

BAUXITE RESOURCES LIMITED

SEPTEMBER 2015 QUARTERLY REPORT

HIGHLIGHTS

- **Non-Binding Memorandum of Understanding for Resolution of Dispute and Termination of Joint Ventures with Yankuang. Key terms of the MOU are:**
 - The existing Joint Ventures between the parties terminated;
 - BRL sell its interests in the Joint Ventures and its 100% owned Fortuna bauxite rights to Yankuang for cash consideration and a royalty right; and
 - BRL buy back Yankuang's shares in BRL and Yankuang cease to be represented on the BRL Board.

- **Sam Middlemas appointed new CEO following the departure of Peter Canterbury**

- **BRL remains in JV with HD Mining under which all exploration and study costs 100% carried by HD Mining (current resource base 87.8Mt, see 2015 Annual Report and Resources and Reserves Statement for resource details – HD Mining have an earn in of up to 60% on decision to mine)**

- **Cash at bank A\$22.2 million and no debt.**

29 September
2015



ASX Code: BAU
BAUXITE RESOURCES LTD
ABN: 72 119 699 982

DIRECTORS:
Robert Nash
Non Executive Chairman
Luke Atkins
Non Executive Director
Cunliang Lai
Non Executive Director
Neil Lithgow
Non Executive Director
Zhaozhong Wang
Non Executive Director

**CHIEF EXECUTIVE OFFICER AND
COMPANY SECRETARY:**
Sam Middlemas

Head Office:
Level 2, Building E
Garden Office Park
355 Scarborough Beach Rd
Osborne Park WA 6017

Mail:
PO Box 1315
Osborne Park WA 6916
T: +61 8 9200 8200
F: +61 9 9200 8299
E: admin@bauxiteresources.com.au
W: www.bauxiteresources.com.au

Share Registry:
Security Transfer Registrars
PO Box 535
Applecross WA 6953
T: +61 8 9315 2333
F: +61 8 9315 2233



ACTIVITY SUMMARY FOR SEPTEMBER 2015 QUARTER

During the quarter exploration activities were significantly reduced while the Dispute with Yankuang was under mediation. The result of that mediation was announced to the market on 21 October 2015 as follows:

BACKGROUND

Bauxite Resources Ltd (“BRL”), Yankuang Resources Pty Ltd (“Yankuang”) and Yankuang Group Company Ltd (“YGL”) had been engaged in a formal mediation in an effort to resolve the dispute between the parties regarding amongst other things the progress of the Refinery Bankable Feasibility Study.

The mediation was conducted on 11 August 2015 and was adjourned to enable the parties to explore a proposal under which the joint ventures would be terminated with Yankuang acquiring BRL’s interests in the joint ventures and in BRL’s 100% owned Fortuna bauxite interests.

Since the mediation was adjourned on 11 August 2015, the parties and their solicitors were actively engaged in ongoing negotiations which have resulted in them entering into the non-binding Memorandum of Understanding (MOU).

A summary of the key terms of the proposed transaction documents which are the subject of the MOU follows.

KEY TERMS OF THE PROPOSED TRANSACTION

- The joint ventures with Yankuang will be terminated;
- Yankuang will pay BRL the sum of A\$7.15 million for its interests in the assets of the joint ventures, including its shareholding in Bauxite Alumina Joint Ventures Pty Ltd (‘BAJV’), and for its interests in the Fortuna bauxite rights;
- BRL will buy back Yankuang’s 19,700,000 shares in BRL for the sum of \$1.15 million;
- Yankuang and BAJV will pay BRL a royalty of 0.9% of the FOB price for the first 100 million tonnes of bauxite mined from the Fortuna and Felicitas tenements;
- BRL will transfer to Yankuang all its interest in the tenements that relate to the joint ventures;
- Subject to the agreement of the tenement holder, BRL will assign its rights in the Fortuna bauxite resource to Yankuang and in the event that the Fortuna tenement holder does not agree, then the royalty right referred to above will be reduced to the first 87 million tonnes; and
- Yankuang’s nominee director will resign from the Board of BRL.

