BAUXITE RESOURCES LIMITED

ABN 72 119 699 982

Annual Financial Report

for the year ended 30 June 2013

Corporate Information

ABN 72 119 699 982

Directors

Robert Nash (Non Executive Chairman)
Peter Canterbury (Chief Executive Officer & Executive Director)
Luke Atkins (Non Executive Director)
Neil Lithgow (Non Executive Director)
John Sibly (Non Executive Director)
Yang Chenghai (Non Executive Director)
Zhan Qingwei (Non Executive Director)

Company Secretary

Sam Middlemas

Chief Financial Officer

Kelvin May

Registered Office

Level 2 Building E, The Garden Office Park
355 Scarborough Beach Road
OSBORNE PARK WA 6017
Telephone: +61 8 9200 8200
Facsimile: +61 8 9200 8299

Share Register

Security Transfer Registrars Pty Ltd
Alexandrea House
Suite 1, 770 Canning Highway
PO Box 535
APPLECROSS WA 6953
Telephone: (08) 9315 2333
Facsimile: (08) 9315 2233

Auditors

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

Internet Address

http://www.bauxiteresources.com.au

Securities Exchange Listing

Bauxite Resources Limited shares (ASX code: BAU) 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 2013.

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

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

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 joined the board before the Company listed in 2008 and, following the retirement of Mr Barry Carbon in August of this year, took over the role of Chairman.

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

Peter Canterbury BBus (Acc) CPA (Chief Executive Officer and Executive Director, appointed 20 May 2013)

Mr Canterbury is a highly regarded senior mining executive with expertise and extensive knowledge of the bulk commodity industry, particularly in bauxite and alumina.

Prior to joining Bauxite Resources Mr Canterbury held the role of Chief Financial Officer (CFO) at Sundance Resources Ltd., a position he held for six years. At Sundance he played a critical role as acting CEO helping to rebuild the company following the tragic crash in June 2010 which claimed the lives of the CEO and entire Board.

Between 2001 and 2007, Mr Canterbury was the CFO of Dadco Europe which owns the Stade Alumina refinery in Germany and a share in the CBG bauxite mine in Guinea. During his time there he was responsible for finance, commerce and logistics. Earlier in his career he held several senior positions with Alcoa World Alumina in the finance, marketing and projects area in Australia and overseas.

Mr Canterbury has not held any other listed company directorships in the last 3 years.

Luke Atkins, LLB (Non Executive Director)

Mr Atkins previously practised as a lawyer and was 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 Chairman of ASX listed Australian Minerals Mining Group Ltd and has interests in a number of enterprises including agriculture, property development and hospitality. Mr Atkins was a former director of Reclaim Industries Limited.

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.

Mr Lithgow is a non-executive director of Aspire Mining Limited and 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 other listed company directorships in the last 3 years.

Zhan Qingwei, (Non Executive Director - appointed 2 September 2013)

Mr Zhan is a long standing senior executive of Yankuang Group Corporation (Yankuang) with over 20 years experience in mineral separation, international trade and public relationship management. Mr Zhan is currently the General Manager of Yankuang Resources Pty Ltd, a wholly owned subsidiary of the Yankuang Group. Yankuang is a substantial shareholder of Bauxite Resources Ltd.

Directors' report (continued)

John Sibly (Non Executive Director)

Perth-based Mr Sibly is a highly experienced and well credentialed executive, with more than 35 years of operational and executive experience within the bauxite and alumina refinery sectors, including more than 15 years as a senior executive with Alcoa. In 2006 Mr Sibly retired from his role of President Global Manufacturing Alcoa World Alumina and Chemicals, based in New York. In this position he was responsible for nine refineries and five operating mines around the world. He was also accountable for engineering, construction, and research and development of Alcoa's mining and refineries.

In his career with Alcoa Mr Sibly held various senior positions, including leading the process design team and being inaugural works manager at the Sao Luis Alumina refinery in Brazil, and works manager at the Kwinana and Pinjarra refineries in Western Australia.
In 2000 Mr Sibly received the Irving W Wilson award for 'outstanding leadership and management of technology throughout Alcoa'. Mr Sibly has previously been a president of the Australian Minerals Industry Research Association, director of the centre for minesite rehabilitation research, and member of many other councils and advisory bodies. He is currently a non-executive director of Exergen Pty Ltd and LVNG Pty Ltd.

Yang Chenghai (David) (Non Executive Director - Appointed 11 September 2013)

Dr Yang Chenghai is the Deputy Managing Director of No 1 Institute of Geology and Minerals of Shandong Province ("No 1 Institute") and the director/geologist of Shandong Provincial Bureau of Geology & Mineral Resources, which was the holding company of No 1 Institute. Dr Yang has a PhD in Geological Survey and Resources Exploration and was an assessor of Registered Mining Rights in China with nearly 25 years exploration and prospecting experience.

Barry Carbon AM ATSE, FEIANZ, MSc (Non Executive Chairman - Retired 9 August 2013)

Scott Donaldson, MAusIMM, MAID (Chief Executive Officer & Executive Director - resigned 19 November 2012)

Yan Jitai, (Non Executive Director – Resigned 2 September 2013)

Ding Feng, (Non Executive Director – Resigned 11 September 2013)

COMPANY SECRETARY

Sam Middlemas, B.Com.,PGrad DipBus., CA

Mr Robert Samuel (Sam) Middlemas was appointed Company Secretary on 6 July 2012, following the resignation of Mr Patrick Soh (16 February 2012 to 6 July 2012). Mr Middlemas is a chartered accountant with more than 15 years experience in various financial and company secretarial roles with a number of listed public companies operating in the resources sector. He is the principal of a corporate advisory company which provides financial, board and secretarial services specialising in capital raisings and initial public offerings. Previously Mr Middlemas worked for an international accountancy firm. His fields of expertise include corporate secretarial practice, financial and management reporting in the mining industry, treasury and cash flow management and corporate governance.

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 and their related bodies corporate in the shares and options of Bauxite Resources Limited were:

	Ordinary Shares	Options over Ordinary Shares
Robert Nash	254,900	-
Peter Canterbury	100,000	-
Luke Atkins	17,041,667	-
Neil Lithgow	19,366,666	-
John Sibly	40,500	2,000,000
Yang Chenghai*	19,700,000	-
Zhan Qingwei*	19,700,000	-

*Mr Yang and Mr Zhan are the corporate representatives of HD Mining and Investment Pty Ltd and Yankuang Resources Ltd respectively, who are the holders of shares in the Company.

Directors' report (continued)

OPERATING AND FINANCIAL REVIEW

Operating review

The Company continues to focus primarily on the exploration and evaluation of bauxite prospectivity in the Company's extensive tenement holding in WA's Darling Range, the largest bauxite and alumina producing region in the world. Currently the Company holds 17,710 km2 (9,355 km2 granted). The Company undertakes this exploration and evaluation both in its own right and through participation in three joint ventures.

Two of these joint ventures are carrying out exploration for bauxite, while the third joint venture was formed to examine the feasibility of building and operating an alumina refinery in Western Australia through which to process bauxite sourced from the Darling Range region. Note 17 of this financial report provides more detail of these joint venture arrangements.

The Company's exploration efforts during the 12 months to 30 June 2013 yielded a 96% increase in JORC compliant bauxite resources. Total quoted resource at 30 June 2013 stood at 243.7 million tonnes. Of this total resource, 26.8 million tonnes are held by the Company in its own right, 188.2 million tonnes are held in the Bauxite Resources Joint Venture ("BRJV"), and 28.7 million tonnes are held in the BRL-HD Mining joint venture ("HDMI").

By comparison, total quoted JORC resource at 30 June 2012 stood at 124.5 million tonnes of which 110.8 million tonnes were held in the BRJV, and 13.7 million tonnes were held in the HDMI joint venture.

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

Financial Review

The Group has recorded an operating loss after income tax for the year ended 30 June 2013 of $5,302,983 (2012: $6,836,597 loss).

Included in the operating loss was expenditure on exploration totalling $3,554,226 compared to $4,795,995 in the year ended 30 June 2012. The group does not capitalise exploration expenditure, but writes off the full amount of expenditure incurred each year.

Employment Benefits expense declined from $3,034,057 in 2012 to $2,342,911 in the 2013 year. This is a reflection of reduced staff numbers, as the Company moved to ensure costs were properly contained in line with activity levels during the year.

Also included in the loss was a one-off charge for asset impairment, totalling $636,959 (2012: nil). This charged relates to items of plant and equipment acquired by the Company in 2010 to undertake mining operations. The directors have determined that the items could no longer be carried at their written down value, but needed to be written down to their estimated realisable value, resulting in the impairment charge.

The Group earned $2,137,740 in interest revenue in the year compared to $2,906,731 in 2012, a 26% decline that is largely reflective of the general decline in interest rates over the course of the past two financial years. The average rate earned on investments during the year was 4.7%, compared to an average rate of 5.8% in 2012. The Group's cash balances also diminished by $4,419,937 over the course of the year.

The Company received $667,239 in Research and Development grant funds during the year under the Federal Government's R&D Incentive Scheme (2012: nil). This related to research and development undertaken in both the 2010/11 and 2011/12 financial years. The amount is shown in the Statement of Profit or Loss and Other Comprehensive Income as Other Income.

The Group ended the financial year with cash reserves of $43,881,153 (2012: $48,031,090).

The Cash Flow Statement on page 25 of this Annual Financial Report sets out details of the use of these cash funds. However a small part of the decline in cash reserves was due to the Company's decision to acquire a limited number of its own shares from the market. To 30 June 2013, $238,880 had been expended in acquiring shares in on-market transactions. The decision to undertake this share buy-back was taken by the Board as the Board considered that Company's current share price did not accurately reflect the strong underlying cash position and value within the Company's assets and the share buyback represented an opportunity to add value to the remaining shares on issue. The buy-back scheme will remain active until the earlier of 28 May 2014, or until up to 10% of the Company's issued shares have been acquired.

