauxite Resources Limited and its subsidiaries together are referred to in this financial report as the Group or consolidated entity.

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

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

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

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

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

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

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

(c) Segment reporting

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

Notes to the Financial Statements continued

30 JUNE 2008

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

(d) Revenue recognition

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

(e) Income tax

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

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

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

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

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

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

(f) Leases

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

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

(g) Impairment of assets

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

(h) Cash and cash equivalents

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

(i) Trade and other receivables

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

Notes to the Financial Statements continued

30 JUNE 2008

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

(j) Investments and other financial assets

Classification

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

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

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

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

Collectability of loans and receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables or in an otherwise timely manner. The amount of the impairment allowance is the difference between the asset's carrying amount and the estimated future cash flows. None of the Group's loans and receivables has an applicable interest rate hence the cash flows are not discounted.

The amount of the impairment loss is recognised in the income statement within impairment expenses. When a loan or receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(iii) Held-to-maturity investments

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

(iv) Available-for-sale financial assets

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

Recognition and derecognition

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

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

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

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

Notes to the Financial Statements continued

30 JUNE 2008

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

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

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

Impairment

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

(k) Plant and equipment

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

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

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

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

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

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

(l) Tenement acquisition and exploration costs

Tenement acquisition and exploration costs incurred are accumulated in respect of each identifiable area of interest.

These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which: (i) such costs are expected to be recouped through successful development and exploitation or from sale of area; or (ii) exploration and evaluation activities in the area have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial year the decision is made.

(m) Trade and other payables

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

(n) Employee benefits

(i) Wages and salaries and annual leave

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

Notes to the Financial Statements continued

30 JUNE 2008

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

(ii) Share-based payments

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

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

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

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

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

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

(o) Contributed equity

Ordinary shares are classified as equity.

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

(p) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(q) Goods and Services Tax (GST)

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

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

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

(r) Comparative figures

Bauxite Resources Limited was incorporated on 15 May 2006. The comparative information included in these statements is for the period from incorporation to 30 June 2007.

Notes to the Financial Statements continued

30 JUNE 2008

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

(s) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below. New standards and interpretations not mentioned are considered unlikely to impact on the financial reporting of the Group and parent entity.

(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group has not yet decided when to adopt AASB 8. Adoption of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

(ii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.

(t) Critical accounting estimates and judgements

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

Tenement acquisition and exploration costs

Tenement acquisition and exploration costs are accumulated in respect of each identifiable area of interest where right of tenure is current.

These costs are carried forward in respect of an area that has not at balance sheet date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Share based payment transactions

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

2. FINANCIAL RISK MANAGEMENT

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

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

(a) Market risk

(i) Foreign exchange risk

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

(ii) Price risk

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

Notes to the Financial Statements continued

30 JUNE 2008

2. FINANCIAL RISK MANAGEMENT (cont'd)

(iii) Interest rate risk

The Group is exposed to movements in market interest rates on cash and cash equivalents. The Group policy is to monitor the interest rate yield curve out to six months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entire balance of cash and cash equivalents for the Group and the parent entity $7,641,339 (2007: $1,182,561) is subject to interest rate risk. The proportional mix of floating interest rates and fixed rates to a maximum of six months fluctuate during the year depending on current working capital requirements. The weighted average interest rate received on cash and cash equivalents by the Group and the parent entity was 6.3% (2007: 6.2%).

Sensitivity analysis

At 30 June 2008, if interest rates had changed by -/+ 80 basis points from the weighted average rate for the year with all other variables held constant, post-tax loss for both the Group and the parent entity would have been $54,500 lower/higher (2007: $4,500 lower/higher) as a result of lower/higher interest income from cash and cash equivalents.

(b) Credit risk

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

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

(c) Liquidity risk

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

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

(d) Fair value estimation

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

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

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

3. SEGMENT INFORMATION

Description of segments

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

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
4. REVENUE				
From continuing operations				
Other revenue				
Interest	**427,392**	10,468	**427,392**	10,468

