Bauxite Resources Limited: June 2010 Quarterly Report

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Perth, Australia (ABN Newswire) - Bauxite Resources Limited (ASX: BAU) (PINK: BXRDF) ('BRL') is please to release June 2010 Quarterly Report.

EXECUTIVE SUMMARY

- BAUXITE RESOURCES CONFIRMS DETAILS OF ITS LONG-TERM MINING STRATEGY, BASED ON SUSTAINABLE OPERATIONS

In line with BRL's longer term strategy aiming for ongoing sustainable production, BRL has withdrawn both the short term EPA application and the subsequent appeal against the EPA level of assessment.

SEVEN DARLING RANGE EXPLORATION LICENCES GRANTED

- BRL now has 117 Exploration Licences (ELs) 12 currently granted.

- Seven Exploration Licences were granted during the quarter and three new tenement applications submitted.

- BRL is moving to expedite granting of further ELs.

BRL TO APPLY TO EPA TO MINE 2MTPA OF BAUXITE FROM NORTH BINDOON

BRL will apply to the EPA for production at 2MTPA and will request full and public environmental assessment.

MANAGEMENT TEAM CHANGES

- Chairman Barry Carbon acting as CEO while recruitment for a new Chief Executive Officer occurs.

- Reduction in overall staffing and operating costs.

INTERNATIONAL BUSINESS DEVELOPMENT

- Successive trips to Australia by Yankuang Group and Shandong Bureau (SDGM) during the quarter have helped develop greater understandings of the Chinese bauxite market.

- Bauxite prices in China are yet to recover from the Global Financial Crisis (GFC).

- Completion is near on terms governing the Farm-in and Joint Venture agreements with SDGM.

- MOU signed with JFE Shoji Trade Corporation for the on selling of DSO bauxite to end users in Asia.

LABORATORY TESTS CONTINUE ON BAUXITE BENEFICIATION AND REFINERY PROCESSES

- Tests have shown encouraging results for process technologies for alumina extraction.

DOWNSTREAM PROCESSING BFS STUDY

- Series of workshops held following review of test work to develop options for evaluation in the bankable feasibility study.

- Desktop studies presented to Yankuang Group for consideration.

LAND ACCESS PROGRAMME

- Agreements for land access for a further 21 properties were concluded during the quarter, with several pending.

PUBLIC RELATIONS

- Professional Public Relations (PPR) appointed for Investor Relations program.

- Local and State Government agency meetings continue.

COMMUNITY ENGAGEMENT

- Commencement of site tours of the rehabilitated trial mine site.

- 'Conversations with the Community' continue in Bridgetown and Bindoon.

IMF PROPOSAL TO FUND ACTION AGAINST BRL

- BRL have been notified of a potential class action. BRL considers it has fully discharged its disclosure obligations to shareholders and intends to defend any action.

RECENT DEVELOPMENTS FOR THE QUARTER

ASX ANNOUNCEMENTS FOR THE QUARTER

A brief summary of the announcements released to date is as follows. Please refer to the full announce-ments for details.

EPA Decision - 31 March 2010

- Receipt of notification from the EPA advising that proposed minimum impact mining of 1.2 million tonnes of bauxite will require assessment via a Public Environmental Review (PER).

Clarification of ASX Release on JORC Resource - 1 April 2010

- The company confirms that it is satisfied with the JORC announcement of 16 January 2009, has properly informed investors and conformed with all compliance rules of the ASX.

Lodgement of appeal on EPA level of assessment - 12 April 2010

- Appeal lodged with the Appeals Convenor regard-ing the level of assessment (PER) set by the EPA.

- BRL regards the level of assessment as irregular and disproportionate compared with other simi-lar scale projects.

- The company continues to consult with all relevant government departments and progresses community and environmental work

Resignation of Managing Director - 31 May 2010

- Announcement of the resignation of Managing Director Dan Tenardi.

Long term mining plans and EPA status - 25 June 2010

- Bauxite Resources confirms details of its long-term mining strategy, based on sustainable operations.

- Company will apply to EPA to mine 2Mtpa of bauxite from North Bindoon and will request full and public environmental assessment.

- Based on a new application Bauxite Resources will withdraw its appeal on previous EPA decision and application to undertake a 1.2Mtpa six month trial mining operation.

IMF proposal to fund action against BRL - 28 June 2010

- At close of business Friday 23 July BRL received notification by fax that IMF Australia Ltd (IMF) proposed to fund claims current and former shareholders may have against BRL.

- IMF subsequently released a statement to the ASX.