Directors' report (continued)

Note 8 of this Annual Financial Report also shows that in 2012, the Group had Trade Debtors outstanding totaling $1,150,172. In 2013 this amount decreased to $95,549. This decrease is worthy of highlighting, as a large proportion of the Trade Debtors balance in 2012 (89.7%) was outstanding from one client, and represented a significant risk to the Group's balance sheet. The Company is pleased to note that this large outstanding debt was paid in full during the course of the year.

The same note shows that at 30 June 2013 the Group had $1,256,373 in Sundry Receivables outstanding (2012: $224,697). This amount represents the total amount of cash calls unpaid by the joint venture partner in the BRJV, Yankuang Resources Pty Ltd ("Yankuang"). $482,869 represents a debt due to the Company directly, following its decision to make one of the outstanding cash calls to BRJV on behalf of Yankuang. The remainder is the Group's share of the unpaid cash calls payable by Yankuang to the BRJV. Since 30 June 2013, all unpaid cash calls, including the debt due directly to the Company, have been paid by Yankuang.

Other than this utilisation of cash to fund the Group's activities during the year, the Group's financial position remained relatively unchanged and stable.

DIVIDENDS

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

SHAREHOLDER RETURNS

	2013	2012
Basic earnings per share (cents)	(2.25)	(2.90)
Diluted earnings per share (cents)	(2.22)	(2.70)

Directors' report (continued)

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company continues to explore for additional bauxite resources within its existing tenements in its own right, and with its two joint venture partners, Yankuang Resources Pty Ltd ("Yankuang") and HD Mining and Investment Pty Ltd, for both export and refinery grade bauxite.

The Company is working with Yankuang, under its Bauxite Resources and Alumina Refinery joint ventures, for development of bauxite mining and alumina refining capacity in Western Australia.

In respect of its own tenements, following the release of its upgraded resource at the Fortuna deposit, announced on 4 September 2013, the Company believes the Fortuna resource is of sufficient scale to support development evaluation for supply of bauxite into the international market. The Company will investigate ways of monetising the value of this asset, taking into account the global outlook for alumina production, over the coming financial periods. This will entail, among other things, thorough investigations into logistical, environmental and community impacts of any potential mining operation. It will also include analysis of potential buyers of the bauxite product, and potential partners to undertake any mining development if that is appropriate, to maximise the value to shareholders.

In the coming 12 months, particular focus is being placed on conservation of cash reserves, to ensure the Group retains the capacity to continue its exploration programs and grow its bauxite resource in the most economical way possible, and to ensure it remains well placed to take advantage of opportunities for maximising the value of its existing assets for the benefit of shareholders.

The Group's future plans are not without risk. Aside from the accepted and normal risks associated with any minerals exploration venture, such as accurate and reliable resource identification and measurement, these include (but are not limited to):

- Commodity price risk – there is risk that the price of bauxite does not achieve or maintain levels that will support sustainable mining or alumina refining operations. This may be the result of changes in global demand for aluminium, or changes in the global supply chain for bauxite and alumina. The directors have considered this risk in light of predictions and commentaries from various independent analysts and observers, and consider this risk to be low in the medium to long term.

- Environmental risk – the Group's ability to develop mining operations or expand bauxite refining capacity are dependent on obtaining the required environmental licences and ensuring minimal impact on the environment from any operations. The directors have considered this risk, and consider this risk can be managed adequately by understanding the relevant environmental guidelines and ensuring any proposed mining or refining operations demonstrate they are able to comply with such guidelines.

- Land access risk – the Group's ability to develop mining operations or expand bauxite refining capacity may be subject to obtaining access by landholders. The directors have considered this risk, and consider the risk is being minimised by taking a proactive approach in forming close and open relationships with land holders and communities that may be impacted by any potential mining or refining operation.

- Regulatory approval risk - the Group's ability to develop mining operations or expand bauxite refining capacity may be subject to obtaining approvals from various regulatory or government authorities to undertake mining or refining activities. This may include, for example, the ability to obtain mining licenses for its tenements, or permits to export bauxite. The directors have considered this risk, and consider that the risk can be mitigated largely by working closely with the relevant regulatory authorities through any study phases.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no Significant changes in the state of affairs of the Group during the financial year.

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.

Directors' report (continued)

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There has not been any other event that has arisen since 30 June 2013 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.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is subject to 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 Board has spent considerable time focussing on the remuneration policy and framework, reflecting on past feedback and the current strategic direction of the Company, following the voting result at the 2012 Annual General Meeting at which at least 25% of the eligible votes cast were against the adoption of the 30 June 2012 Remuneration Report. Key actions undertaken to address these issues are as follows:

1. The size of the Board has been reduced from 8 to 7 (following the retirement of the Non-Executive Chairman) and Non Executive Directors base fees have been reduced by 33%.
2. A new Chief Executive Officer has been appointed with a focus on the strategic direction for the Company and the monetisation of the Company's resource assets.
3. All Short and Long term incentive awards are demonstrably linked to performance conditions and vesting periods.

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 the Company 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 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 Company.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the Company 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 responsibilities 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.

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.

The Australian based executive directors and executives receive a superannuation guarantee contribution required by the government, which was 9% in 2012/2013, 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 or rights are valued using the Black-Scholes or binomial option pricing methodology.

Directors’ report (continued)

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 $600,000). Fees for non executive directors were reduced on 1 January 2013 from $60,000 per annum to $40,000 per annum with additional fees payable for membership of other board related committees also reduced or suspended. The fees 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. Alternate directors have not received remuneration by way of fees or share based payments from the Company for the year ended 30 June 2013.

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 current and prior year.

	2013 $	2012 $
Revenue	3,640,598	4,365,815
Net profit/(loss)	(5,302,983)	(6,836,597)
Earnings per share (cents)	(2.25)	(2.90)

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.

The Chief Executive Officer has full authority and responsibility for planning, directing and controlling the activities of the Group. The Exploration Manager has authority and responsibility for planning, directing and controlling the exploration activities of the Group. The Chief Financial Officer has responsibility for planning directing and controlling the financial affairs of the Group, as directed by the Board. 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				Share-based Payments		Total
	Salary & Fees	Subsidiary Board and committee fees	Superannuation	Consultancy Fees	Options	Termination Benefits	
	$	$	$	$	$	$	$
2013							
Non-Executive Directors							
Robert Nash [1]	50,000	-	4,500	165,000	-	-	219,500
Luke Atkins [2]	50,000	44,062	8,466	-	-	-	102,528
Ding Feng	50,000	-	-	-	-	-	50,000
Yan Jitai	50,000	-	-	-	-	-	50,000
Neil Lithgow	50,000	-	4,500	-	-	-	54,500
John Sibly [3]	50,000	44,062	8,466	-	-	-	102,528
Barry Carbon [4]	110,000	-	9,900	-	-	-	119,900
Executive Directors							
Peter Canterbury [5]	54,807	-	4,933	-	-	-	59,740
Scott Donaldson [6]	216,409	-	16,052	31,080	-	-	263,541
Key Management Personnel							
Sam Middlemas [7]	168,120	-	-	-	-	-	168,120
Kelvin May [8]	-	-	-	243,750	-	-	243,750
Mark Menzies [9]	234,883	-	21,139	-	-	-	256,022
Neil Martin [12]	55,612	-	3,781	-	-	-	59,393
Total Remuneration	1,139,831	88,124	81,737	439,830	-	-	1,749,522
2012							
Non-Executive Directors							
Robert Nash	60,000	-	5,400	180,000	-	-	245,400
Luke Atkins	60,000	18,121	7,031	-	-	-	85,152
Ding Feng	60,000	-	-	-	-	-	60,000
Yan Jitai	60,000	-	-	-	-	-	60,000
Neil Lithgow	60,000	-	5,400	-	-	-	65,400
John Sibly	60,000	46,508	9,586	-	-	-	116,094
Barry Carbon	110,000	55,933	14,053	-	-	-	179,986
Executive Directors							
Scott Donaldson	470,000	-	42,300	-	334,006	-	846,306
Key Management Personnel							
Sam Middlemas	-	-	-	-	-	-	-
Patrick Soh [10]	72,007	-	-	-	-	-	72,007
Paul Fromson [11]	185,659	-	22,022	-	-	-	207,681
Neil Martin [12]	169,583	-	15,262	-	3,799	-	188,644
Total Remuneration	1,367,249	120,562	121,054	180,000	337,805	-	2,126,670

Notes:

(1) Mr Nash was appointed Chairman on 9 August 2013, having previously been a non-executive director. Mr Nash is also a practicing barrister and provides legal counsel to the Group under a legal retainer agreement. Mr Nash also serves as chairman of BAJV Pty Ltd, the manager of the Bauxite Alumina Joint Venture and the Alumina Refinery Joint Venture, and sits on the HD Mining JV committee, for which he receive no additional remuneration.

(2) Mr Atkins also sits on the Board of BAJV Pty Ltd, and another committee.

(3) Mr Sibly also sits on the Board of BAJV Pty Ltd, and another committee.

(4) Mr Carbon was Chairman of the Company until his retirement on 9 August 2013.

(5) Mr Canterbury was appointed an Executive Director and CEO on 20 May 2013.

(6) Mr Donaldson resigned as an Executive Director and CEO on 19 November 2012. He provided CEO services on a consultancy basis for a short period following his resignation, pending the appointment of a replacement CEO.