Notes to the Financial Statements continued

30 JUNE 2008	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
5. EXPENSES				
Loss before income tax includes the following specific expenses:				
Minimum lease payments relating to operating leases	**44,717**	-	**44,717**	-
6. INCOME TAX				
(a) Income tax expense/(benefit)				
Current tax	-	-	-	-
Deferred tax	-	-	-	-
Adjustments for current tax of prior years	**1,590**	-	**1,590**	-
	1,590	-	**1,590**	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Loss from continuing operations before income tax expense	**(770,254)**	5,301	**(770,253)**	5,301
Prima facie tax benefit at the Australian tax rate of 30% (2007: 30%)	**(231,076)**	1,590	**(231,076)**	1,590
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Share-based payments	**140,871**	-	**140,871**	-
Sundry items	-	(1,590)	-	(1,590)
	(90,205)	-	**(90,205)**	-
Movements in unrecognised temporary differences	**(40,121)**	-	**(40,121)**	-
Adjustments for current tax of prior periods	**1,590**	-	**1,590**	-
Tax effect of current year tax losses for which no deferred tax asset has been recognised	**130,326**	-	**130,326**	-
Income tax expense/(benefit)	**1,590**	-	**1,590**	-
(c) Unrecognised temporary differences				
Deferred Tax Assets (at 30%)				
On Income Tax Account				
Capital raising costs	**167,687**	-	**167,687**	-
Other	**1,800**	-	**1,800**	-
Carry forward tax losses (revenue and capital)	**130,326**	-	**130,326**	-
	299,813	-	**299,813**	-
Deferred Tax Liabilities (at 30%)	-	-	-	-

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

Cash at bank and in hand	**142,089**	1,182,561	**142,089**	1,182,561
Short-term deposits	**7,499,250**	-	**7,499,250**	-
Cash and cash equivalents as shown in the balance sheet and the statement of cash flows	**7,641,339**	1,182,561	**7,641,339**	1,182,561

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

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

Notes to the Financial Statements continued

30 JUNE 2008

	Notes	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES					
Sundry receivables		**44,676**	3,240	**44,676**	3,240
Office security deposit		**72,110**	-	**72,110**	-
		116,786	3,240	**116,786**	3,240
9. NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS					
Shares in subsidiary – at cost	22	**-**	-	**1**	-
Loans to subsidiary	21	**-**	-	**48,987**	-
		-	-	**48,988**	-
10. NON-CURRENT ASSETS - PLANT AND EQUIPMENT					
Plant and equipment					
Cost		**155,867**	6,577	**155,867**	6,577
Accumulated depreciation		**(14,350)**	-	**(14,350)**	-
Net book amount		**141,517**	6,577	**141,517**	6,577
Plant and equipment					
Opening net book amount		**6,577**	-	**6,577**	-
Additions		**149,290**	6,577	**149,290**	6,577
Depreciation charge		**(14,350)**	-	**(14,350)**	-
Closing net book amount		**141,517**	6,577	**141,517**	6,577
11. NON-CURRENT ASSETS – TENEMENT ACQUISITION AND EXPLORATION					
Tenement acquisition and exploration costs carried forward in respect of mining areas of interest					
Opening net book amount		**200,342**	-	**200,342**	-
Tenement acquisition and exploration costs		**411,950**	200,342	**362,963**	200,342
Closing net book amount		**612,292**	200,342	**563,305**	200,342

The ultimate recoupment of costs carried forward for tenement acquisition and exploration is dependent on the successful development and commercial exploitation or sale of the respective mining areas. Amortisation of the costs carried forward for the development phase is not being charged pending the commencement of production.

	Notes	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
12. NON-CURRENT ASSETS – INTANGIBLE ASSETS					
Formation expenses					
Cost		**1,467**	1,467	**1,467**	1,467
Accumulated amortisation		**(293)**	-	**(293)**	-
Net book amount		**1,174**	1,467	**1,174**	1,467
Formation expenses					
Opening net book amount		**1,467**	-	**1,467**	-
Additions		**-**	1,467	**-**	1,467
Amortisation charge		**(293)**	-	**(293)**	-
Closing net book amount		**1,174**	1,467	**1,174**	1,467
13. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES					
Trade payables		**99,451**	16,575	**99,451**	16,575
Other payables and accruals		**19,883**	-	**19,883**	-
Loans from related parties		**-**	100,745	**-**	100,745
		119,334	117,320	**119,334**	117,320

Notes to the Financial Statements continued

14. CONTRIBUTED EQUITY

(a) Share capital

	Notes	2008 Number of securities	2008 $	2007 Number of securities	2007 $
Ordinary shares fully paid	14(b), 14(d)	**108,026,070**	**8,150,583**	70,137,500	1,271,566
Options	14(e)	**53,818,750**	**538,573**	-	-
Total contributed equity			**8,689,156**		1,271,566

