



BAUXITE RESOURCES LIMITED

**Bauxite Resources Limited ABN 72 119 699 982
and Controlled Entities**

**Interim Financial Report
for the half-year ended 31 December 2011**

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the period ended 31 December 2011 and any public announcements made by Bauxite Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

**Bauxite Resources Limited ABN 72 119 699 982
and Controlled Entities**

Interim Financial Report

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2011.

DIRECTORS

The names of directors who held office during or since the end of the half-year:

Mr Barry Carbon AM	Mr Yan Jitai
Mr Scott Donaldson	Mr Neil Lithgow
Mr Luke Atkins	Mr Robert Nash
Mr Ding Feng	Mr John Sibly

REVIEW OF OPERATIONS

Business Direction and Board Strategy

During the half year ended 31 December 2011 the Company achieved a number of key milestones. This included a doubling of bauxite resources to 51 million tonnes; an increase in granted Darling Range tenements to 54 (now covering over 13,000km²), and a substantial increase in the number of landowners signing access agreements.

The Company has continued to advanced towards its strategic objective of proving the business case for the construction and operation of a modern alumina refinery with its joint venture partner Yankuang Resources Ltd (a wholly owned subsidiary of the A\$16Bn Yankuang Group Corporation (collectively "Yankuang"). Together, the companies have formed the Bauxite Alumina Joint Ventures ("BAJV") which will manage the exploration and refinery business on behalf of the two shareholders. This company is overseen by a Board of Directors that consists of three Yankuang and three Bauxite Resources Ltd (BRL) representatives.

BRL is now one of the largest tenement holders in the highly prospective Darling Range in southwest Western Australia. The Darling Range is the world's premier alumina producing region; in 2010-11 it produced ~23% of the worlds alumina supply. Three of the four alumina refineries located here are in the lower quartile cash cost curve, meaning they are amongst the lowest cost producers in the world. This region is viewed by both BRL and its joint venture partner as an ideal location to work towards a fifth alumina refinery proposal.

The refinery joint venture provides BRL with the opportunity to participate in a business that would normally not be available due to the high capital cost entry barriers. The agreement with Yankuang offers the following important terms;

- BRL and Yankuang will jointly complete a feasibility study into the viability of constructing and operating a modern alumina refinery to be underpinned by a geological resource of not less than 90 million tonnes of refinery grade bauxite.
- The costs of the feasibility study are to be borne 90% by Yankuang and 10% by BRL whilst the cost of the resource exploration and definition activity is 70% Yankuang and 30% BRL.
- Subject to the feasibility results, BRL & Yankuang will design and build a modern refinery of not less than 1.1 million tonnes per annum capacity in the southwest of Western Australia. Yankuang will finance 91% of the construction cost and BRL 9%.
- BRL and Yankuang would operate the refinery with BRL receiving 30% of the product and Yankuang 70%.
- Yankuang has also agreed to off-take 50% of BRL's share of the alumina for a period of 10 years at a price to be agreed and to assist BRL in obtaining its 9% of the construction funding.

In parallel with the refinery joint venture, the Company has also progressed the definition of additional bauxite resources through its joint venture with HD Mining & Investment Pty Ltd ("HD Mining"). HD Mining is a wholly owned subsidiary of the Shandong No1 Institute for Prospecting of Geology and Minerals ("Shandong"). This bauxite joint venture agreement covers 1,000km² of selected tenements in the eastern Darling Range, Western Australian. Shandong is responsible for 100% of exploration costs and will have the rights to 60% of all bauxite resources within this area, once a decision is made to commence mining.

During the December half, the Company maintained its prudent approach to expenditure and has completed

**Bauxite Resources Limited ABN 72 119 699 982
and Controlled Entities**

Interim Financial Report

DIRECTORS' REPORT

the year with cash balance of over \$50 million in hand and no bank debt. This strong financial position will allow the Company to pursue its strategic objectives over the next two years with confidence.