(7) Mr Middlemas was appointed Company Secretary on 7 July 2012 and remains in that position. He was appointed acting CEO between 24 December 2012 and 20 May 2013 prior to the appointment of Mr Canterbury.

(8) Mr May was appointed as Chief Financial Officer on 26 June 2012 and provides his services through a private consultancy.

(9) Mr Menzies is Exploration Manager and was appointed 4 June 2012.

(10) Mr Soh was Company Secretary from 16 February 2012 to 7 July 2012.

(11) Mr Fromson was Company Secretary and Chief Financial Officer up to the date of his resignation on 16 February 2012.

(12) Mr Martin was Exploration Manager appointed 16 February 2012 until his resignation on 22 August 2012.

Directors' report (continued)

C Service agreements

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

Peter Canterbury (Appointed 20 May 2013)

- Term of agreement – reviewed by the Board as soon as practicable after the date which falls on the first anniversary of commencement of employment;
- Base Salary, $450,000 plus 9.25% superannuation;
- Subject to shareholder approval, also entitled to the following performance rights;
    - 2,000,000 class A performance rights subject to meeting specific performance criteria achieved;
    - 2,000,000 class B performance rights subject to meeting specific performance criteria achieved;
    - 2,000,000 class C performance rights subject to meeting specific performance criteria achieved; and
- Termination of employment by either party requires a 6 month's written notice.

Robert Nash – Legal retainer agreement.

- Term of agreement – 1 August 2012 until cancelled.
- Monthly retainer fee of $15,000 for providing legal counsel and advice to the Company as and when requested.

D Share-based compensation

Options or performance rights may be issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to certain directors (determined by the Board) and executives of Bauxite Resources Limited to increase goal congruence between executives, directors and shareholders. Performance rights are issued with specific performance criteria required to be achieved. 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 and performance rights were granted to or vested with key management personnel during the past 2 years:

	Grant Date	Granted Number	Vested Number as at 30 June 2013	Date vesting or vested and exercisable	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Exercised Number	% of Remuneration
2013									
Sam Middlemas [1]	25/03/2013	1,000,000	Nil	Refer 1 below	31/12/2013	Nil	Nil	Nil	Nil
	25/03/2013	500,000	Nil	Refer 1 below	31/12/2014	Nil	Nil	Nil	Nil
2012									
Scott Donaldson [2]	22/02/2011	3,000,000	Nil	Refer 2 below	31/01/2016	40	23.5	Nil	
Neil Martin [3]	28/03/2012	1,000,000	Nil	Refer 3 below	30/06/2017	20	2.28	Nil	

Notes:

1. 1,000,000 performance rights to be issued if BAU's market capitalisation trades above A$50m for 30 consecutive days prior to 31/12/2013. A further 500,000 performance rights to be issued if BAU's market capitalisation trades above A$72.5m for 60 consecutive days prior to 31/12/2014.
2. Upon his resignation on 19 November 2012, Mr Donaldson's unvested options lapsed and were forfeited.
3. Upon his resignation on 22 August 2012, Mr Martin's unvested options lapsed and were forfeited.

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.

Directors' report (continued)

E Additional information

DIRECTORS' MEETINGS

During the year the Company held 11 meetings of directors. The attendance of directors at meetings of the Board were:

	Directors Meetings A	Directors Meetings B
Robert Nash – (Appointed Chairman 9 August 2013)	9	11
Peter Canterbury – Chief Executive Officer (Appointed 20 May 2013)	1	1
Luke Atkins	9	11
Ding Feng (Resigned 11 September 2013)[1]	0	11
Yan Jitai (Resigned 2 September 2013) [2]	1	11
Neil Lithgow [3]	10	11
John Sibly	10	11
Barry Carbon – Chairman (Resigned 9 August 2013) [3]	11	11
Scott Donaldson – Chief Executive Officer (Resigned 16 November 2012)	4	4
John Sibly	10	11

Notes

A – Number of meetings attended.

B – Number of meetings held during the period as a director during the year.

1. Mr Ding's appointed alternate director Mr Yang attended 3 Board meetings.
2. Mr Yan's appointed alternate director Mr Zhan attended 3 Board meetings.
3. During the year there were two audit committee meetings with Mr Carbon and Mr Lithgow (members of the audit committee) both attending both of the meetings.

SHARES UNDER OPTION

As at 30 June 2013 there were 2,000,000 options issued which remain outstanding.

	Number of options
Beginning of the financial year	**6,000,000**
Exercised, cancelled or expired during the year:	
– Exercisable at 40 cents, on or before 31 January 2016	**(3,000,000)**
– Exercisable at 20 cents, on or before 30 January 2017	**(1,000,000)**
End of the financial year	**2,000,000**

As at 30 June 2013 there were 1,500,000 performance rights issued which remain outstanding.

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 $54,907 (2012: $57,932).

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:

	2013 $	2012 $
Taxation services	25,545	32,323

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 15.

Signed in accordance with a resolution of the directors.

Robert Nash
Chairman
Perth, 20 September 2013

MOORE STEPHENS
ACCOUNTANTS & ADVISORS

Level 3, 12 St Georges Terrace
Perth WA 6000

PO Box 5785, St Georges Terrace WA
6831

T +61 (0)8 9225 5355
F +61 (0)8 9225 6181

www.moorestephens.com.au

AUDITOR'S INDEPENDENCE DECLARATION UNDER

S307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF

BAUXITE RESOURCES LIMITED & CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2013 there have been no contraventions of:

i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. any applicable code of professional conduct in relation to the audit.

Suan-Lee Tan
Partner

Moore Stephens

Moore Stephens
Chartered Accountants

Signed at Perth this 20th day of September 2013

Corporate governance statement

This Statement summarises the main corporate governance practices in place during the Financial Year, which comply with the ASX Corporate Governance Council recommendations unless otherwise stated.

Further information about the Company's corporate governance practices is set out on the Company's web site at www.bauxiteresources.com.au. In accordance with the recommendations of the ASX, information published on the web site includes charters (for the Board and subcommittees), codes of conduct and other policies and procedures relating to the Board and its responsibilities.

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 Company has two special committees being a remuneration committee and an audit committee.

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 ASX Corporate Governance Council Principles and Recommendations as revised in 2010 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 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 under the Board Charter.
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**.** Refer Board Charter and Performance Evaluation Practices on the Company's website. The board has formed a remuneration committee on 23 August 2013.
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	**N/A**	Only Mr Sibly meets the independence criteria under the ASX Corporate Governance Council Recommendations, as all other Directors are either executives, shareholders or have been material professional advisors or consultants to the Company within the last three years. The Board recognises the Corporate Governance Council's recommendation that a majority of a Board should consist of independent directors. The Board views the shareholdings of Directors as important, although this is outside the ASX Recommendations criteria for independence, as it believes it more correctly aligns the Board with shareholder interests. In considering the independence of Directors, the Board considers issues of materiality and relies on thresholds for qualitative and quantitative materiality as contained in the Board Charter which is disclosed on the Company's web site. The Board believes the current structure is appropriate given the Company's current size and activities. The existing Directors provide the necessary diversity of qualifications, skills and experience and bring quality and independent judgement to all relevant issues.
2.2	The chair should be an independent director	**N/A**	During the 2012/2013 period, Mr Carbon was not independent due to his former role as CEO. Mr Nash has replaced Mr Carbon following his retirement on 9 August 2013 and due to his consultancy contract he is also not independent. The Board believes that the existing structure is considered appropriate and provides a unified leadership structure in line with the current size and level of activities of the Company.
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	**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. This will be reviewed by the remuneration committee following its formation on 23 August 2013
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2	**A**	The skills and experience of Directors are set out in the Company's Annual Report and on its website, all other reporting items have been addressed.
Principle 3:	**Promote ethical and responsible decision-making**		

Corporate governance statement continued

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.
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress of achieving them	**A**	The Company has formulated a Diversity Policy, which can be viewed on its website. The Board has not established measurable objectives for achieving gender diversity at this stage of the Company's development due to the size and nature of the Company's activities. The Policy focusses on identifying and removing any barriers to diversity to create a workplace culture of inclusion and equal opportunities.
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	**N/A**	Refer comments above. Gender diversity objectives have not been set.
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board	**A**	Proportion of women employees in the whole organisation 33%, women in senior executive positions 0% and women on the Board 0%.
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3	**A**	Refer comments above.
Principle 4:	**Safeguard integrity in financial reporting**		
4.1	The Board should establish an audit committee	**A**	The Board has established an audit committee comprised of Mr Carbon and Mr Lithgow (neither of whom are independent). The Audit Committee follows the Audit Committee charter and there were two meetings held during the year so as to ensure the integrity of the Financial Statements of the Company and the independence of the external auditor. Following the retirement of Mr Carbon the audit committee has been reconstituted on 23 August 2013 with Mr Lithgow as Chairman, and Mr Sibly and Mr Nash being members.
4.2	The audit committee should be structured so that it:		
	• consists only of non-executive directors	**A**	Refer comments above
	• consists of a majority of independent directors	**N/A**	Refer comments regarding independence above under Recommendation 2.1
	• is chaired by an independent chair, who is not chair of the Board	**N/A**	Refer comments above
	• has at least three members	**N/A**	Refer comments above
4.3	The audit committee should have a formal charter	**A**	Refer Company Website
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4	**A**	Refer comments above

Corporate governance statement continued

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**	
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 within its Corporate Governance policies 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 full Board carries out the role of the remuneration committee. While this is a departure from ASX Corporate Governance Council Recommendations, it provides a more efficient mechanism based on the size of the Board and the complexity of the Company. The Board follows the Remuneration Committee charter and there was one meeting during the year set aside to deal with remuneration issues. A remuneration committee was formed on 23 August 2013 with Mr Atkins as Chairman, and Mr Lithgow and Mr Nash being members.