If the Boards of Directors of each of Yankuang, YGL and BRL approve and execute the proposed transaction documents, the transaction will still be conditional upon BRL shareholder approval for the sale of the joint venture interests under ASX Listing Rule 11, BRL shareholder approval for the buyback of Yankuang’s shares under section 257D of the Corporations Act, Foreign Investment Review Board (“FIRB”) approval to Yankuang’s acquisition of the joint venture interests, and approval by the State-Owned Assets Supervision and Administration Commission of the Peoples Republic of China (“SASAC”).

It is anticipated that BRL shareholder approval will be sought in December 2015, if the proposed transaction documents are approved by the Boards each of BRL, Yankuang and YGL.

BRL reiterates that there is as yet no binding agreement between the parties.



EXPLORATION ACTIVITIES UNDER THE JOINT VENTURE WITH HD MINING

Background

In 2010 the Company entered into a joint venture (“JV”) with HD Mining & Investment Pty Ltd (“HD Mining”) a wholly-owned subsidiary of the Shandong Bureau No1 Institute for Prospecting of Geology & Minerals (“Shandong”) to explore for bauxite. The JV allows for HD Mining to fund 100% of exploration and feasibility costs for HD Mining to earn 60% interest of the bauxite rights upon a decision to mine.

Current Activities

Due to current fiscal restraints within the Shandong Bureau the proposed Bankable Feasibility Study for the Dionysus project has been delayed. However development work has progressed with a number of water level monitoring bores drilled to allow collection of baseline standing ground water levels and variography holes drilled to provide information on the lateral variation of the grade and thickness of the bauxite horizon.

CORPORATE

Board and Management Changes

As announced on 21 October 2015, following the signing of the non-binding MOU for the resolution of the dispute and determination of the joint ventures with Yankuang, with the likely consequential change in focus and direction for BRL going forward, the Chief Executive Officer and Executive Director Peter Canterbury resigned his position to pursue other opportunities in the resources sector.

The Board has appointed Sam Middlemas as Chief Executive Officer to replace Peter. Sam has been with the Company for over three years in the role as Company Secretary and was Acting Chief Executive Officer prior to the appointment of Peter Canterbury.

Cash Position and Shareholder Information

As at 30 September 2015 the Company had 2,368 shareholders and 232,002,336 ordinary fully paid shares on issue with the top 20 shareholders holding 58.0% of the total issued capital.

Bauxite Resources is in a strong financial position with significant cash reserves and no debt. As at 30 September 2015 the Company held AU\$22.9 million in cash.

Sam Middlemas, CEO, Bauxite Resources Ltd

The Company advises that this material contains summaries of Mineral Resources as defined in the JORC Code 2012, and confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions continue to apply.

Schedule of interests in mining tenements as at 30 September 2015

BRL TENEMENTS (100%)

BRL retain 100% interest in bauxite and other minerals on the following tenements

Tenement	Location
Darling Range Tenements (Granted)	
E70/3618	Popanyinning
E70/3652	Quanaming
E70/4342	Narrogin
E70/4586	Newdale
E70/4595	Carrabening Pool
E70/4619	Yarawindah
E70/4635	Ebanazer Flats
Darling Range Tenements (Application)	
E70/4300	Quindanning

BRL TENEMENTS (BAUXITE RIGHTS ONLY)

BRL retain 100% bauxite interest on the following tenements

Tenement	Location
Darling Range Tenement (Granted)	
E70/2230	Wundowie

HD MINING & INVESTMENTS JOINT VENTURE TENEMENTS

The JV requires HD Mining to fund 100% of all exploration and feasibility costs to earn up to 60% of the bauxite rights. HD Mining is currently working towards obtaining 40% interest in the bauxite rights on the tenements below. This will be triggered if HD Mining enters into a binding commitment to undertake a feasibility study on the tenements. Should HD Mining and BRL make a decision to mine, HD Mining will earn an additional 20% interest in bauxite rights. BRL maintains 100% interest in other minerals. At the date of this report BRL still has 100% interest in these tenements.