(b) Movements in ordinary share capital

	2008 Number of securities	2008 $	2007 Number of securities	2007 $
Beginning of the financial year	**70,137,500**	**1,271,566**	-	-
Issued during the year:				
– Initial Public Offering at 20 cents	**37,500,000**	**7,500,000**	-	-
– Issued to promoters on incorporation	**-**	**-**	54,000,000	3
– Issued to seed investors at 8 cents	**-**	**-**	16,137,500	1,291,000
– Issued on exercise of options (20 cents, 31 Jan 2009)	**388,570**	**77,714**	-	-
Less: Transaction costs	**-**	**(698,697)**	-	(19,437)
End of the financial year	**108,026,070**	**8,150,583**	70,137,500	1,271,566

(c) Movements in options on issue

	Number of options 2008	Number of options 2007
Beginning of the financial year	**9,000,000**	-
Issued during the year:		
– Exercisable at 20 cents, on or before 31 January 2009	**53,818,750**	-
– Exercisable at 20 cents, on or before 31 May 2012	**-**	9,000,000
– Exercisable at 25 cents, on or before 15 May 2012	**2,000,000**	-
– Exercisable at 40 cents, on or before 15 May 2012	**4,000,000**	-
– Exercisable at 50 cents, on or before 31 May 2012	**100,000**	-
Converted, cancelled or expired during the year:		-
– Exercisable at 20 cents, on or before 31 January 2009	**(388,570)**	-
End of the financial year	**68,530,180**	9,000,000

(d) Ordinary shares

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

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

(e) Paid options

On 27 March 2008, 53,818,750 options were issued for 1 cent each.

Notes to the Financial Statements continued

30 JUNE 2008

14. CONTRIBUTED EQUITY (cont'd)

(f) Capital risk management

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

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Group and the parent entity at 30 June 2008 and 30 June 2007 are as follows:

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
Cash and cash equivalents	**7,641,339**	1,182,561	**7,641,339**	1,182,561
Trade and other receivables	**116,786**	3,240	**116,786**	3,240
Trade and other payables	**(119,334)**	(117,320)	**(119,334)**	(117,320)
Working capital position	**7,638,791**	1,068,481	**7,638,791**	1,068,481

15. RESERVES AND ACCUMULATED LOSSES

(a) Reserves

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Share-based payments reserve				
Balance at beginning of year	**-**	-	**-**	-
Employees and contractors share options	**469,571**	-	**469,571**	-
Balance at end of year	**469,571**	-	**469,571**	-

(b) Retained earnings / (accumulated losses)

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Balance at beginning of year	**5,301**	-	**5,301**	-
Net profit/(loss) for the year	**(770,254)**	5,301	**(770,253)**	5,301
Balance at end of year	**(764,953)**	5,301	**(764,952)**	5,301

(c) Nature and purpose of reserves

Share-based payments reserve

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

16. DIVIDENDS

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

17. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
Short-term benefits	**350,228**	-	**350,228**	-
Post employment benefits	**11,802**	-	**11,802**	-
Other long-term benefits	**-**	-	**-**	-
Termination benefits	**-**	-	**-**	-
Share-based payments	**469,133**	-	**469,133**	-
	831,163	-	**831,163**	-

The Company has taken advantage of the relief provided by AASB 2008-4 *Amendments to Australian Accounting Standard – Key Management Personnel Disclosures by Disclosing Entities* and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in sections A-C of the remuneration report on pages 5 to 7.

Notes to the Financial Statements continued

30 JUNE 2008

17. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

(b) Equity instrument disclosures relating to key management personnel

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

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section D of the remuneration report on page 7.

(ii) Option holdings

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

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

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

2007	**Balance at start of the year**	**Granted as compensation**	**Exercised**	**Other changes**	**Balance at end of the year**	**Vested and exercisable**	**Unvested**
Directors of Bauxite Resources Limited							
Luke Atkins	-	-	-	3,000,000	3,000,000	3,000,000	-
Neil Lithgow	-	-	-	3,000,000	3,000,000	3,000,000	-
Robert Nash	-	-	-	1,000,000	1,000,000	1,000,000	-