- BRL request shareholders to seek further informa-tion before taking any action.

BRL's updated response to threatened litigation - 8 July 2010

In response to the proposed legal action by IMF the company made the following points in an ASX release:

- 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 sophis-ticated 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.

Letter to shareholders - 9 July 2010

- A letter to all current shareholders, with a copy of the above ASX release was posted out on 9 July in response to the IMF issue and recent media coverage, outlining the company's commitment to long term business plans.

EXPLORATION PROGRAM - QUARTERLY UPDATE

Overview

The Company had seven additional Exploration Licences (ELs) granted during the quarter and applied for a further three ELs. The Company drilled 995 vacuum holes, for 5,198 metres in the Bindoon, New Norcia, Toodyay regions. A further 33 diamond holes, 297 metres were drilled for quality control of the vacuum drilling.

The current focus for exploration is to continue to define the resource to an Inferred JORC category and as such the drill spacing can be wider. Drilling in the Northern region continues to return grades suitable for Direct Shipping Ore (DSO).

In all three project areas (North, East, South) the focus is on bringing tenements to grant, and negotiating land access agreements and drilling.

Reconnaissance mapping visits has allowed pre preparation of Programs of Work (POW's) for submission immediately tenement grant and land access agreements occur.

7 Additional Exploration Licences Obtained for the Quarter

BRL submitted three further tenement applications and had seven tenements advanced to grant during the quarter. The total number of EL applications is 117 of which 12 are granted to end of June 2010. The total area covered by tenements, granted and under applications is approximately 26,700km2; 108 tenements are located in the North, South and East Darling Range project areas, seven tenements in the Kimberley project area and two tenement applications in the new Northern Territory project area.

Mapping Work Completed this Quarter

BRL's on-going mapping programme continued during the June quarter and included detailed mapping over

the East and South Darling Range projects on newly granted tenements. This mapping and rockchip sampling confirmed the presence of laterite plateaus indicating potential for these tenements to host bauxite mineralisation.

Exploration Program scheduled for September 2010 Quarter

Work planned for the September quarter will focus on resource definition drilling of a number of targets in the North Bindoon region, New Norcia, Victoria Plains Shire region, Moora Shire region and Toodyay Shire region for the North Darling Range project, Dinninup, Boyup Brook regions for the South Darling Range project and the Williams area for the East project. The exploration program will consist of the following.

- Continued reconnaissance mapping, sampling and target generation of the Darling Range project.

- Resource definition drilling of selected targets in the North Bindoon region, New Norcia, Victoria Plains and Toodyay regions.

- Wide grid drilling of all targets in all the Darling Range project areas as tenements become available.

- Resource modelling of bauxite mineralisation previously defined by drilling in the North Bindoon Region and Brunswick Junction areas.

LAND ACCESS

Land Access for BRL's DSO is voluntarily restricted by BRL to private property in the North Darling Range project area, while in the South project area access will be sought to both Private Property and Crown land. The proviso on Crown Land is that it will be State Forest which is designated as available for logging operations. This Crown land therefore does not include National Parks, Nature Reserves, Conservation Reserves and the like.

Land Access was brought under the umbrella of the Exploration Department late in the quarter. Agreements for a further 21 properties were con-cluded during the quarter (north, east and south project regions) bringing the total number of properties subject to agreements to 151. Several further Agreements are in the process of negotiation.

NORTH DARLING RANGE PROJECT

A total of 1,028 holes for 5,495 metres were drilled during the June Quarter in the North Bindoon, Moora, New Norcia region and Toodyay Shire region. BRL also continued land access negotiation for properties in the Victoria Plains and Northam Shires for drilling during the June and September quarters. Drilling concentrated on definition of bauxite mineralisation associated with the proposed mining area and identification of new zone of mineralisation associated with targets in the North Bindoon region and Toodyay Shire.

North Bindoon

During the June Quarter, the exploration team completed wide spaced and extended resource definition drilling on the north Bindoon prospect areas. Access has been negotiated for a number of key properties in this region and first-pass drilling of these targets is completed with follow up infill underway. BRL is reviewing other targets in the area and securing land access agreements, principally with farmers over sub-economic 'gravelly' farmland.

Dedicated Laboratory

Excellent low cost laboratory facilities continue to analyse BRL samples at a highly competitive prise.

SOUTH DARLING RANGE PROJECT

Several Mineral to Crown (MTC) properties had Agreements signed but are awaiting tenement grants and POW approvals prior to drilling. Reconnaissance and geological mapping of areas of recent tenement grant has continued with prospective areas and target properties identified and Land Access Agreements negotiations commenced. As indicated last quarter there is potential refinery grade bauxite and a trial DSO mining area has been identified, subject to regulatory approvals from the southern region.