Tenement	Location
Darling Range Tenements (Granted)	
E70/3160	Toodyay
E70/3405	Victoria Plains
E70/3179	Congelin
E70/3180	Dattening
E70/3890	Wandering
Darling Range Tenements (Application)	
E70/3599	Goodenine Pool

YANKUANG JOINT VENTURE INTERESTS

Bauxite Resources Limited has 30% interest in the bauxite rights on the tenements below. BRL retain 100% interest in other minerals except for iron on tenement E70/3900. BRL retain 100% interest in other minerals on all other tenements below except E70/3366 and E70/3730.

Tenement	Location	Tenement	Location
Darling Range Tenements (Granted)		Darling Range Tenements (Application)	
E70/3366	Mackrin Hill	E70/3206	Mt Gorrie
E70/3730	Bakers Hill	E70/3193	Beechina
E70/3002	Berry Brow	E70/3528	Avon Valley
E70/3007	Gillingarra	E70/3537	Bald Hill
E70/3064	Bindoon	E70/3707	Trig Road
E70/3159	Jimperding	E70/4010	Woorooloo
E70/3432	West Toodyay	E70/4011	Keating Road
E70/3598	Coolingoort	E70/3485	Taurus
E70/3731	Bakers Hill	E70/3205	Hotham
E70/3900	Jimperding Hill	E70/3471	Boyup Brook
E70/4021	Miwana	E70/3472	Mairdebring
E70/4022	Boononging	E70/3486	Coodjatotine
E70/3651	Mt Talbot	E70/3746	Dryandra
E70/3488	Kokendin	E70/3102	Collie Road
E70/3565	Dinninup	E70/3194	Jarrahdale
E70/3573	Condinup	E70/3195	Harvey
E70/3624	Mokup Hill	E70/3196	Dandalup
E70/3644	Moodiarrup	E70/3197	Pt Solid
		E70/3204	Wugong

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

Bauxite Resources Limited

ABN

72 119 699 982

Quarter ended ("current quarter")

30 September 2015

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	147	147
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(419) (39) - (778)	(419) (39) - (778)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	170	170
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(919)	(919)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	- - -	- - -
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	- - 39	- - 39
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	39	39
1.13 Total operating and investing cash flows (carried forward)	(880)	(880)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(88o)	(88o)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(88o)	(88o)
1.20	Cash at beginning of quarter/year to date	22,998	22,998
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	22,118	22,118

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	230
1.24	Aggregate amount of loans to the parties included in item 1.10	N/A

1.25 Explanation necessary for an understanding of the transactions

Item 1.23 includes aggregate amounts paid to directors including salary, director's fees and consulting fees.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

--

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

--

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	415
4.2 Development	-
4.3 Production	-
4.4 Administration	637
Total	1,052

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	488	738
5.2 Deposits at call	21,630	22,260
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	22,118	22,998

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	Nil		
6.2	Interests in mining tenements and petroleum tenements acquired or increased	Nil		

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities			
	(description)			
7.2	Changes during quarter			
	(a) Increases through issues			
	(b) Decreases through returns of capital, buy-backs, redemptions			
7.3	+Ordinary securities	232,002,336	232,002,336	
7.4	Changes during quarter			
	(a) Increases through issues (performance rights)	104,640	104,640	Nil
	(b) Decreases through returns of capital, buy-backs	-	-	-
7.5	+Convertible debt securities			
	(description)			

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options (<i>description and conversion factor</i>)	2,000,000	-	<i>Exercise price</i> 36 cents	<i>Expiry date</i> 22/02/2016
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures (<i>totals only</i>)				
7.12 Unsecured notes (<i>totals only</i>)				
7.13 Performance Rights (<i>totals only</i>)	4,327,000	-		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



(Company secretary)

Date: 29 October 2015

Print name:

Sam Middlemas

+ See chapter 19 for defined terms.

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

== == == == ==