(iii) Share holdings

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

2008 **Ordinary shares**	**Balance at start of the year**	**Received during the year on the exercise of options**	**Other changes during the year**	**Balance at end of the year[(1)]**
Directors of Bauxite Resources Limited				
Luke Atkins	**17,016,667**	**-**	**25,000**	**17,041,667**
Neil Lithgow	**18,266,666**	**-**	**25,000**	**18,291,666**
Robert Nash	**250,000**	**-**	**(45,100)**	**204,900**
David McSweeney	**-**	**-**	**627,500**	**627,500**
Other key management personnel of the Company				
Graeme Smith	**-**	**-**	**-**	**-**
Peter Bleakley	**-**	**-**	**-**	**-**

Notes to the Financial Statements continued

30 JUNE 2008

17. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

2007

Ordinary shares	**Balance at start of the year**	**Received during the year on the exercise of options**	**Other changes during the year**	**Balance at end of the year[(1)]**
Directors of Bauxite Resources Limited				
Luke Atkins	-	-	17,016,667	17,016,667
Neil Lithgow	-	-	18,266,666	18,266,666
Robert Nash	-	-	250,000	250,000

(c) Loans to key management personnel

There were no loans to key management personnel during the year.

(d) Other transactions with key management personnel

Robert Nash provided legal services to Bauxite Resources Limited during the year to the value of $2,750 (2007: Nil). The amounts paid were on arms length commercial terms and are included as part of Mr Nash's compensation.

18. REMUNERATION OF AUDITORS

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:				
(a) Audit services				
Moore Stephens - audit and review of financial reports	**11,591**	-	**11,591**	-
Total remuneration for audit services	**11,591**	-	**11,591**	-
(b) Non-audit services				
Moore Stephens – Independent Accountants Report	**8,000**	-	**8,000**	-
Total remuneration for other services	**8,000**	-	**8,000**	-

19. CONTINGENCIES

There are no material contingent liabilities or contingent assets of the Company at balance date.

20. COMMITMENTS

(a) Exploration commitments

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

	Consolidated 2008	Consolidated 2007	Parent Entity 2008	Parent Entity 2007
within one year	**175,177**	1,684,000	**175,177**	1,684,000
later than one year but not later than five years	**525,531**	-	**525,531**	-
	700,708	1,684,000	**700,708**	1,684,000

(b) Lease commitments: Group as lessee

	Consolidated 2008	Consolidated 2007	Parent Entity 2008	Parent Entity 2007
Operating leases (non-cancellable):				
Minimum lease payments				
within one year	**135,495**	-	**135,495**	-
later than one year but not later than five years	**259,699**	-	**259,699**	-
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	**395,194**	-	**395,194**	-

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

Notes to the Financial Statements continued

30 JUNE 2008	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$

20. COMMITMENTS (cont'd)

(c) Remuneration commitments

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

within one year	**286,000**	-	**286,000**	-
later than one year but not later than five years	**88,542**	-	**88,542**	-
	374,542	-	**374,542**	-

21. RELATED PARTY TRANSACTIONS

(a) Parent entity

The ultimate parent entity within the Group is Bauxite Resources Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 22.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 17.

(d) Loans to related parties

Loans to subsidiaries				
Beginning of the year	**-**	-	**-**	-
Loans advanced	**-**	-	**48,987**	-
Loan repayments received	**-**	-	**-**	-
Provision for impairment	**-**	-	**-**	-
End of year	**-**	-	**48,987**	-

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

22. SUBSIDIARIES

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

Name	Country of Incorporation	Class of Shares	Equity Holding(1)	
			2008	2007
			%	%
Darling Range Pty Ltd(2)	Australia	Ordinary	**100**	-

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

(2) This company was incorporated on 10 June 2008 with Bauxite Resources Limited the sole shareholder.

23. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since 30 June 2008, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

Notes to the Financial Statements continued

30 JUNE 2008	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
24. CASH FLOW STATEMENT				
Reconciliation of net profit or loss after income tax to net cash outflow from operating activities				
Net profit/(loss) for the year	**(770,254)**	5,301	**(770,253)**	5,301
Non-Cash Items				
Depreciation and amortisation	**14,643**	-	**14,643**	-
Share-based payments expense	**469,571**	-	**469,571**	-
Change in operating assets and liabilities, net of effects from purchase of controlled entities				
(Increase) in trade and other receivables	**(41,436)**	(3,240)	**(41,436)**	(3,240)
Increase in trade and other payables	**31,504**	16,575	**31,504**	16,575
Net cash inflow/(outflow) from operating activities	**(295,972)**	18,636	**(295,971)**	18,636