Corporate governance statement continued

8.2	The remuneration committee should be structured so that it: • consists of a majority of independent directors • is chaired by an independent chair • has at least three members	**N/A**	Refer comments above regarding the full Board and the independence issues
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	**A**	
8.4	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

Statement of profit or loss and other comprehensive income

YEAR ENDED 30 JUNE 2013	Notes	Consolidated Group 2013 $	Consolidated Group 2012 $
Sales revenue	4		-
Recoupment of exploration costs	4	**413,243**	610,389
Other income	4	**1,089,615**	848,695
Interest income	4	**2,137,740**	2,906,731
Cost of sales		**-**	(411,444)
Employee benefits expense		**(2,342,911)**	(3,034,057)
Exploration written off		**(3,554,266)**	(4,795,995)
Bankable feasibility and other studies		**(53,072)**	(294,211)
Administration expenses		**(1,671,165)**	(1,293,796)
Depreciation and amortisation expense		**(717,482)**	(985,020)
Impairment of property, plant & equipment		**(636,959)**	-
Impairment of mining property improvements		**-**	-
Gain/(loss) on disposal of fixed assets		**39,325**	(47,609)
Share-based payments expense	27	**-**	(337,805)
Profit / (loss) before income tax	5	**(5,295,932)**	(6,834,122)
Income tax expense	6	**(7,051)**	(2,475)
Profit / (loss) for the period		**(5,302,983)**	(6,836,597)
Profit / (loss) attributable to:			
Members of the parent entity		**(5,302,983)**	(6,836,597)
Non-controlling interests		**-**	-
		(5,302,983)	(6,836,597)
Other comprehensive income			
Other comprehensive income for the period, net of tax		**-**	-
Total comprehensive income/(loss) for the period		**(5,302,983)**	(6,836,597)
Earnings per share			
From continuing and discontinued operations:			
Basic earnings per share (cents)		**(2.3)**	(2.9)
Diluted earnings per share (cents)		**(2.2)**	(2.7)
From continuing operations:			
Basic earnings per share (cents)		**(2.3)**	(2.9)
Diluted earnings per share (cents)		**(2.2)**	(2.7)

The above statements should be read in conjunction with the notes to the financial statements.

Statement of financial position

AT 30 JUNE 2013	Notes	Consolidated Group 2013 $	Consolidated Group 2012 $
CURRENT ASSETS			
Cash and cash equivalents	7	**43,881,153**	48,031,090
Trade and other receivables	8	**1,856,906**	1,685,380
TOTAL CURRENT ASSETS		**45,738,059**	49,716,470
NON-CURRENT ASSETS			
Other financial assets	9	**480,043**	703,643
Property, plant and equipment	10	**5,981,261**	7,505,259
Intangible assets	11	**-**	-
TOTAL NON-CURRENT ASSETS		**6,461,303**	8,208,903
TOTAL ASSETS		**52,199,363**	57,925,373
CURRENT LIABILITIES			
Trade and other payables	12a	**419,446**	622,035
Provisions	12b	**111,469**	93,027
TOTAL CURRENT LIABILITIES		**530,915**	715,062
TOTAL LIABILITIES		**530,915**	715,062
NET ASSETS		**51,668,448**	57,210,311
EQUITY			
Contributed equity	13	**87,872,818**	88,111,698
Reserves	14(a)	**469,219**	983,691
Retained earnings / (accumulated losses)	14(b)	**(36,673,589)**	(31,885,078)
TOTAL EQUITY		**51,668,448**	57,210,311

The above statements should be read in conjunction with the notes to the financial statements.

Statement of changes in equity

Consolidated Group	Notes	Issued Ordinary Capital $	Option Reserve $	Retained Earnings $	Total $
Balance at 1 July 2011		88,111,698	2,757,392	(27,159,987)	63,709,103
Loss for the period		-	-	(6,836,597)	(6,836,597)
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	-	(6,836,597)	(6,836,597)
Shares issued during the period		-	-	-	-
Transaction costs associated with share issue		-	-	-	-
Employee share options issued during the period		-	337,805	-	337,805
Transfer expired Options Reserve to Retained Earnings			(2,111,506)	2,111,506	-
Balance at 30 June 2012		88,111,698	983,691	(31,885,078)	57,210,311
Loss for the period		-	-	(5,302,983)	(5,302,983)
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	-	(5,302,983)	(5,302,983)
Shares issued during the period		-	-	-	-
Shares repurchased and cancelled during the period		(237,692)	-	-	(237,692)
Transaction costs associated with share buy back		(1,188)	-	-	(1,188)
Employee share options issued during the period		-	-	-	-
Transfer expired Options Reserve to Retained Earnings		-	(514,472)	514,472	-
Balance at 30 June 2013		**87,872,818**	**469,219**	**(36,673,589)**	**51,668,448**

The above statements should be read in conjunction with the notes to the financial statements.

Statement of Cash Flow

YEAR ENDED 30 JUNE 2013	Notes	Consolidated Group 2013 $	Consolidated Group 2012 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**1,525,805**	4,512,194
Payments to suppliers and employees		**(3,549,300)**	(7,852,448)
Payments for exploration expenditure		**(4,378,620)**	(4,862,860)
Interest received		**2,065,626**	2,733,124
Income tax received/(paid)		**(7,051)**	(2,475)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	25	**(4,343,540)**	(5,472,465)
CASH FLOWS FROM INVESTING ACTIVITIES			
Recoup/(payment)of security deposit		**223,601**	(38,173)
Receipts from sales of property, plant & equipment		**348,682**	722,320
Payments for property, plant and equipment		**(139,800)**	(307,177)
Expenditure on mining improvements		**-**	-
NET CASH INFLOW/ (OUTFLOW) FROM INVESTING ACTIVITIES		**432,483**	376,970
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares		**-**	-
Payment for buyback of shares		**(238,880)**	-
Payment of share issue costs		**-**	-
NET CASH INFLOW FROM FINANCING ACTIVITIES		**(238,880)**	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(4,149,937)**	(5,095,496)
Cash and cash equivalents at the beginning of the financial year		**48,031,090**	53,126,585
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	7	**43,881,153**	48,031,090

The above statements should be read in conjunction with the notes to the financial statements.

Notes to the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated financial statements and notes of Bauxite Resources Limited and controlled entities ('Consolidated Group' or 'Group'). The financial statements were authorized for issue on 20 September 2013 by the directors of the Company.

(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*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

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 2013, the results of all subsidiaries and joint ventures for the year then ended. Bauxite Resources Limited, its subsidiaries and joint ventures 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.

(b) Interests in joint ventures

The Group's shares of the assets, liabilities, revenue and expenses of jointly controlled operations have been included in the appropriate line items of the consolidated financial statements. Details of the Group's interests are provided in Note 17.

Where the Group contributes assets to the joint venture or if the Group purchases assets from the joint venture, only the portion of the gain or loss that is not attributable to the Group's share of the joint venture shall be recognised. The Group recognises the full amount of any loss when the contribution results in a reduction in the net realisable value of current assets or an impairment loss.

Notes to the financial statements (continued)

(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.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

Proceeds from a Research & Development tax incentive is recognised as a government grant in accordance with AASB 120 Accounting for Government Grants, and disclosed as Other Income.

(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 are 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 21). 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.

Notes to the financial statements (continued)

(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 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.

(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.

Notes to the financial statements (continued)

Recognition and de-recognition

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.

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 13.33% 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 written off as incurred.

(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.

Notes to the financial statements (continued)

(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.

(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 27.

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.

The amount expended on the on-market buy-back of shares is debited to the share capital account to the extent of share capital available. Should the amount expended on on-market share buy-backs exceed the amount of available share capital, the remainder will be debited against distributable reserves.

(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.

Notes to the financial statements (continued)

(r) New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

AASB 9: Financial Instruments (December 2010) and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;

These Standards were mandatorily applicable for annual reporting periods commencing on or after 1 January 2013. However, AASB 2012–6*: Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures* (issued September 2012) defers the mandatory application date of AASB 9 from 1 January 2013 to 1 January 2015. In light of the change to the mandatory effective date, the Group is expected to adopt AASB 9 and AASB 2010–7 for the annual reporting period ending 30 June 2016. Although the directors anticipate that the adoption of AASB 9 and AASB 2010–7 may have a significant impact on the Group's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 10*: Consolidated Financial Statements*, AASB 11: *Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities*, AASB 127: *Separate Financial Statements* (August 2011) and AASB 128: *Investments in Associates and Joint Ventures* (August 2011) (as amended by AASB 2012–10: *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments*), and AASB 2011–7: *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 10 replaces parts of AASB 127: *Consolidated and Separate Financial Statements* (March 2008, as amended) and Interpretation 112: *Consolidation – Special Purpose Entities*. AASB 10 provides a revised definition of "control" and additional application guidance so that a single control model will apply to all investees. This Standard is not expected to significantly impact the Group's financial statements.

AASB 11 replaces AASB 131: *Interests in Joint Ventures* (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). The Group's existing accounting treatment of BRJV and ARJV (both classified as "joint operations") is consistent with the provisions of AASB 11.

The Group's interest in BAJV Pty Ltd (see Note 17(c)), which is currently referred to as a "joint venture entity", will be referred to as a "joint venture" under AASB 11. Joint ventures are required to be accounted for using the equity method of accounting under AASB 11. The proportionate consolidation method is no longer permitted. However, this will not have any impact on the Group's financial statements as the Group's interest in BAJV Pty Ltd is currently immaterial to the Group's financial performance and position.

Notes to the financial statements (continued)

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the "special purpose entity" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the Group's financial statements.

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. The revisions made to AASB 127 and AASB 128 are not expected to significantly impact the Group's financial statements.