KIMBERLEY PROJECT

The Kimberley project is part of the Company's longer term staged business development. The present

strategy is to focus on the Darling Range Project in the short term, while securing tenure over highly prospective targets in the Kimberley.

NORTHERN TERRITORY PROJECT

The Northern Territory project consists of two applications over bauxitic laterite outcrops in the Northern Territory. These tenements are for the Company's longer term staged business development.

OPERATIONS FOR THE QUARTER

Rehabilitation

The trial shipment mined area was re-formed using the overburden extracted from the pit footprint and topsoil replaced. Re-seeding in accordance with the land access agreement has been completed with good germination and coverage. Growth of pasture was affected by unseasonal cold dry weather and this will require re-seeding of some areas.

BRL staff have been actively involved in the continuing revegetation works at the rehabilitation site in North Bindoon. A large selec-tion of native shrubs and trees endemic to the local area have been sourced from a local supplier, and over 400 native trees and shrubs have been planted.

Mooliabeenee Road Upgrade

BRL has undertaken significant work to the Mooliabeenee Road used by the haul trucks to take bauxite from the trial mine site to the Mooliabeenee rail siding. This trial operation aggravated existing road weaknesses and the company have repaired 1.2 km of road cement stabilisation and asphalt over the whole damaged section.

DOWNSTREAM PROCESSING BANKABLE FEASIBILITY STUDY (BFS)

BRL continues to evaluate a number of processes and options as outlined in the company's Project Development Framework (PDF).

Evaluation of Refinery Options

Following the review of testwork in March, a series of workshops were held to develop process flowsheets of the various refinery options under consideration. The Bayer process remains the industry standard and the alternative processes being tested are benchmarked to it. The flowsheets, based on an assumed production output of 800,000tpa of alumina, were then the subject of a preliminary desktop evaluation. The four processes considered were:

1. A 'state of the art' two-stage Bayer plant;

2. An 'off-the-shelf' Chinese Bayer plant;

3. A Halogenation (carbo-chlorination) process plant; and

4. An Acid Leach process plant.

The findings of the evaluation will be presented to Yankuang Group early next quarter.

Ore type definition

A number of distinct ore types have been defined each with different beneficiation and value in use for Bayer processing plants. The ore types are based on distinct variations in the contents of:

- a high temperature extractable amorphous alumina phase which has been designated 'amorphous boehmite';

- the iron oxide content;

- the quartz content;

- and the titania content.

The Bayer processing options for each of the ore types has been assessed. Findings will be presented at the

Zhengzhou ICSOBA conference in November this year.

The ore types, when incorporated into the geological model, will assist in defining possible beneficiation processes and target refinery types. A pleasing result is that the Darling Range material has been identified as a very suitable 'sweetening' feed to high temperature refineries.

Alternative process technology

Testwork has continued in the development of alternative processing routes for bauxite ores.

The results remain very encouraging and indications are that fractions of quartz and titania can be isolated with minimal or no particle size reduction.

High Grade DSO bauxite.

A supergrade bauxite of 48% available alumina can be produced by calcining at or below 650degreeC. Activation of boehmitic phases has been reported in scientific papers and this is under further investigation for BRL bauxite types.

Test results show that the surface area of bauxite increases during calcination from 30m2/gramme as mined to over 120 m2/gramme between 550 - 600 degree and declines above 650 degree indicating an optimum activation around 580 degree.

INTERNATIONAL BUSINESS DEVELOPMENT

Bauxite prices in China

Published prices for CIF to Chinese ports had dropped by 50% within 8 months of the start of the GFC. The recovery from that low point though slow is steady and in a positive direction. Bauxite prices are now reported to be 60% of the pre GFC value.

Yankuang and SDGM Visit

BRL helped arrange two delegations respectively from Yankuang and SDGM in May to meet with WA government departments including the Minister of Energy, Minister of Mines and Petroleum and Director General of Department of State Development (DSD). Through the discussions the parties have increased understanding of the market demands in China and the assessment framework required to develop projects in WA as well as articulating their long term plans.

Chalco Shandong Visit

In May, BRL had the opportunity to demonstrate to a delegation from Chalco (SHA:601600) (NYSE:ACH) (HKG:2600), Shandong Branch, its Bindoon trial operation site, tenements in the southern Darling Range and the infrastructure facilities including ports in WA.