The Directors recognise that 2012 is likely to provide a number of additional business opportunities due to the combination of the strong Australian dollar, European financial uncertainty and cyclical nature of the global metal markets. The Company remains well positioned to take up any opportunities that may arise where the Directors are satisfied that these will be value accretive for shareholders.

The Directors of BRL remain firmly committed to the existing strategy of proving a business case for an alumina refinery in the southwest of Western Australia to monetize the bauxite potential within our exploration tenure. Our two joint venture partners Yankuang and HD Mining have proved to be supportive of BRL and have closely aligned business goals. The additional non bauxite potential that has been identified on our tenements provides significant upside potential for shareholders.

Exploration and Approvals

In January the Company announced that it had completed a first pass review of geological prospectivity over all of its Darling Range tenements where non bauxite minerals are excluded from the two main joint ventures and remain with BRL. This review was undertaken in the first instance by an external specialist consulting group and then followed up by Dr Neil Martin, a geologist with experience across a wide range of minerals and geology types in both Australia and overseas. Dr Martin has subsequently accepted the Company's offer to join BRL as the Exploration Manager.

The review has determined that this region is underexplored by modern scientific exploration methods and that the region is prospective for a range of minerals. The Company has determined that the five most prospective minerals are bauxite, gold, coal, iron ore, tin/tantalum.

The WA government has recently carried out aerial magnetic surveys over much of the south west of the state and the initial data from these became available to the public in late February 2012. Further data will become available over the next four months and BRL intends to use the data in conjunction with our new understanding of the regional geology to generate high priority drilling targets. The Company expects to be in a position to comment more on this after the end of June 2012.

Management and Board Changes

In October 2011 the Company announced that the inaugural CEO of the BAJV (BRL's Scott Donaldson) would step down from the joint venture and focus solely on his duties as BRL CEO. This is the final step in setting up the BAJV and normalising its operation. BAJV Pty Ltd is now operating as an independent company, pursuing the business objectives of its shareholders, Yankuang and BRL. This has provided BRL with the confidence to place additional focus on the growth of the non bauxite portion of our business.

AUDITOR'S DECLARATION

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 3 for the half-year ended 31 December 2011.

This report is signed in accordance with a resolution of the Board of Directors.



Barry Carbon AM

Chairman

Dated this 14th day of March 2012

Bauxite Resources Limited ABN 72 119 699 982
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Interim Financial Report

MOORE STEPHENS
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**AUDITOR'S INDEPENDENCE DECLARATION UNDER
S307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF BAUXITE RESOURCES
LIMITED**

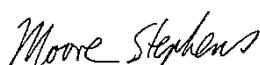
As lead auditor for the review of Bauxite Resources Limited for the half-year ended 31 December 2011, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Bauxite Resources Limited during the year.



NEIL PACE
PARTNER



MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth this 14th day of March 2012.

**Bauxite Resources Limited ABN 72 119 699 982
and Controlled Entities**

Interim Financial Report

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Note	Consolidated Group	
		31.12.2011	31.12.2010
		\$	\$
Revenue		-	105,940
Interest income		1,517,506	1,510,400
Recoupment of exploration cost		617,239	-
Other Income		547,585	309,736
Cost of sales		(403,872)	-
Employee benefits expense		(1,469,940)	(1,404,147)
Exploration written off		(2,636,490)	(2,698,912)
Bankable feasibility and other studies		(121,384)	(1,410,132)
Administration expenses		(412,816)	(1,738,581)
Depreciation and amortisation expense		(521,163)	(660,143)
Profit / (loss) on sale of fixed assets		(55,643)	(55,683)
Share based payments expense		(216,710)	(161,278)
Profit before income tax		(3,155,688)	(6,202,800)
Income tax expense		-	-
Profit from continuing operations		(3,155,688)	(6,202,800)
(Loss)/Profit from discontinued operations		-	-
Profit for the period	2	(3,155,688)	(6,202,800)
Profit attributable to:			
Members of the parent entity		(3,155,688)	(6,202,800)
Non-controlling interest		-	-
		(3,155,688)	(6,202,800)
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		(3,155,688)	(6,202,800)
Total comprehensive income attributable to:			
Members of the parent entity		(3,155,688)	(6,202,800)
Non-controlling interest		-	-
		(3,155,688)	(6,202,800)
Earnings per share			
From continuing and discontinued operations:			
Basic earnings per share (cents)		(1.34)	(2.65)
Diluted earnings per share (cents)		(1.34)	(2.65)

The accompanying notes form part of this financial report.