AASB 13: Fair Value Measurement and AASB 2011–8: Amendments to Australian Accounting Standards arising from AASB 13 (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

AASB 13 requires:

- inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
-
- enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

These Standards are expected to result in more detailed fair value disclosures, but are not expected to significantly impact the amounts recognised in the Group's financial statements.

AASB 2011–4: Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (applicable for annual reporting periods beginning on or after 1 July 2013).

This Standard makes amendments to AASB 124: Related Party Disclosures to remove the individual key management personnel disclosure requirements (including paras Aus29.1 to Aus29.9.3). These amendments serve a number of purposes, including furthering trans-Tasman convergence, removing differences from IFRSs, and avoiding any potential confusion with the equivalent Corporations Act 2001 disclosure requirements.

This Standard is not expected to significantly impact the Group's financial report as a whole because:

- some of the disclosures removed from AASB 124 will continue to be required under s 300A of the Corporations Act, which is applicable to the Group; and
- AASB 2011–4 does not affect the related party disclosure requirements in AASB 124 applicable to all reporting entities, and some of these requirements require similar disclosures to those removed by AASB 2011–4.

AASB 119: Employee Benefits (September 2011) and AASB 2011–10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards introduce a number of changes to the presentation and disclosure of defined benefit plans, including:

- removal of the "corridor" approach from AASB 119, thereby requiring entities to recognise all changes in a net defined benefit liability/(asset) when they occur; and
- disaggregation of changes in a net defined benefit liability/(asset) into service cost, net interest expense and remeasurements and recognition of:
- service cost and net interest expense in profit or loss; and
- remeasurements in other comprehensive income.

AASB 119 (September 2011) also includes changes to the criteria for determining when termination benefits should be recognised as an obligation.

These Standards are not expected to impact the Group's financial statements as the Group currently has no defined benefit plans.

AASB 2012–2: Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 2012–2 principally amends AASB 7: Financial Instruments: Disclosures to require entities to include information that will enable users of their financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

This Standard is not expected to significantly impact the Group's financial statements.

Notes to the financial statements (continued)

AASB 2012–3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard adds application guidance to AASB 132: Financial Instruments: Presentation to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

This Standard is not expected to significantly impact the Group's financial statements.

AASB 2012–5: Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard amends a number of Australian Accounting Standards as a consequence of the issuance of Annual Improvements to IFRSs 2009–2011 Cycle by the International Accounting Standards Board, including:

- AASB 1: First-time Adoption of Australian Accounting Standards to clarify the requirements in respect of the application of AASB 1 when an entity discontinues and then resumes applying Australian Accounting Standards;
- AASB 101: Presentation of Financial Statements and AASB 134: Interim Financial Reporting to clarify the requirements for presenting comparative information;
- AASB 116: Property, Plant and Equipment to clarify the accounting treatment of spare parts, stand-by equipment and servicing equipment;
- AASB 132 and Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments to clarify the accounting treatment of any tax effect of a distribution to holders of equity instruments; and
- AASB 134 to facilitate consistency between the measures of total assets and liabilities an entity reports for its segments in its interim and annual financial statements.

This Standard is not expected to significantly impact the Group's financial statements.

(s) 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:

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 27.

Impairment of assets

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using estimated net realisable values which incorporate various assumptions such as current indicative values and expected future cash inflows.

Notes to the financial statements (continued)

2. FINANCIAL RISK MANAGEMENT

The Group's activities potentially 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 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, the Group is not exposed to material foreign exchange risk.

(ii) Price risk

Given the current level of operations, the Group is not exposed to price risk.

(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 $43,881,153 (2012: $48,031,090) 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 4.66% (2012: 5.75%).

Sensitivity analysis

At 30 June 2013, 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 $367,649 lower/higher (2012: $404,631 lower/higher) as a result of lower/higher interest income from cash and cash equivalents.

(b) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. The Group has a concentration of credit risk with one external entity which currently makes up 55.60% (2012: 89.7%) of the receivables balance.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating, or in entities that the FRMC has otherwise cleared as being financially sound. Where the Group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

(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.

Notes to the financial statements (continued)

	2013 $	2012 $
3. PARENT ENTITY FINANCIAL INFORMATION		
a. Summary financial information		
Current assets	**44,782,686**	48,934,092
Non-current assets	**26,517,784**	24,306,682
Total assets	**71,300,470**	73,240,774
Current liabilities	**279,478**	408,190
Total Liabilities	**279,478**	408,190
Net assets	**71,020,992**	72,832,584
Shareholders' equity		
Contributed equity	**87,872,806**	88,111,698
Reserves	**469,219**	983,691
Accumulated profit/(loss)	**(17,321,033)**	(16,262,805)
Net equity	**71,020,992**	72,832,584
(Loss)/profit for the year after tax	**(1,572,700)**	(1,516,316)
Total comprehensive income/(loss)	**(1,572,700)**	(1,516,316)

b. Guarantees entered into by parent entity

	2013 $	2012 $
Unconditional performance bonds issued in relation to rehabilitation and rental obligations	**355,570**	343,569

The parent entity has given guarantees in respect of exploration rehabilitation and restoration. The parent entity has also provided a bank guarantee to secure its obligations to pay rental under the lease for its premises. These guarantees are secured by cash deposits of equivalent or greater value lodged with the issuing bank (see Note 9).

c. Contingent liabilities of parent entity

Details and estimate of maximum amounts of contingent liabilities for which no provision is included in the accounts are as follows:

	2013 $	2012 $
Unconditional performance bonds issued in relation to rehabilitation and rental obligations	**355,570**	343,569

No losses are anticipated in respect of any of these contingent liabilities, and therefore no provision for loss has been made in these accounts.

d. Contractual commitments for the acquisition of property, plant and equipment

The Company has no contractual commitments for the acquisition of property, plant and equipment (2012 – nil).

Notes to the financial statements (continued)

	Consolidated Group 2013 $	Consolidated Group 2012 $
4. REVENUE		
From continuing operations		
Recoupment of exploration costs	**413,243**	610,389
Other revenue	**1,089,615**	848,695
Interest	**2,137,740**	2,906,731
	3,640,598	4,365,815

5. LOSS FOR THE YEAR

a. **Expenses**	2013 $	2012 $
Cost of sales	-	411,444
Impairment of property, plant & equipment	**636,959**	-
Rental expense on operating leases		
— minimum lease payments	**429,844**	416,574
Exploration expenditure	**3,554,266**	4,795,995

6. INCOME TAX EXPENSE

	Consolidated Group 2013 $	Consolidated Group 2012 $
a. The components of tax expense comprise:		
Current tax	-	2,475
Deferred tax	-	-
Prior year tax adjustment	7,051	-
Income tax expense reported in the statement of comprehensive income	7,051	2,475
b. Numerical reconciliation of income tax expense to prima facie tax payable:		
Loss from continuing operations before income tax expense	(5,295,932)	(6,834,122)
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2012: 30%)	(1,588,780)	(2,050,237)
Add:		
Tax effect of:		
- Non-allowable items	1,275	17,356
- Share based payments	-	101,342
- Prior year tax adjustment	7,051	-
- Revenue losses not recognised	1,820,248	2,084,772
	239,794	153,233
Less:		
Tax effect of:		
- Allowable items	-	8,078

Notes to the financial statements (continued)

- Non-assessable items	200,980	-
- Deferred tax balances not recognised	31,763	142,680
Income tax expense reported in the statement of comprehensive income	7,051	2,475

c. Deferred tax recognised:

Deferred tax liabilities:		
Accrued interest	(94,350)	(72,245)
Other	(1,911)	(9,538)
Deferred tax assets:		
Carry forward revenue losses	96,261	81,783
Net deferred tax	-	-

d. Deferred tax not recognised:

Deferred Tax Assets:		
At 30%:		
Carry forward losses	10,791,876	9,073,997
Capital raising costs	179,351	195,955
Property, plant & equipment	840,491	649,835
Exploration and development	158,892	158,893
Provisions and accruals	30,243	31,081
Other	50,807	255,190
	12,051,660	10,364,951

The tax benefits of the above Deferred Tax Assets will only be obtained if:

(a) the company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;

(b) the company continues to comply with the conditions for deductibility imposed by law; and

(c) no changes in income tax legislation adversely affect the company in utilising the benefits.

Tax consolidation

(i) Members of the tax consolidated group and the tax sharing arrangement

Bauxite Resources Limited and its wholly owned Australian resident subsidiaries have formed a tax consolidated group with effect from 10 June 2008. Bauxite Resources Limited is the head entity of the tax consolidated group. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax asset resulting from unused tax losses and tax credits which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity.

(ii) Tax effect accounting by members of the tax consolidated group

Measurement method adopted under UIG 1052 Tax Consolidated Accounting

The group has applied the Stand-Alone Taxpayer approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group. The group has not entered into any tax sharing or funding agreements.

Notes to the financial statements (continued)

	Notes	Consolidated Group 2013 $	2012 $
7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS			
Cash at bank and in hand		**1,028,999**	3,936,094
Short-term deposits		**42,852,154**	44,094,996
Cash and cash equivalents as shown in the balance sheet and the statement of cash flows		**43,881,153**	48,031,090
8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES			
Trade debtors		**95,549**	1,150,172
Sundry receivables		**1,256,373**	224,697
Accrued interest income		**314,500**	240,815
Prepayments		**190,484**	69,696
		1,856,906	1,685,380

The Group has a concentration of credit risk with respect to one entity holding 55.60% (2012: 89.7%) of the trade debtors. The class of assets described as "trade and other receivables" is considered to be the main source of credit risk related to the Group.

