Gaining Momentum in 2012

Dear Shareholder,

Update of expected activities for 2012

It is with pleasure that I provide to you a progress update on our existing bauxite projects and an outline of our expected targets and activities over the next year.

During the past 12 months Bauxite Resources Ltd (ASX: BAU) ("BRL" or "the Company") has achieved a number of key milestones and objectives.
In summary the Company has:

- **Enhanced the expertise of both the Board and Management team** to guide business growth;
- **Completed the formation of two joint ventures** with reputable partners in the bauxite/aluminium industry aiming to develop bauxite mining and an alumina refinery in the southwest of Western Australia where BRL would hold an effective 30% interest in the proposed refinery, *(Refer page 5 for full terms);*
- **Increased bauxite resources** within our joint ventures to 51.2 million tonne (Mt) @ 41.1% total Alumina, 30.1% Available Alumina and 3.9% Reactive Silica (143^0C) (*Refer resource table pg.6*) with additional resources currently being modelled;
- **Improved the grant rate of exploration tenements** - over 13,000km^2 of tenements are now granted with a further 11,000 km^2 under application;
- **Implemented a successful land access policy** – over 150 landowners (mainly farmers) have agreed to allow the Company access to 352 properties;
- **Reviewed potential for other non bauxite mineralisation on existing BRL tenements** and commenced development of exploration programs on the most prospective areas; and
- **Maintained a strong cash position** of $50.6m (31 December 2011) to fund future program of works.

2012 FOCUS - **This year, we propose to build on our 2011 achievements by:**

- **Increasing our joint venture bauxite resources**;
- **Progressing with environmental approvals** for our proposed 2Mtpa joint venture mining operation north of Bindoon, Western Australia;
- **Examining the feasibility of mining other bauxite resources** that were identified in 2011;
- **Carrying out further test work programs aimed at beneficiating bauxite** to increase quality, volume and marketability;
- **Advancing metallurgical and infrastructure studies** to support the above programs, and
- **Assessing opportunities to add "other minerals" prospects to our suite of bauxite projects** in order to leverage the Company's extensive tenement position in southwest Western Australia.

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Building on successful joint ventures

BRL's strategy will build on progress and achievements made since early 2011 when we announced the Bauxite Alumina Joint Ventures (BAJV) with Yankuang Resources Ltd ("Yankuang") to explore for bauxite and carry out a feasibility study into the potential for construction and operation of an alumina refinery in the southwest of Western Australia.

This followed the establishment in 2010 of our joint venture with HD Mining a wholly-owned subsidiary of the Shandong Bureau No1 Institute for Prospecting of Geology & Minerals (Shandong) to explore for bauxite.

These two joint ventures cover most of our 24,000km^2 southwest Western Australian tenements; both joint ventures have the rights to bauxite whilst BRL has retained the rights to other minerals in the tenements.

A key focus for 2012 is the continued development of BRL's joint venture interest with Yankuang through the BAJV for a proposed alumina refinery, and to progress the BAJV proposal to seek environmental approval for the extraction of two million tonnes per annum (MTPA) of bauxite from the Aurora project north of Bindoon.
In the past 12 months the Company and our joint venture partners have realised a number of significant achievements. These include:

- An increase in the total bauxite resource from 18.2 Mt (2010) of inferred (JORC) resource to 51.2 Mt of indicated and inferred (JORC) resource *(Refer Resource and JORC Compliance tables pg 6 - 8);*
- An increase in the number of bauxite resource projects from three to eight;
- A 100% increase in granted exploration tenement area to approximately 13,000 km^2 (or ~55% of our total tenement area); and
- Completed exploration access agreements on 352 properties.

We remain optimistic that our investment in the separate joint ventures with Yankuang and HD Mining will deliver long term benefits to shareholders. Our bauxite-alumina interests remain the primary focus for the Company in 2012/13.

Building a diversified resource base

As the Company pursues its long term goal of participating in a successful Western Australian alumina refinery, we have also taken steps to leverage our exploration assets by not only conducting exploration for bauxite but also seeking to understand the prospectivity for other minerals.

This two-dimensional strategy for our resource development program seeks to take advantage of several unique opportunities which have emerged in the past 12 months.

These include:

- The long term growth fundamentals for the global aluminium industry which will require additional bauxite resources as feedstock for alumina refineries, (see IAI graph pg 4);
- Increasing government pressure on bauxite miners in Indonesia to reduce or cease exports of raw bauxite and the threat of additional taxes on non value added exports. Indonesia is currently the largest single supply of bauxite into Chinese refineries;
- Recognition of the potential for new mineral discoveries in Western Australia's southwest region where BRL has one of the largest tenement holdings; and
- A major aero-magnetic survey of the south west region initiated by the Western Australian government using applied modern technology to identify areas with the potential to host mineralisation not recognised previously due to the presence of transported cover.