25. EARNINGS PER SHARE

	Consolidated	
	2008	2007
	$	$
(a) Reconciliation of earnings used in calculating earnings per share		
Profit or loss attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share	**(770,254)**	5,301
	Number of shares	Number of shares
(b) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	**95,889,132**	70,137,500

(c) Information on the classification of options

As the Company has made a loss for the year ended 30 June 2008, all options on issue are considered antidilutive and have not been included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future. For the 2007 financial year the following potential ordinary shares were antidilutive as the exercise price of the options was greater than the average market price of the Company's shares during the year and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share:

	2007 Number of options
Options exercisable at 20 cents on or before 31 May 2012	9,000,000

Notes to the Financial Statements continued

30 JUNE 2008

26. SHARE-BASED PAYMENTS

Director Options and the Employees and Contractors Option Plan

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

As approved at the General Meeting on 18 January 2008, a director has been issued 6 million options with exercise prices ranging from 25 to 40 cents, all with an expiry date of 15 May 2012.

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

Set out below are summaries of the options granted:

	Consolidated and Parent Entity			
	2008		2007	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the year	-	-	-	-
Granted	**6,100,000**	**35.2**	-	-
Forfeited/cancelled	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at year-end	**6,100,000**	**35.2**	-	-
Exercisable at year-end	**2,000,000**	**25.0**	-	-

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 3.9 years (2007: N/A), with exercise prices ranging from 25 to 50 cents.

The weighted average fair value of the options granted during the year was 14.9 cents (2007: N/A). The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2008	2007
Weighted average exercise price (cents)	35.2	-
Weighted average life of the option (years)	4.3	-
Weighted average underlying share price (cents)	32.1	-
Expected share price volatility	50%	-
Weighted average risk free interest rate	6.76%	-

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

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

Expenses arising from share-based payment transactions

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

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
Options issued to directors, employees and contractors	**469,571**	-	**469,571**	-

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 15 to 34 are in accordance with the *Corporations Act 2001*, including:

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

  (ii) giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2008 and of their performance for the financial year ended on that date; and

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

(c) the remuneration disclosures set out on pages 5 to 7 of the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2008, comply with section 300A of the *Corporations Act 2001*.

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

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

L J Atkins

Luke Atkins
Executive Chairman

Perth, 25 September 2008

MOORE STEPHENS

Partners

Syd Jenkins
Neil Pace
Dino Travaglini
Ray Simpson
Suan-Lee Tan
Ennio Tavani

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

Report on the Financial Report

We have audited the accompanying financial report of Bauxite Resources Limited (the company) and Bauxite Resources Limited and Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Bauxite Resources Limited on 25 September 2008, would be in the same terms if provided to the directors as at the date of this auditor's report

Auditor's Opinion

In our opinion:

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

    (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

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

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 7 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Bauxite Resources Ltd for the year ended 30 June 2008 complies with Section 300A of the Corporations Act 2001.

Neil Pace

NEIL PACE
PARTNER

MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth this 25th day of September 2008.

ASX Additional Information

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 25 September 2008.

(a) Distribution of equity securities
Analysis of numbers of equity security holders by size of holding:

	Ordinary shares		Options	
	Number of holders	**Number of shares**	Number of holders	Number of options
1 - 1,000	**19**	**11,307**	9	7,288
1,001 - 5,000	**221**	**711,007**	84	305,411
5,001 - 10,000	**177**	**1,556,118**	62	521,107
10,001 - 100,000	**401**	**15,618,000**	249	9,689,725
100,001 and over	**99**	**90,129,638**	72	42,906,649
	917	**108,026,070**	476	53,430,180
The number of equity security holders holding less than a marketable parcel of securities are:	**96**	**143,866**	159	879,836

(b) Escrowed Securities (22 October 2009)
Ordinary fully paid shares - 55,685,000 Options – 9,000,000 ($0.20, expiry date 31May 2012)