	Gross Amount	< 30	Past due but not impaired (days overdue) 31–60	61–90	> 90
2013					
Trade and debtors	95,549	49,209	-	-	-
Total	95,549	49,209			-
2012					
Trade and debtors	1,150,172	-	-	-	936,154
Total	1,150,172	-	-	-	936,154

Neither the Group nor parent entity holds any financial assets with terms that have been renegotiated, which would otherwise be past due or impaired.

	Notes	Consolidated Group 2013 $	2012 $
9. NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS			
Bonds & security deposits		**480,043**	703,643
		480,043	703,643

	Notes	Consolidated Group 2013 $	2012 $
10. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT			
Plant and equipment			
Cost		**3,481,420**	4,492,306
Accumulated depreciation		**(1,486,518)**	(1,300,160)
Net book amount		**1,994,902**	3,192,146

Notes to the financial statements (continued)

10. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

Plant and equipment		
Opening net book amount	**3,192,147**	4,184,889
Additions	**14,316**	440,789
Depreciation charge	**(364,038)**	(503,056)
Revaluations	**(636,959)**	-
Disposals	**(210,564)**	(930,475)
Closing net book amount	**1,994,902**	3,192,147
Motor Vehicles		
Cost	**546,160**	648,069
Accumulated depreciation	**(303,983)**	(271,767)
Net book amount	**242,177**	376,302
Motor vehicles		
Opening net book amount	**376,302**	683,671
Additions	**50,693**	61,734
Depreciation charge	**(108,857)**	(161,206)
Disposals	**(75,961)**	(207,897)
Closing net book amount	**242,177**	376,302
Property and buildings		
Cost	**2,989,956**	2,982,578
Accumulated depreciation	**(42,838)**	(32,416)
Net book amount	**2,947,118**	2,950,162
Property and buildings		
Opening net book amount	**2,950,162**	2,960,167
Additions	**7,378**	-
Depreciation charge	**(10,422)**	(10,005)
Closing net book amount	**2,947,118**	2,950,162
Software		
Cost	**317,730**	281,745
Accumulated depreciation	**(245,475)**	(179,520)
Net book amount	**72,255**	102,225
Software		
Opening net book amount	**102,226**	121,742
Additions	**35,985**	63,444
Depreciation charge	**(65,956)**	(78,051)
Disposals	**-**	(4,909)
Closing net book amount	**72,255**	102,226
Exploration equipment		
Cost	**224,825**	224,403
Accumulated depreciation	**(165,631)**	(141,154)
Net book amount	**59,194**	83,249
Exploration equipment		
Opening net book amount	**83,249**	120,567
Additions	**1,942**	5,378
Depreciation charge	**(25,489)**	(41,010)
Disposals	**(508)**	(1,686)
Closing net book amount	**59,194**	83,249

Notes to the financial statements (continued)

10. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

Furniture and Fittings		
Cost	**161,490**	155,796
Accumulated depreciation	**(93,366)**	(79,349)
Net book amount	**68,124**	76,447
Furniture and fittings		
Opening net book amount	**76,447**	87,442
Additions	**5,694**	20,023
Depreciation charge	**(14,017)**	(31,018)
Disposals	**-**	-
Closing net book amount	**68,124**	76,447
Computer equipment		
Cost	**250,034**	286,466
Accumulated depreciation	**(187,386)**	(171,422)
Net book amount	**62,648**	115,044
Computer equipment		
Opening net book amount	**115,043**	141,839
Additions	**9,160**	74,894
Depreciation charge	**(53,863)**	(73,682)
Disposals	**(7,692)**	(28,008)
Closing net book amount	**62,648**	115,043
Leasehold Improvements		
Cost	**809,233**	809,233
Accumulated depreciation	**(274,390)**	(199,549)
Net book amount	**534,843**	609,684
Leasehold Improvements		
Opening net book amount	**609,684**	665,328
Additions	**-**	29,982
Depreciation charge	**(74,841)**	(85,626)
Closing net book amount	**534,843**	609,684
Total Assets		
Cost	**8,780,848**	9,880,595
Accumulated depreciation	**(2,799,587)**	(2,375,336)
Net book amount	**5,981,261**	7,505,259
Total Assets		
Opening net book amount	**7,505,259**	8,965,645
Additions	**125,167**	696,244
Depreciation charge	**(717,482)**	(983,655)
Revaluations	**(636,959)**	-
Disposals	**(294,724)**	(1,172,975)
Closing net book amount	**5,981,261**	7,505,259

Impairment Losses – Plant & Equipment

The total impairment loss of plant & equipment recognised in the statement of profit or loss during the year amounted to $636,959 and is separately presented in the statement as “impairment of property, plant and equipment”. This impairment charge relates to items of plant and equipment acquired by the Company in 2010 to undertake mining operations. The directors have determined that the items could no longer be carried at their written down value, but needed to be written down to their estimated realisable value (with reference to the market price of similar equipment of a similar age used as a benchmark), resulting in the impairment charge.

Notes to the financial statements (continued)

11. NON-CURRENT ASSETS – INTANGIBLE ASSETS

Formation expenses		
Cost	**4,147**	4,147
Accumulated amortisation	**(4,147)**	(4,147)
Net book amount	**-**	-
Formation expenses		
Opening net book amount	-	1,365
Additions	-	-
Amortisation charge	-	(1,365)
Closing net book amount	-	-

12. CURRENT LIABILITIES

a) Trade and other payables		
Trade payables	**226,897**	347,231
GST and tax liabilities	**(54,524)**	(118,074)
Other payables and accruals	**247,073**	392,878
	419,446	622,035
b) Provisions		
Annual leave		
Opening balance at 1 July	**93,027**	98,378
Additional provisions	**147,750**	188,491
Amounts used	**(129,308)**	(193,842)
Balance at 30 June	**111,469**	93,027

Notes to the financial statements (continued)

13. CONTRIBUTED EQUITY

(a) Share capital

	Notes	2013 Number of securities	2013 $	2012 Number of securities	2012 $
Ordinary shares fully paid	13(b), 13(d)		**87,872,818**		88,811,698
Total contributed equity			**87,872,818**		88,111,698

(b) Movements in ordinary share capital

	2013 Number of securities	2013 $	2012 Number of securities	2012 $
Beginning of the financial year	**235,379,896**	**88,111,698**	235,379,896	88,111,698
Issued during the year:				
– Bought back	**(2,096,400)**	**(237,692)**		
Less: Transaction costs		**(1,188)**	-	-
End of the financial year	**233,283,496**	**87,872,818**	235,379,896	88,111,698

(c) Movements in options on issue

	Number of options 2013	Number of options 2012
Beginning of the financial year	**6,000,000**	18,195,000
Exercised, cancelled or expired during the year:		
– Exercisable at 40 cents, on or before 22 February 2016	**(1,000,000)**	-
– Exercisable at 40 cents, on or before 31 January 2016	**(3,000,000)**	-
End of the financial year	**2,000,000**	6,000,000

(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.

Notes to the financial statements (continued)

13. CONTRIBUTED EQUITY (continued)

(e) 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 at 30 June 2013 and 30 June 2012 are as follows:

	Notes	Consolidated Group	
		2013	2012
		$	$
Cash and cash equivalents		**43,881,153**	48,031,090
Trade and other receivables		**1,856,906**	1,685,380
Trade and other payables		**(419,446)**	(622,034)
Working capital position		**45,318,613**	49,094,436

14. RESERVES AND ACCUMULATED LOSSES

(a) Reserves

Share-based payments reserve		
Balance at beginning of year	**983,691**	2,757,392
Employees and contractors share options issued	**-**	337,805
Employees and contractors share options lapsed/cancelled	**(514,472)**	(2,111,506)
Balance at end of year	**469,219**	983,691

(b) Retained earnings / (accumulated losses)		
Balance at beginning of year	**(31,885,078)**	(27,159,987)
Net profit/(loss) for the year	**(5,302,983)**	(6,836,597)
Employees and contractors share options lapsed	**514,472**	2,111,506
Balance at end of year	**(36,673,589)**	(31,885,078)

15. DIVIDENDS

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

16. KEY MANAGEMENT PERSONNEL DISCLOSURES

Short-term benefits	**1,227,955**	1,487,811
Superannuation	**81,737**	121,054
Consulting Fees	**439,830**	180,000
Termination benefits	**-**	-
Share-based payments	**-**	337,805
	1,749,522	2,126,670

Notes to the financial statements (continued)

16. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

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 9 to 12.

(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 B of the remuneration report on page 9.

(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:

2013	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	-	-	-	-	-	-	-
Barry Carbon	-	-	-	-	-	-	-
Scott Donaldson	3,000,000	-	-	(3,000,000)	-	-	-
Ding Feng	-	-	-	-	-	-	-
Yan Jitai	-	-	-	-	-	-	-
Neil Lithgow	-	-	-	-	-	-	-
Robert Nash	-	-	-	-	-	-	-
John Sibly	2,000,000	-	-	-	2,000,000	2,000,000	-
Other key management personnel of the Company							
Neil Martin	1,000,000	-	-	(1,000,000)	-	-	-
Kelvin May	-	-	-	-	-	-	-
Mark Menzies	-	-	-	-	-	-	-
Sam Middlemas	-	-	-	-	-	-	-

2012	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)	-	-	-
Barry Carbon	-	-	-	-	-	-	-
Scott Donaldson	3,000,000	-	-	-	3,000,000	1,000,000	2,000,000
Ding Feng	-	-	-	-	-	-	-
Yan Jitai	-	-	-	-	-	-	-
Neil Lithgow	3,000,000	-	-	(3,000,000)	-	-	-
Robert Nash	750,000	-	-	(750,000)	-	-	-
David McSweeney	-	-	-	-	-	-	-
John Sibly	2,000,000	-	-	-	2,000,000	2,000,000	-
Other key management personnel of the Company							
Paul Fromson	530,000	-	-	(530,000)	-	-	-
Patrick Soh	-	-	-	-	-	-	-
Neil Martin	-	1,000,000	-	-	1,000,000	-	1,000,000

Notes to the financial statements (continued)

16. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(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.