**Bauxite Resources Limited ABN 72 119 699 982
and Controlled Entities**

Interim Financial Report

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	Consolidated Group	
	31.12.2011	30.06.2011
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	50,633,934	53,126,585
Trade and other receivables	2,079,936	2,929,977
Inventories	-	-
TOTAL CURRENT ASSETS	52,713,869	56,056,562
NON-CURRENT ASSETS		
Property, plant and equipment	7,961,930	8,965,646
Intangible assets	1,365	1,365
Other financial assets	689,820	665,470
TOTAL NON-CURRENT ASSETS	8,653,115	9,632,481
TOTAL ASSETS	61,366,985	65,689,043
CURRENT LIABILITIES		
Trade and other payables	494,272	1,881,562
Short-term provisions	102,587	98,378
TOTAL CURRENT LIABILITIES	596,859	1,979,940
TOTAL LIABILITIES	596,859	1,979,940
NET ASSETS	60,770,126	63,709,103
EQUITY		
Issued capital	88,111,698	88,111,698
Reserves	2,974,102	2,757,392
Retained earnings	(30,315,675)	(27,159,987)
Parent entity interest	-	-
Non-controlling interest	-	-
TOTAL EQUITY	60,770,126	63,709,103

The accompanying notes form part of this financial report.

**Bauxite Resources Limited ABN 72 119 699 982
and Controlled Entities**

Interim Financial Report

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2011

Note	Issued Capital Ordinary \$	Option Reserve \$	Retained Earnings \$	Total \$
Balance at 1.7.2010	87,861,698	1,901,250	(23,626,596)	66,136,352
Total comprehensive income for the period	-	-	(6,202,800)	(6,201,777)
Shares issued during the period	-	-	-	-
Transaction costs associated with share issue	-	-	-	-
Employee share options issued during the period	-	161,279	-	161,279
Balance at 31.12.2010	87,861,698	2,062,529	(29,829,396)	60,094,831
Balance at 1.7.2011	88,111,698	2,757,393	(27,159,987)	63,709,103
Total comprehensive income for the period	-	-	(3,155,688)	(3,155,688)
Shares issued during the period	-	-	-	-
Transaction costs associated with share issue	-	-	-	-
Employee share options issued during the period	-	216,710	-	216,710
Balance at 31.12.2011	88,111,698	2,974,102	(30,315,675)	60,770,126

The accompanying notes form part of this financial report

**Bauxite Resources Limited ABN 72 119 699 982
and Controlled Entities**

Interim Financial Report

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Consolidated Group	
	31.12.2011	31.12.2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	1,675,786	125,468
Payments to suppliers and employees	(3,634,089)	(5,042,825)
Payments for exploration expenditure	(2,218,369)	(2,843,168)
Interest received	1,307,463	1,454,356
Income tax paid	-	281,539
Net cash (used in)/provided by operating activities	(2,869,209)	(6,024,620)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	549,027	126,008
Purchase of property, plant and equipment	(122,116)	(878,018)
Payment for other financial assets	(24,350)	(271,078)
Expenditure on mining improvements	(26,003)	
Net cash used in investing activities	376,557	(1,023,088)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	-
Net cash used in/(provided by) financing activities	-	-
Net increase (decrease) in cash held	(2,492,652)	(7,047,718)
Cash and cash equivalents at beginning of period	53,126,585	54,403,925
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	50,633,934	47,356,207

