

## BAUXITE RESOURCES LTD OPERATIONS UPDATE

### The impact of decisions from Chittering Shire on the timing of activities of Bauxite Resources Ltd.

#### Highlights:

- Trial mining continues
- Many options for DSO operations

#### The nature of our tenements

Bauxite Resources Ltd (BRL) holds mining tenements (both granted and pending grant) of 16,950 km<sup>2</sup> prospective for bauxite ground within south-west Western Australia. Some parts of the tenements, being in the vicinity of 5%, exist where the rights to the minerals rest with the owner of the land ("minerals to owner"). Most of the tenements (95%) cover land where the rights to the minerals rest with the State ("minerals to Crown"). Minerals to owner approvals are mostly smaller projects and applications and approvals are usually managed by Local Government under planning procedures. Local Government is required to make planning decisions that are guided by a Town Planning Scheme developed by them that are specific to their Shire. Minerals to Crown approvals are managed by the state including under the Mining Act.

#### Present approvals

Recently BRL extracted for shipping from a location of "minerals to owner" land the first trial shipment ever from WA of 43,000 tonnes of export bauxite to China. This is under a planning approval given by the Local Government Shire of Chittering, and extraction at this site continues.

BRL made an application to the Shire of Chittering for further extraction from a nearby location at Stephens Road Bindoon of "minerals to owner" land to allow extraction and shipment of bauxite for direct export of up to 5 million tonnes per annum starting next year. The mode of application was based on previous legal advice and discussions with Chittering Shire. The application also seemed consistent with other applications for extracting gravel.

The application area covers 1.1 km<sup>2</sup> only, and is well explored and documented for bauxite quality. On 25 November, Chittering Shire determined that this application was such that it fell under the description "industry – mining", and as such was inconsistent with Shire of Chittering Town Planning Scheme 6. There were also subsidiary reasons supplied for the decision.

Whilst not entering into discussion about the merits of this decision, it is likely that it will have some impact on the timing of plans for direct export of bauxite in the first half of next year.

#### The way forward

The Board and management of BRL are now fully engaged on the approvals issue, and are putting in place responses that we feel are appropriate to the circumstance. These responses include the following:

- A new staff structure that clearly allocates responsibilities for key functions to second tier management is being formulated and will be put in place within the next three weeks. The structure that was appropriate during the initial phase of the company is less suitable now that we are approaching a production phase. The



recent appointment of new senior people will facilitate such structural accountability. One important accountability will be for short term and long term approvals.

- Arrangements have been made for the Managing Director to meet with senior people in the state government agencies. These agencies, including development agencies and environmental approval agencies, have offered assistance in the approvals process. It is our expectation that such assistance will cover both short term and long term requirements.
- We intend to seek assistance from the WA state government to separate the approvals where we desire a rapid response, as with plans to start direct shipping of bauxite, from the approvals for medium term aspirations such as for calcined bauxite and alumina refinery.
- Apart from the Bindoon resource within the Chittering Shire, there are many other avenues within our tenements to gain bauxite for direct shipping, which we consider are likely to be available next year. We are now progressing the options available and the merits of each.

#### **A context**

The timing of the decision from the Shire of Chittering coincided with the absence in China of both the Chairman of the Board and Managing Director. During this visit to China there was the signing of a further Memorandum of Understanding (MOU) which progressed forward the joint venture with Yankuang Corporation for an alumina refinery in the south-west of the state, and a confirmation of immediate demand for direct shipping of bauxite from our tenements. Yankuang shall immediately commence its due diligence on BRL following the further MOU of 27 November (copy available). The parties intend to finalise and formally execute a heads of agreement by mid-January 2010, and at Yankuang's request, lawyers have been instructed to commence the process of preparing detailed draft joint venture documents.