2013

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
Directors of Bauxite Resources Limited				
Luke Atkins	**17,041,667**	**-**	**-**	**17,041,667**
Barry Carbon	**-**	**-**	**-**	**-**
Scott Donaldson	**608,600**	**-**	**(608,600)**	**-**
Ding Feng	**-**	**-**	**-**	**-**
Yan Jitai	**-**	**-**	**-**	**-**
Neil Lithgow	**19,366,666**	**-**	**-**	**19,366,666**
Robert Nash	**254,900**	**-**	**-**	**254,900**
John Sibly	**40,500**	**-**	**-**	**40,500**
Peter Canterbury	**-**	**-**	**100,000**	**100,000**
Other key management personnel of the Company				
Neil Martin	**-**	**-**	**-**	**-**
Kelvin May	**-**	**-**	**-**	**-**
Mark Menzies	**70,000**	**-**	**130,000**	**200,000**
Sam Middlemas	**-**	**-**	**600,000**	**600,000**

2012

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
Directors of Bauxite Resources Limited				
Luke Atkins	17,041,667	-	-	17,041,667
Barry Carbon	-	-	-	-
Scott Donaldson	358,600	-	250,000	608,600
Ding Feng	-	-	-	-
Yan Jitai	-	-	-	-
Neil Lithgow	19,366,666	-	-	19,366,666
Robert Nash	254,900	-	-	254,900
John Sibly	40,500	-	-	40,500
Other key management personnel of the Company				
Paul Fromson	-	-	-	-
Patrick Soh	-	-	-	-
Neil Martin	-	-	-	-

Notes to the financial statements (continued)

(iv) Performance Right holdings

The number of performance rights 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:

2013	Balance at start of the year	Granted as compensation	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Bauxite Resources Limited						
Luke Atkins	-	-	-	-	-	-
Barry Carbon	-	-	-	-	-	-
Scott Donaldson	-	-	-	-	-	-
Ding Feng	-	-	-	-	-	-
Yan Jitai	-	-	-	-	-	-
Neil Lithgow	-	-	-	-	-	-
Robert Nash	-	-	-	-	-	-
John Sibly	-	-	-	-	-	-
Other key management personnel of the Company						
Neil Martin	-	-	-	-	-	-
Kelvin May	-	-	-	-	-	-
Mark Menzies	-	-	-	-	-	-
Sam Middlemas	-	1,500,000	-	1,500,000	-	1,500,000

2012	Balance at start of the year	Granted as compensation	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Bauxite Resources Limited						
Luke Atkins	-	-	-	-	-	-
Barry Carbon	-	-	-	-	-	-
Scott Donaldson	-	-	-	-	-	-
Ding Feng	-	-	-	-	-	-
Yan Jitai	-	-	-	-	-	-
Neil Lithgow	-	-	-	-	-	-
Robert Nash	-	-	-	-	-	-
David McSweeney	-	-	-	-	-	-
John Sibly	-	-	-	-	-	-
Other key management personnel of the Company						
Paul Fromson	-	-	-	-	-	-
Patrick Soh	-	-	-	-	-	-
Neil Martin	-	-	-	-	-	-

(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 under an agreement and was paid a retainer fee of $165,000 (2012: $180,000). Barry Carbon provided environmental compliance and consultancy services to Bauxite Resourced Limited in his capacity as a non-executive chairman during the year to a value of Nil (2012: $9,784) These amounts paid were on arms length commercial terms and are included as part of the respective compensation.

Notes to the financial statements (continued)

	Consolidated Group	
	2013	2012
	$	$

17. Interests in jointly controlled entities

(a) The Group has a 30% interest in the Bauxite Resource Joint Venture, whose principal activity is exploring the tenements owned by BRL in the Darling Range of Western Australia (as specifically set out in the agreement) to support the development of bauxite mining and the conduct of mining operations to supply bauxite to an alumina refinery under the terms of the Agreement.

(b) The Group has a 10% interest in the Alumina Refinery Joint Venture, whose principal activity is to determine:

i. the feasibility of planning, developing, constructing and operating an Alumina Refinery; and

ii. if feasible, planning developing, constructing, operating and maintaining the Alumina Refinery.

In the event that a bankable feasibility study is completed and the participants agree to construct a refinery, 9% of the capital expenditure will be met by BRL, however, it will be entitled to 30% of the alumina production and pay 30% of the operating costs.

(c) The Group has a 50% interest in Bauxite Alumina Joint Venture Pty Ltd, a jointly controlled entity. This entity acts as the Manager of the Joint Ventures in (a) and (b) above. The entity receives Management Fees for its services.

The Company has determined that the Bauxite Resource Joint Venture and the Alumina Refinery Joint Venture both meet the definition of "joint operation" under IFRS 11. Accordingly the following amounts are included in the Group's consolidated financial statements representing the Group's share of the assets liabilities, income and expenses of the Joint Ventures above:

	2013	2012
Current assets	**1,435,416**	1,486,022
Non-current assets	**173,377**	175,806
Current liabilities	**251,437**	306,871
Income	**34,061**	47,610
Expenses	**3,045,191**	3,967,143

(d) The Group has entered into a Farm-in arrangement with HD Mining & Investment Pty Ltd (HDMI) to carry out exploration on tenements, and if warranted, to develop and exploit the tenements and carry out mining operations for the purpose of deriving production of Bauxite from them. HDMI has agreed to fund all costs to earn a 60% Participating Interest.

Share of expenditure commitments of jointly controlled entities

Exploration commitments

	2013	2012
Payable within one year	**820,816**	1,153,644
Payable later than one year but not later than five years	**1,628,870**	3,203,896
	2,449,686	4,357,540

The commitments above refer to granted tenements as at 30 June 2013. The commitments of the joint ventures are disclosed in note 21.

Notes to the financial statements (continued)

18. OPERATING SEGMENTS

Segment Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

— the products sold and/or services provided by the segment;
— the manufacturing process;
— the type or class of customer for the products or services;
— the distribution method; and
— any external regulatory requirements

Types of products and services by segment

i. *Mining – Direct Shipping Ore*

In the 2010 year, the Company exported trial shipments to Chinese customers being three shipments of bauxite totalling approximately 128,000 tonnes. No further operations have been undertaken since then. The company still holds assets that were acquired to undertake the shipments of ore.

ii. *Exploration*

The Group has continued to advance its business case of defining an economic bauxite resource necessary to support a direct shipping ore (DSO) operation. The Group is also exploring for refinery grade bauxite on its tenements in the south-west of Western Australia.

iii. *Bankable feasibility and other studies*

During the 2011 financial year, the Company entered into an agreement with Yankuang for an alumina refinery joint venture. As part of the joint venture, studies are underway for a Bankable Feasibility for an alumina refinery.

iv. *Administration & Other*

The administration area supports the above mining, exploration and bankable feasibility segments.

Basis of accounting for purposes of reporting by operating segments

a. **Accounting policies adopted**

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

b. **Inter-segment transactions**

An internally determined transfer price is set for all inter-segment sales. This price is reset quarterly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

c. **Segment assets**

Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Notes to the financial statements (continued)

18. OPERATING SEGMENTS (continued)

d. **Segment liabilities**

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

e. **Unallocated items**

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Derivatives
- Net gains on disposal of available-for-sale investments
- Impairment of assets and other non-recurring items of revenue or expense
- Income tax expense
- Deferred tax assets and liabilities
- Current tax liabilities
- Other financial liabilities
- Intangible assets
- Discontinuing operations
- Retirement benefit obligations

i. Segment performance

	Exploration	Operations	BFS & other studies	Administration & other	Total
	$	$	$	$	$
30 June 2013					
REVENUE					
External sales	**413,243**	-	-	-	**413,243**
Inter-segment sales	-	-	-	-	-
Interest revenue	-	-	-	**2,137,740**	**2,137,740**
Other revenue	-	-	-	**1,089,615**	**1,089,615**
Total segment revenue	**413,243**	-	-	**3,227,355**	**3,640,598**
Segment net loss before tax	**(3,141,023)**	-	-	**(1,437,427)**	**(4,578,450)**
Reconciliation of segment result to group net profit/loss before tax					
i. Amounts not included in segment result but reviewed by Board					
— Depreciation and amortisation					**(717,482)**
— Income tax expense					-
Net loss before tax from continuing operations					**(5,295,932)**

Notes to the financial statements (continued)

18. OPERATING SEGMENTS (continued)

i. Segment performance

	Exploration	Operations	BFS & other studies	Administration & other	Total
	$	$	$	$	$
30 June 2012					
REVENUE					
External sales	610,389	-	-	-	610,389
Inter-segment sales	-	-	-	-	-
Interest revenue	-	-	-	2,906,731	2, 906,731
Other revenue	-	-	-	848,695	848,695
Total segment revenue	610,389	-	-	3,755,426	4,365,815
Segment net loss before tax	(4,185,606)	(411,444)	(294,211)	(957,841)	(5,849,102)
Reconciliation of segment result to group net profit/loss before tax					
i. Amounts not included in segment result but reviewed by Board					
— Depreciation and amortisation					(985,020)
Net loss before tax from continuing operations					(6,834,122)

ii. Segment assets

	Exploration	Operations	BFS & other studies	Administration & Other	Total
	$	$	$	$	$
30 June 2013					
Segment assets					
Segment assets	**407,661**	**-**	**-**	**51,791,702**	**52,199,363**
Total group assets					**52,199,363**
30 June 2012					
Segment assets					
Segment assets	521,576	2,750,141	1,487,994	53,165,662	57,925,373
Total group assets					57,925,373

iii. Segment liabilities

	Exploration	Operations	BFS & other studies	Administration & Other	Total
30 June 2013					
Segment liabilities					
Segment Liabilities	**158,897**		**1,663**	**370,355**	**530,915**
Total group liabilities					**530,915**

Notes to the financial statements (continued)

	Exploration	Operations	BFS & other studies	Administration & Other	Total
	$	$	$	$	$
30 June 2012					
Segment liabilities					
Segment Liabilities	422,640	2,547	17,700	272,174	715,061
Total group liabilities					715,061

iv. Major customers

The Group has one major party that it received monies from in relation to recoupment's for exploration costs (seen within the exploration segment above). 100% (2012: 90%) of this item was received from one external entity. In 2012, 95% was received from one entity and 5% received from another entity. All other receipts during the year are not considered significant.