BRL is a major tenement holder in an area that is - not only the world's premier bauxite-alumina province (23% of global alumina production in 2010) - but has been recognised by the Company as prospective for discoveries of gold, coal, iron ore, tin/tantalum and other minerals.

Establishing exploration programs for a range of commodities will diversify our portfolio and is expected to deliver valuable synergies with the BRL bauxite exploration program.

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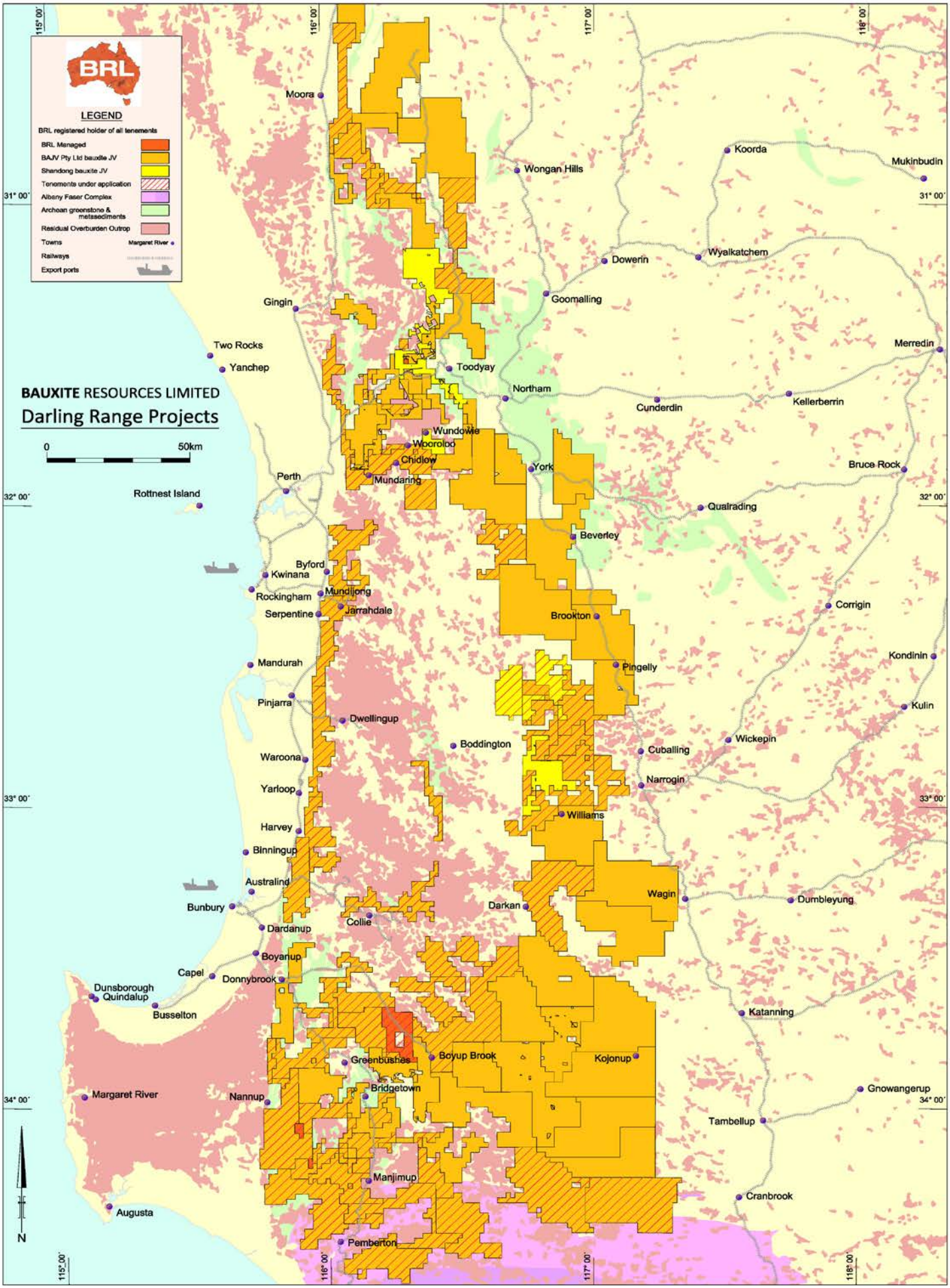


Bauxite Resources current Darling Range tenement map, March 2012, covering ~24,000km^2

Key drivers of the BRL strategy

Bauxite exploration and resource growth

In 2011 the Company, through its two joint venture partners, expanded the JORC classified bauxite resources on its exploration tenements to 51.2 Mt through modelling of drilling carried out before August 2011.

In 2012, BRL expects additional resources to be modelled on two new prospects. Both projects are on private farmland in rural and regional Western Australia and are close to existing rail infrastructure.