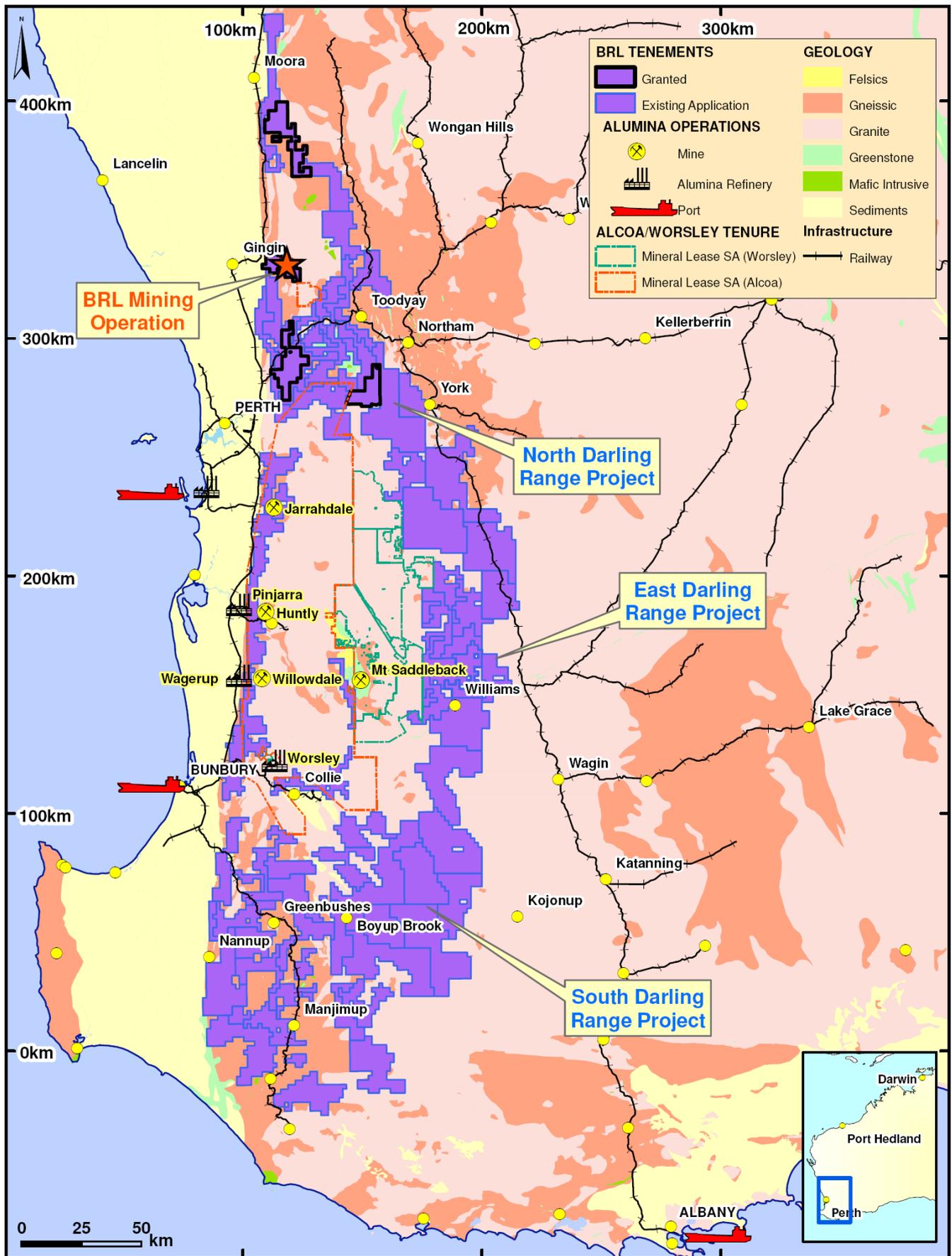
Yesterday (30 November) FIRB approval was given for our proposed joint venture arrangements with Yankuang. This has been notified separately to the ASX. Yankuang have been notified of the decision from Chittering Shire, and have indicated that they do not regard it as an issue for the proposed joint venture arrangements with BRL.

If the Shire of Chittering decision causes a delay in our wish for direct shipping in the first half of next year, and we do not know yet if it will, there are other deliverables in terms of bauxite direct shipping operations that we will work on in the first half of the year.

It is my intention to make further statement over coming weeks after the meetings with senior government agencies, further outcomes of the visit to China, and after the next planned meeting of the Board in mid-December.

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**BAUXITE RESOURCES LTD**  
**DARLING RANGE PROJECT**

**SUMMARY PLAN**  
**DECEMBER 2009**