	Consolidated Group 2013	Consolidated Group 2012
	$	$
19. REMUNERATION OF AUDITORS		
(a) Audit services		
Moore Stephens - audit and review of financial reports	**34,425**	34,906
Total remuneration for audit services	**34,425**	34,906
(b) Non-audit services		
Moore Stephens – Taxation services	**25,545**	32,323
Total remuneration for other services	**25,545**	32,323

20. CONTINGENCIES

On 25 June 2010, Bauxite Resources Ltd was notified that a litigation funder proposed to fund claims that current or former shareholders may have against the Company, in relation to the Company's October 2009 share placement. Since then, the litigation funder has not communicated further with the Company, and no legal proceedings have been commenced.

The Company will keep shareholders informed of any developments, including the commencement of any proceedings or any announcement that the litigation funder no longer proposes to involve itself in any action. In view of the fact that there has been no further correspondence from the litigation funder, and that the matter is no longer listed of the litigation founder's website as a pending matter, the Board has taken the discussion that litigation funder does not intend pursuing this claim

	Consolidated Group 2013	Consolidated Group 2012
	$	$
21. 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:

	2013	2012
within one year	**1,688,816**	3,821,260
later than one year but not later than five years	**3,461,371**	10,371,874
	5,150,187	14,193,134

The exploration commitments above reflect a commitment of 30% of total minimum annual expenditure requirements for tenements included in the Bauxite Resource Joint Venture Agreement. As legal title remains with BRL, it is the responsibility of the Company to

Notes to the financial statements (continued)

meet these minimum expenditure requirements. Total commitments on tenements held by BRL total $3,604,054 (2012: $5,880,762) within one year and $7,262,068 (2012: $16,143,626) later than one year but not later than five years.

(b) Commercial property lease commitments

within one year	**702,023**	673,784
later than one year but not later than five years	**1,164,361**	1,866,384
Later than five years	**-**	-
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	**1,866,384**	2,540,168

The property lease is a non-cancellable lease with a six-year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments to increase annually by set margins for 2 years followed by CPI increases. An option exists to renew the lease at the end of the six-year term for an additional term of three years. The lease allows for subletting of all lease areas.

(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 11 that are not recognised as liabilities and are not included in the key management personnel compensation.

within one year	**180,000**	165,000
later than one year but not later than five years	**-**	-
	180,000	165,000

22. RELATED PARTY TRANSACTIONS

	Consolidated Group	
	2013	**2012**
	$	**$**
(a) Amounts received from related parties		
Bauxite Alumina Joint Ventures Pty Ltd	**337,817**	92,823
Bauxite Resource Joint Venture	**189,919**	23,962
Alumina Refinery Joint Venture	**-**	2,877
	527,736	119,662
(b) Amounts paid to related parties (excluding equity contributions)		
Bauxite Alumina Joint Ventures Pty Ltd	**20,960**	56,748
Bauxite Resource Joint Venture	**65,005**	314,979
Alumina Refinery Joint Venture	**-**	10,279
	85,965	382,006
(c) Trade and other receivables from related parties		
Bauxite Alumina Joint Ventures Pty Ltd	**32,323**	23,988
Bauxite Resource Joint Venture	**19,916**	4,161
Alumina Refinery Joint Venture	**-**	-
	52,239	28,149
(d) Trade and other payables to related parties		
Bauxite Alumina Joint Ventures Pty Ltd	**1,183**	6,114
Bauxite Resource Joint Venture	**-**	2,720
	1,183	8,834

Notes to the financial statements (continued)

23. 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	Date of Incorporation	Class of Shares	Equity Holding(1) 2013 %	Equity Holding(1) 2012 %
Darling Range Pty Ltd	Australia	10 June 2008	Ordinary	100	100
Braeburn Resources Pty Ltd	Australia	24 July 2007	Ordinary	100	100
Darling Range South Pty Ltd	Australia	13 November 2008	Ordinary	100	100
Darling Range North Pty Ltd	Australia	23 March 2009	Ordinary	100	100
BRL Operations Pty Ltd	Australia	16 February 2009	Ordinary	100	100
BRL Landholdings Pty Ltd	Australia	16 February 2009	Ordinary	100	100
BRL Other Minerals Pty Ltd	Australia	25 March 2009	Ordinary	100	100
VA Holdings Pty Ltd	Australia	13 February 2009	Ordinary	100	-
Bauxite Alumina Joint Ventures Pty Ltd	Australia	12 January 2011	Ordinary	50	50

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

24. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There has not been any other event that has arisen since 30 June 2013 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.

	Consolidated Group 2013 $	Consolidated Group 2012 $
25. 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	**(5,302,983)**	(6,836,597)
Non-cash Items		
Depreciation and amortisation	**717,482**	985,019
Share-based payments expense	**-**	337,805
Revaluation of property, plant and equipment	**636,959**	-
Net (gain)/loss on disposal of property, plant and equipment	**(39,325)**	47,610
Change in operating assets and liabilities, net of effects from purchase of controlled entities		
(Increase)/ Decrease in trade and other receivables	**(171,526)**	1,248,144
Increase/ (Decrease) in trade and other payables	**(184,147)**	(1,254,446)
Net cash inflow/(outflow) from operating activities	**(4,343,540)**	(5,472,465)

Notes to the financial statements (continued)

26. EARNINGS PER SHARE

(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	**(5,302,983)**	(6,836,597)

	Number of shares	Number of shares
(b) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	**235,296,198**	235,379,896
Weighted average number of dilutive options outstanding	**3,301,370**	17,783,265
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	**238,597,568**	253,163,161

(c) Information on the classification of options

As the Company has made a loss for the year ended 30 June 2013, all options on issue are considered anti-dilutive 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.

27. 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.

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 Group			
	2013		2012	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the year	**6,000,000**	**36.7**	18,195,000	42.9
Granted	-	-	1,000,000	20.0
Forfeited/cancelled/expired	**(4,000,000)**	**23.33**	(13,195,000)	20.4
Exercised	-	-	-	-
Outstanding at year-end	**2,000,000**	**40**	6,000,000	36.7
Exercisable at year-end	**2,000,000**	**40**	3,000,000	40.0

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 2.65 years (2012: 3.78 years), with exercise prices of 40 cents.

The weighted average fair value of option granted during last year was 2.28 cents. No options were granted during this year. The weighted average fair value of performance rights granted during the year was Nil. The price was calculated by using the Black-Scholes European Option Pricing Model incorporating a Monte Carlo simulation applying the following inputs:

Notes to the financial statements (continued)

27. SHARE-BASED PAYMENTS (Continued)

	Consolidated Group	
	2013	**2012**
Weighted average exercise price (cents)	-	20.00
Weighted average life of the option (years)	**0.77&1.77**	4.85
Weighted average underlying share price (cents)	**14.00**	14.00
Expected share price volatility	**90%**	74%
Weighted average risk free interest rate	**3.01%**	4.25%

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.

	2013	**2012**
	$	**$**
Options issued to directors, employees and contractors	-	337,805

	2013	**2012**
	$	**$**
Performance rights awarded to directors, employees & contractors	**1,500,000**	-

1,000,000 rights to be issued if BAU's market capitalisation trades above A$50m for 30 consecutive days prior to 31 December 2013.

A further 500,000 rights to be issued if BAU's market capitalisation trades above A$72.5m for 60 consecutive days prior to 31 December 2014.

Directors' Declaration

In the opinions of the directors' of Bauxite Resources Limited (the "Company"):

(a) the financial statements and notes and the remuneration disclosures that are contained in the Directors' Report, are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Australian Accounting Standards and the *Corporations Regulations 2001;* and

  (ii) giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2013 and of their performance for the financial year ended on that date;

(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;

(c) the Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2013; and

(d) note 1 confirms that the financial statements also comply with the International Reporting Standards as issued by the International Accounting Standards Board.

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

Robert Nash
Chairman

Perth, 20 September 2013

MOORE STEPHENS
ACCOUNTANTS & ADVISORS

Level 3, 12 St Georges Terrace
Perth WA 6000

PO Box 5785, St Georges Terrace
WA 6831

T +61 (0)8 9225 5355
F +61 (0)8 9225 6181

www.moorestephens.com.au

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, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards (IFRS).

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. Those 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*, which has been given to the directors of Bauxite Resources Limited, would be in the same terms if provided to the directors as at the time of this auditor's report.

Auditor's Opinion

In our opinion:

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

   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

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

Report on the Remuneration Report

We have audited the remuneration report as included in the Directors' Report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 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 Limited for the year ended 30 June 2013 complies with s 300A of the *Corporations Act 2001*.

Moore Stephens

Suan-Lee Tan
Partner

Moore Stephens
Chartered Accountants

Signed at Perth this 20th day of September 2013