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

		Listed ordinary shares	
		Number of shares	**Percentage of ordinary shares**
1	Big Fish Nominees Pty Ltd (N Lithgow)	18,291,666	16.99%
2	Tailrain Pty Ltd (L Atkins)	17,041,667	15.83%
3	Dilkara Nominees Pty Ltd	17,016,667	15.75%
4	Citicorp Nominees Pty Limited	3,149,500	2.92%
5	Cunningham Securities Pty Ltd	2,175,000	2.01%
6	Dr Peter John Carroll	1,625,000	1.50%
7	Mr John Francis Corr	1,402,939	1.30%
8	Mulato Nominees Pty Ltd	1,000,000	0.93%
9	Topaz Pty Ltd	1,000,000	0.93%
10	Mr Chris Forrester	970,000	0.90%
11	Hillbrow Investments Ltd	800,000	0.74%
12	Perpetual Trustee Company	700,000	0.65%
13	Mr Jason Peterson	650,000	0.60%
14	Brookman Resources Pty Ltd (D McSweeney)	627,500	0.58%
15	Tilpa Pty Ltd	600,000	0.56%
16	Hode Pty Ltd	545,000	0.50%
17	Mr William Brooks	522,032	0.48%
18	Mr Han Pin Khew	505,000	0.47%
19	Prometheus Holdings Pty Ltd	500,000	0.46%
20	Sacrosanct Pty Ltd	500,000	0.46%
		69,621,971	64.57%

ASX Additional Information continued

(d) Twenty largest option holders
The names of the twenty largest holders of quoted options are:

		Listed options	
		Number of options	**Percentage of total options**
1	Big Fish Nominees Pty Ltd	8,820,322	15.92%
2	Tailrain Pty Ltd	4,145,323	7.73%
3	Mrs Annett Atkins	3,750,000	7.02%
4	HSBC Custody Nominees	2,500,000	4.68%
5	Mr Rodney James Caple	2,125,000	3.98%
6	Cunningham Securities Pty Ltd	1,874,323	3.51%
7	Dilkara Nominees Pty Ltd	1,682,823	3.15%
8	Citicorp Nominees Pty Limited	1,500,000	2.81%
9	Dr Peter John Carroll	912,500	1.71%
10	Mr David John Bicknell	780,463	1.46%
11	Mr John Francis Corr	740,000	1.38%
12	Mr Bill Otis	600,000	1.12%
13	C M C Ryan Pty Ltd	595,000	1.11%
14	Colbern Fiduciary Nominees Pty	541,999	1.01%
15	Mr Chris Forrester	500,000	0.94%
16	Forbar Custodians Limited	488,000	0.91%
17	Mikado Corporation Pty Ltd	450,000	0.84%
18	Mr Murray Davidson	400,000	0.75%
19	Buffs Investment Pty Ltd	372,250	0.70%
20	Perpetual Trustee Company	350,000	0.66%
		33,128,003	61.39%

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

	Number of Shares
Big Fish Nominees Pty Ltd	18,291,666
Tailrain Pty Ltd	17,041,667
Dilkara Nominees Pty Ltd	17,016,667

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

ASX Additional Information continued

(g) Schedule of interests in mining tenements

Location	Tenement	Percentage held / earning
North Darling Range		
BerryBrow	E70/3002	100%
Red Hill	E70/3003	100%
Gillingarra	E70/3007	100%
Bindoon	E70/3064	100%
Jimperding	E70/3159	100%
Toodyay	E70/3160	100%
Balingup	E70/3164	100%
Beechina	E70/3193	100%
Muchea	E70/3283	100%
Moora	E70/3319	100%
Wooroloo	E70/3365	100%
Victoria Plans	E70/3405	100%
West Toodyay	E70/3432	100%
Muchea West	E70/3433	100%
Kokendin	E70/3488	100%
Bookajin	E70/3489	100%
Avon Valley	E70/3528	100%
Bald Hill	E70/3537	100%
South Darling Range		
Collie Rd	E70/3102	100%
Congelin	E70/3179	100%
Dattening	E70/3180	100%
Jarrahdale	E70/3194	100%
Harvey	E70/3195	100%
Dandalup	E70/3196	100%
Pt Solid	E70/3197	100%
Wugong	E70/3204	100%
Hotham	E70/3205	100%
Mt Gorrie	E70/3206	100%
Collie	E12/2	100%
Yanmah	E70/3312	100%
Nannup	E70/3313	100%
Boyup Brook	E70/3471	100%
Mairdebring	E70/3472	100%
Bridgetown	E70/3473	100%
Palgarup	E70/3474	100%
Taurus	E70/3485	100%
Coodjatotine	E70/3486	100%
Hotham	E70/3487	100%
Neika	E70/3490	100%
Minigin	E70/3491	100%
Alco Fire Tower	E70/3532	100%
Boojetup	P70/1577	100%
Ronan	E70/3538	100%
Grimwade	E70/3539	100%
Wilga West	E70/3540	100%
Kimberley Project		
Gardner Plateau	E04/1853	100%
Pollard Hill	E80/4180	100%
King Edward	E80/4181	100%

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