



## **BAUXITE RESOURCES LTD - SIGNS 2.8 Mt/pa BAUXITE OFF-TAKE AND CAPITAL FUNDING MOU WITH CHINESE SHANGXI WUSHENG ALUMINIUM CO LTD**

### **Highlights**

- **Memorandum of Understanding (MOU) signed with Chinese alumina producer Shanxi Wusheng Aluminium Co Ltd for the supply of its entire requirements of up to 2.8 Mtpa of DSO bauxite from BRL's Darling Ranges tenements (WA)**
- **Terms of MOU include the provision of funding for capital works for the DSO as well as direct equity interest in the form of up to 15m shares in BRL at a price to be determined**
- **Exclusivity period of three months whereby BRL will not enter into any further bauxite off-take agreements with other third parties**

Perth-based bauxite explorer, Bauxite Resources Limited, (ASX: **BAU**; "BRL"), has signed a **Memorandum of Understanding** with Chinese alumina producer, **Shanxi Wusheng Aluminium Company Limited** ("Shanxi Wusheng"), with the aim of finalising an agreement within three months to supply quality bulk bauxite Direct Shipping Ore (DSO) to China.

The core aim of the MOU is for the two companies to work together with a view to delivering **the first shipment of ore within 12 months of signing a formal off-take agreement** under the terms of the MOU.

In the MOU with Shanxi Wusheng, BRL is to provide **up to two million eight hundred thousand tonnes per annum** of bauxite sourced from BRL's extensive Darling Range tenements and shipped from a nominated port in Western Australia. The MOU also provides for funding of capital works to be arranged by the Chinese company for infrastructure repayable out of supplies of bauxite, as well as a direct equity investment by way of a placement of up to 15 million shares in BRL at a share price to be determined upon execution of the official contract.

BRL has agreed not to enter into any off-take agreements with other third parties for a period of three months, giving BRL and Shanxi Wusheng an exclusive period to finalise the details of the off-take and related capital and funding requirements. This three month exclusivity period does not affect negotiations relating to direct investment opportunities in BRL from third parties who may be interested in the long-term alumina refinery stage two option, currently being investigated by the Company.

The following activities are currently being progressed by BRL and have been defined in the MOU as the key factors required to ensure the development of the DSO project:

- land access arrangements and necessary approvals for the bauxite mining operations;
- all necessary licences and approvals for the transport of ore to port operation and export;
- satisfactory agreements for the authorisation and construction of appropriate port facilities, and;
- completion of all necessary feasibility studies.

## **Chinese Bauxite Supply & Demand**

Local Chinese bauxite reserves are predicted to be exhausted within 10 years and the Chinese government is encouraging Chinese companies, in particular alumina refineries, to invest and secure bauxite supplies from overseas. This coupled with the dramatic reduction of shipping freight costs significantly enhances the prospect of a start-up DSO project for BRL in the Darling Ranges.

An article in the *Shanghai Daily* on 24 September this year stated that in the first seven months of 2008, China had imported 16.1 million tons of bauxite, up 29.3 percent year-on-year and that due to a widening supply gap, its reliance on imports for bauxite was set to reach 47.3 percent in 2008 (from just 9.4 percent in 2005.)

## **Summary**

The signing of an MOU is a significant milestone for the Company and is further evidence of the potential to bring BRL's extensive Darling Range tenements into production.

BRL's Chairman, Mr Luke Atkins, said the MOU provided an important first step in a relationship with a Chinese off-take partner and had justified the Company's recent meetings in China: *"The fact that we have secured this MOU in these difficult times with an end user customer is testament to the quality of our project and a direct result of the extensive networking with Chinese companies that the company has concentrated on this year."*

*"With this MOU we are very confident that we have laid the foundations for a mutually beneficial relationship with Shanxi Wusheng and look forward to continuing negotiations with them to reach an official off-take and funding arrangement in the very near future,"* he added.

Mr Atkins also said that the work done by the Company's newly appointed Managing Director, Mr Daniel Tenardi, has been crucial in the fast-tracking of the project and the signing of the MOU: *"Since coming on board in early September this year, Mr Tenardi has worked tirelessly to ensure our DSO project is brought on stream as quickly as possible and this MOU is testament to his dedication ability and enthusiasm for the project."*

*"Mr Chester Chen, formerly with CITIC Pacific Mining and recruited by Mr Tenardi as Marketing and Logistics Manager has been instrumental in assisting Mr Tenardi in these negotiations,"* Mr Atkins added.

As a marketing and communications expert, Mr Chen compliments the executive team with his experience, expertise and contacts in dealing with potential Chinese DSO bauxite off-take customers.

For more information on recent developments, please refer to the September Quarterly Report released to the ASX on 31 October.

**– ENDS –**

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## **Background - Shanxi Wusheng Aluminium Co. Ltd.**

Shanxi Wusheng Aluminium Co. Ltd. is located in Pinglu County of Shanxi Province. It was jointly funded by Shanxi Yuncheng Industries Co., Ltd., Shanxi Heyang Industries Co. Ltd., Hong Kong Xingrong Holdings Ltd. and Zhengzhou Coal Industry (Group) Co. Ltd.

Listed as the key project in the 11<sup>th</sup> "Five-Year Plan" by the Shanxi Province Government, this alumina project is designed to produce 800,000 tonnes/p.a of alumina with a capital investment of some three billion Chinese Yuan (A\$646m) . The first phase - with a capacity of 300,000 tonnes/p.a. - has been in operation for over a year. The remaining capacity is expected to be reached within a year after the preliminary review of the environmental appraisal by the State Environmental Administration of China.

The first phase of the project, designed by Northeast University of China, has introduced an advanced Bayer process and DCS automation system. This project is expected to reap excellent economic benefits with a profit margin of 15%. The total investment return period is 6.9 years and the annual sales are estimated to be 2.4b RMB (A\$516m).

The project has the potential to create approximately 1,000 jobs and boost the development of relevant industries in the area.

## **Background - Bauxite Resources Limited**

Bauxite Resources Limited (BRL) was launched in May 2006 to establish itself in the bauxite and alumina industries in Western Australia where four of the seven Australian alumina refineries and four of Australia's bauxite mines are located. BRL successfully listed on the ASX on 22 October 2007 after closing its A\$7.5 million IPO early and oversubscribed, having previously raised approximately \$1.3 million in seed capital.

The Company is the largest tenement holder in the Darling Range with approximately 7,500km<sup>2</sup> which is the largest producing alumina region in the world. This area supplies approximately 18% of the world's alumina is home to Alcoa's Huntly Mine, the largest producing bauxite mine in the world, supplying Alcoa's Pinjarra refinery, the second largest refinery in the world. The Darling Range is also the site of four alumina refineries, three of these are in the top five refineries in the world in terms of lowest operating costs.

BRL's Darling Range tenements extend in a band from Moora in the north to Manjimup in the south, a distance of some 400 kilometres. In total BRL has applied for a total of 47 tenements in the 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 licenses have been granted in the North Darling Range Project area.

The Company is primarily focused on defining an initial sustainable economic bauxite resource sufficient to support a >2Mtpa direct shipping bauxite project through an intensive exploration and data review program to be undertaken in 2008/9 as Stage One. The Company is also reviewing the opportunities for the development of an alumina refinery as Stage Two in the longer term.

Bauxite ore is the primary raw material for refining into alumina, which is subsequently smelted creating aluminium.

For further information please visit: [www.bauxiteresources.com.au](http://www.bauxiteresources.com.au)