The accompanying notes form part of this financial report

**Bauxite Resources Limited ABN 72 119 699 982
and Controlled Entities**

Interim Financial Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

NOTE 1: BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2011 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Bauxite Resources Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2011, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

NOTE 2: OPERATING SEGMENTS

(i) Segment performance

	Exploration	Operations	BFS & other studies	Administration & other	Total
	\$	\$	\$	\$	\$
Six months ended 31 December 2011					
Revenue					
External sales	617,239	-	-	-	617,239
Other income	-	-	397,870	149,715	547,585
Interest revenue	-	-	-	1,517,506	1,517,506
Total segment revenue	617,239	-	397,870	1,667,221	2,682,330
Segment net profit before tax	(2,019,251)	(403,872)	276,486	(487,887)	(2,634,525)
<i>Reconciliation of segment result to group net profit/(loss) before tax</i>					
Amounts not included in segment result but reviewed by the Board:					
— depreciation and amortisation					(521,163)
Net profit before tax from continuing operations					(3,155,688)

**Bauxite Resources Limited ABN 72 119 699 982
and Controlled Entities
Interim Financial Report**

NOTE 2: OPERATING SEGMENTS

(i) Segment performance

	Exploration	Operations	BFS & other studies	Administration & other	Total
	\$	\$	\$	\$	\$
Six months ended 31 December 2010					
Revenue					
External sales	100,000	-	5,940	-	105,940
Grant income	-	-	-	28,241	28,241
Other income	-	-	-	281,540	-
Interest revenue	-	-	-	1,510,400	1,510,400
Total segment revenue	100,000	-	5,940	1,820,181	1,616,340
Segment net profit before tax	(2,868,912)	-	(1,404,192)	(1,269,553)	(5,542,657)
<i>Reconciliation of segment result to group net profit/(loss) before tax</i>					
Amounts not included in segment result but reviewed by the Board:					
— depreciation and amortisation					(660,143)
Net profit before tax from continuing operations					(6,202,800)

(ii) Segment assets

	Exploration	Operations	BFS & other studies	Administration & other	Total
	\$	\$	\$	\$	\$
Opening balance 30 June 2011	1,683,854	2,328,657	2,072,799	59,603,733	65,689,043
Closing balance 31 December 2011	3,081,031	1,716,158	1,800,848	54,768,948	61,366,985

NOTE 3: CONTINGENT LIABILITIES

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.

NOTE 4: EVENTS SUBSEQUENT TO REPORTING DATE

There has not been any other event that has arisen since 31 December 2011 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.

**Bauxite Resources Limited ABN 72 119 699 982
and Controlled Entities**

Interim Financial Report

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 4 to 9 are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Barry Carbon AM
Chairman

Dated this 14th day of March 2012

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

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Bauxite Resources Limited and Controlled Entities (the consolidated entity) which comprises the condensed statement of financial position as at 31 December 2011, the condensed statement of comprehensive income, condensed statement of changes in equity, the condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: Review of an Interim Financial Report Performed by the Independent Auditor of the Entity in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Bauxite Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit.

Accordingly, we do not express an audit opinion.

Matters Relating to Electronic Publication of the Audited Financial Report

This review report relates to the financial report of Bauxite Resources Limited for the half-year ended 31 December 2011 included on the website of Bauxite Resources Limited. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on its integrity. This review report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of the financial report are concerned with the inherent risk arising from publication on a website, they are advised to refer to the hard copy of the reviewed financial report to confirm the information contained in this website version of the financial report

**Bauxite Resources Limited ABN 72 119 699 982
and Controlled Entities
Interim Financial Report**

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the Corporations Act, provided to the directors of Bauxite Resources Limited on 14 March 2011, would be in the same terms if provided to the directors as at the time of this auditor's review report.

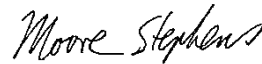
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Bauxite Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (ii) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.



**NEIL PACE
PARTNER**



**MOORE STEPHENS
CHARTERED ACCOUNTANTS**

Signed at Perth this 14th day of March 2012.