Bauxite Resources Limited: Releases An Update To Shareholders

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Perth, Australia (ABN Newswire) - Bauxite Resources Limited (ASX: BAU) (PINK: BXRDF) releases a letter to shareholders on, BRL's DSO strategy, downstream growth strategy, specialised market strategy and the IMF (Australia) Ltd (ASX: IMF) (PINK: IMFAF) litigation.

Dear Shareholder,

I have been prompted by discussions with some of you following recent media coverage relating to your Company to write to all shareholders and provide an update on the status of the Company. Most importantly, I want to reinforce that we remain committed to our long term business plans.

Background and Strategy

BRL was floated in October 2007 with a strategy to capitalise on the bauxite resource found in the Darling Range, Western Australia. Shareholders will be aware of three limbs of Bauxite Resources Limited's (BRL) strategy which have been pursued since that time.

1. DSO strategy

The first activity was to establish a bauxite direct shipping ore (DSO) operation, with a view to exporting bauxite to China from the Darling Range. BRL is mainly targeting the major bauxite market in the Shandong Province (population 120 million) in North-East China for these DSO operations. BRL has extensive tenements (granted and under application) throughout the Darling Range. The Company enjoys strong support from a number of landowners who have already signed land access agreements, which will help facilitate further exploration.

BRL also has the support of its strategic partner, Shandong No1 Institute for Prospecting of Geology and Minerals (SDGM) for the execution of this strategy. SDGM is a significant shareholder in BRL and has invested nearly $10 million in BRL to date. SDGM is looking to BRL to secure a long term reliable bauxite supply from a politically stable country relatively close (in shipping terms) to China.

2. Downstream growth strategy

Secondly, in 2009 the Company entered into a Heads of Agreement with Yankuang Group Corporation Ltd (Yankuang) for an alumina refinery joint venture. This is a longer term objective which provides downstream growth opportunities.

Yankuang is BRL's other strategic partner, significant shareholder and investor in BRL. In mid July a delegation of three BRL directors will meet with Yankuang to discuss BRL's business plans and the alumina refinery joint venture. Yankuang has a compelling strategic need to secure alumina for its smelting operation, and may provide further finance options to BRL.

3. Specialised market strategy

Thirdly, BRL is investigating an opportunity in the specialised calcined bauxite market, which provides a higher sale value product for the abrasive and refractory industries.

Though the market for bauxite has softened as a result of international economic events, BRL's strategy has not changed and BRL's business plans remain in place to pursue all three areas. BRL is in a strong financial

position with significant cash reserves of over A$50 million in addition to over A$10 million of value in property, plant and equipment.

Environmental approvals

As part of BRL's DSO strategy, it made an application to the Environmental Protection Authority (EPA) in December 2009 to mine and export 1.2Mt of bauxite on privately owned farmland in North Bindoon in the Darling Range over a 6 month period. The EPA assessment process is intended to review possible impacts on environment and community and what must be done to minimise and consult on these possible impacts. This is part of any mining approval process, and the level of assessment determined by the EPA can involve a range of processes (and therefore time lags) depending on the significance of the anticipated impact.

The EPA set the level of assessment for the proposed 6 month mining operation as a Public Environmental Review, which is a lengthy process. BRL had not anticipated that the operations which were the subject of its application would generate environmental impacts warranting this level of review, and appealed the EPA's assessment. The appeal itself would have taken several months, extending the period of uncertainty for shareholders.

The Company took the opportunity to carefully weigh up all available options for its Darling Range assets to best ensure long term shareholder value. We consulted with government departments and a number of experts before recently deciding to withdraw the appeal and the original 1.2Mt application.

BRL has now advised the EPA that it will submit a new application for ongoing mining operations north of Bindoon at a rate of 2Mtpa. BRL will propose a public level of assessment for this referral, given the extended nature of the proposed operations, and to ensure that community concerns are fully addressed. BRL will continue to work closely with the local community to ensure its proposed operations meet their expectations. The Board believes that this approach will create greater long term certainty and more public confidence in the approval process for our mining activities as a result of the level of public scrutiny involved.

Executive Search Update

The Company has commenced the search for a new Chief Executive Officer/Managing Director through an external recruitment agency. In the interim I will remain as Acting Chief Executive Officer working with our strong executive management team.

Threatened litigation

One recent event facing the Company is the threat of possible litigation by IMF (Australia) Limited (IMF). It has announced an intention to fund legal action against the Company by certain former and current shareholders.

I attach a document released by BRL to the Australian Securities Exchange (ASX) which provides some detail of our response to this threat. To briefly summarise:

- No legal proceedings have been commenced. IMF has said that it will fund litigation by shareholders only if the estimated losses by persons who sign up to funding agreements with IMF are sufficient to make the proceedings commercially viable for IMF.

- IMF has not identified which (if any) shareholders or former shareholders consider that they may have claims against BRL. IMF indicated that the claim may relate to the placement by BRL of 60 million shares on 30 October 2009. That placement was made exclusively with institutional and sophisticated investors.

- IMF does not say what the estimated losses are, or how they will be calculated. Nor does it explain what amount will be sufficient for it to elect to proceed to fund the proposed action. Shareholders should not assume that any claim will seek to recover the total losses incurred on the sale of any BRL shares purchased in the share placement, or the difference between the placement price and the current listed price.

- BRL considers that many of the allegations asserted by IMF in its 'overview' are inaccurate, and themselves provide a misleading impression of BRL's conduct, and the information available to shareholders about BRL, throughout the relevant period.

- BRL considers that it fully discharged its disclosure obligations to shareholders. It intends to defend any legal action that may be commenced. The Company will keep shareholders informed of any developments

both through the ASX platform and on its website.

Our Board and management team are determined to work with all our stakeholders to overcome recent setbacks, ensure projects succeed and deliver long term shareholder value.

About Bauxite Resources Limited:

Bauxite Resources Limited (ASX:BAU) was launched in May 2006 to establish itself in the bauxite and alumina industries in Western Australia where four of the seven Australian alumina refineries and four of Australia's bauxite mines are located. It listed successfully on the ASX on 22 October 2007 after closing its A$7.5 million IPO early and oversubscribed, having previously raised approximately $1.3 million in seed capital. In February 2009 the Company raised a further $4.7 million on the uptake of its options issue.

The Company is the only ASX-listed bauxite explorer in the highly prospective Darling Range, and is the largest tenement holder in the Darling Range with approximately 15,000 square kilometres of prospective bauxite laterite ground. To put this into context this area is larger than East Timor and almost the size of Beijing Municipality.

The Darling Range is the largest bauxite mining and alumina producing region in the world. This area supplies approximately 18% of the world's alumina and is home to Alcoa's Huntly Mine, the largest producing bauxite mine in the world and Pinjara Refinery the second largest alumina refinery in the world. The Darling Range has three of the top five refineries in the world in terms of lowest operating costs.

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