The rehabilitated farmland was shown to the visitors which comprised four senior executives in Chalco Shandong. Both BRL and Chalco Shandong expressed interest in perusing opportunities to conduct technical exchange for better utilisation of Darling Range bauxite.

Farm-in Agreement with SDGM

BRL and SDGM are working to finalise the Bauxite Farm-in and Joint Venture Agreement which will set out the terms that will govern their ongoing relationship in respect of the bauxite rights and tenements.

MOU with JFE Shoji of Japan

In June, BRL signed a MOU with JFE Shoji Trade Corporation for re-selling BRL's DSO bauxite to some end-users in Asia.

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 Minerals to Owner (MTO) farmland in North Bindoon. The EPA set the level of assessment for the proposed six month mining operation as a Public Environmental Review. 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 took several months. BRL consulted with government departments and a number of experts and external consultants before deciding to withdraw the appeal and original 1.2Mt application.

BRL will now apply for approval to mine 2Mtpa ongoing from farmland in an area north of Bindoon, in the Darling Range North Project area. This will identify its area of interest for the first five years of that operation. BRL will continue its work with interested MTO landowners in applying at a state level through a Mineral to Crown process.

BRL's first operations will be from the north Bindoon trial area and the company will work with the Bindoon community to propose and refine the subsequent operating sequence.

BRL will suggest to the EPA a public level of environmental assessment including a public scoping exercise. This will give the local community the opportunity to be involved in defining the issues that are desirable to be assessed before BRL prepares any final proposal documents.

BRL is also investigating referring to the EPA a proposal for the export of one shipment of ore from BRL's southern areas. If this referral occurs it will be for one shipment of around 45,000 tonnes; sufficient for preliminary refinery scale metallurgi-cal testing of southern ores. The bauxite would be sources from an existing gravel operations (gravel) and exported through the Bunbury port. The final investment decision for this test shipment would be made after environmental assessment.

COMMUNITY & PUBLIC AFFAIRS

The first Community Consultative Committee has been established in Bindoon. The development of the Community Consultative Committees is an initiative suggested by the Bindoon community for establishing a representative committee as an advisory group in the local community. The Bindoon Community Consultative Committee has had two monthly meetings and is preparing to hold a strategy development workshop in the near future.

BRL hosted a 'Conversations with the Community' public meeting in Bridgetown on July 1, 2010, regarding its future plans to explore and build a refinery in the Southwest. A further public meeting was held in Bindoon on July 20, 2010.

Similar presentations and tours of the North Bindoon trial rehabilitation site have occurred with: Moore Catchment Council, Bunbury Port Authority Community Consultative Committee, Conservation Commission, Shires of Northam, Victoria Plains and Chittering.

Professional Public Relations (PPR) have been appointed for an investor relations program.

Further community engagement activities and the Woylie Rescue Campaign are being planned for the Royal Show, Bindoon Show, Moora and Bridge-town Show's.

BRL also ran an information press campaign across all West Australian country papers advertising the public tours of the North Bindoon trial rehabilitation site in early August.

STAFF UPDATE

During the June quarter, Mr Dan Tenardi resigned as Managing Director of Bauxite Resources.

The Chairman of Bauxite Resources Ltd, Mr Barry Carbon, has been appointed to the role of Acting Chief Executive Officer while an experienced recruitment company has been appointed to advise and recruit a permanent replacement.

In the absence of direct shipping activities for the time being several senior functions have been re-assessed providing an annual salary saving of around A$1.5million.

CORPORATE SUMMARY

Market Capitalisation

The share price was significantly lower at the end of the quarter (closed at 15c) as a result of the recent market reaction to regulatory setbacks which have delayed operations.

IMF Claim

At the end of the quarter the company received notification that IMF Australia Ltd was proposing a class

action against the company by investors.

BRL considers it has fully discharged its disclosure obligations to shareholders and intends to defend any action.

IMF have not commenced any legal action. BRL has engaged Freehills Solicitors to advise on the likely process and enquiries that IMF might pursue. The Board of Bauxite Resources Ltd will provide updates.

Cash Reserves and Expenditure

BRL has taken action to identify and settle a series of significant accounts by year end. Hence expenditure was higher than usual during the quarter with a number of major items of capital expenditure and administrative costs including contributions to port infrastructure, Mooliabeenee road repairs, purchase of mining equipment and new office fit-out. With the deferral of mining operations and reduction in staff levels the cash outflow in the next quarter will be significantly lower.

For the complete Bauxite Resources quarterly report, please refer to the following link:
http://www.abnnewswire.net/media/en/docs/63454-ASX-BAU-499847.pdf

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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