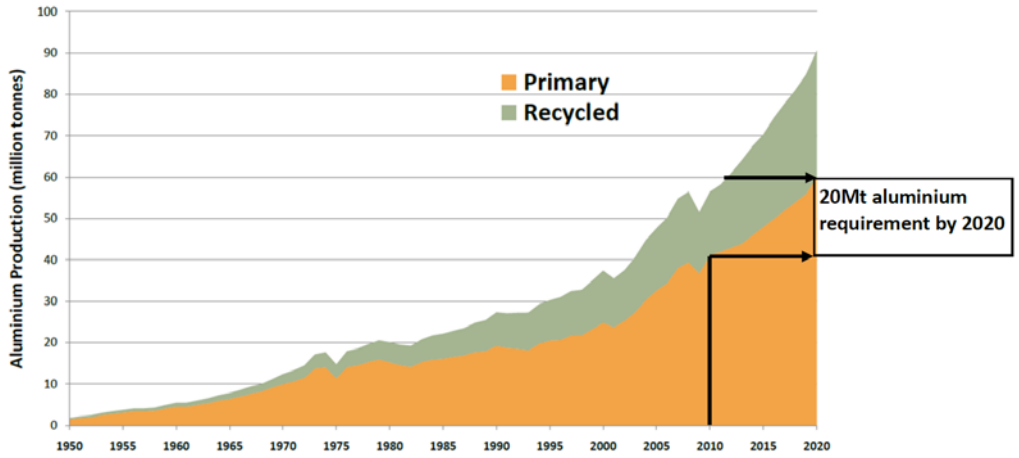
The BAJV continues to work towards the establishment of a mining operation (Aurora Project) producing 2Mtpa of bauxite, gravel and other material. The project referral has been accepted by the Environmental Protection Authority of Western Australian ("EPA") which has determined that a Public Environmental Review ("PER") is the appropriate level of assessment. The BAJV is carrying out various baseline studies that will be incorporated into the PER and Social Impact Assessment for the project. As some of these baseline studies are seasonal in nature the company expects that the BAJV submission should be provided to the EPA after the 2012 spring. Completion of the PER process will allow mine planning to be completed and the consequent evaluation and conversion of the economic geological resources into JORC compliant ore reserves.

Bauxite beneficiation

In 2011, the Company continued preliminary test work programs aimed at improving the quality of the bauxite through a process of beneficiation. This technique has been used by some of the world's most successful producers of bauxite including the Trombetis and Weipa projects. Our results to date have been encouraging and further scoping study level test work is planned for 2012 on existing and new bauxite resources.

Future market prospects for bauxite, alumina and aluminium

After several years of oversupply (following the global financial crisis in 2008), the aluminium market is improving. The world's leading independent authority on the sector, CRU, is optimistic about the future. In its most recent publication the group says: *"In spite of the intense near-term volatility in the global economy, the aluminium industry has excellent growth opportunities due to having one of the broadest ranges of end-use applications across commodities as well as the existence of strong opportunities for substitution in place of other materials."*



Aluminium demand and projected growth
Source: International Aluminium Institute

Western Australia – as the world's largest supplier of alumina for aluminium production will be well placed to benefit from the forecasted improvement. The four refineries in Western Australia are amongst the lowest cost producers in the world.

According to the 2011 Alumina Market Review and Outlook for 2012*, China imported 40.33 Mt of bauxite during 2011, an increase of 49.5% compared with the same period in 2010.

China is this regions principal market for bauxite, alumina and aluminium. Indonesia is currently the major supplier of unrefined bauxite to China providing over 79% (Australia 19%), however Indonesia has recently passed laws that will discourage non-value added mineral exports. The result is expected to be a reduced supply and increased price for Indonesian bauxite and a rise in demand and price for Australian bauxite.

**Source Beijing Antaike Information Development Co Ltd Jan 2012*

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New exploration opportunities

Existing joint venture interest within BRL tenements is confined to bauxite, with BRL retaining its rights to other minerals. New exploration and mapping technology has identified prospective areas previously covered by deep layers of transported cover. This includes the identification of greenstone belts within our tenure that have the potential to host gold and base metal deposits.

Existing mining operations in the region include the world class Boddington goldmine, the Collie coal fields, mineral sands operations and the Greenbushes tin/tantalum deposits.

In January, the Company completed a first pass review of our southern Western Australian tenements, confirming the view that further staged exploration is warranted. This review was undertaken in the first instance by an external specialist consulting group and then was 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.

Initial aeromagnetic survey data from work conducted in 2011 by the WA government across large areas of southwest WA (including BRL's tenements) is now available; the full suite of information will be available in June 2012. Over the next few months the Company intends to access the full survey results as they become available and match them against the regional geology data. From this work BRL expects to be in a position to provide further advice to shareholders on planned activity after June 2012.

Terms of the current bauxite alumina joint venture partnerships

The structure of the Joint Venture partnerships between BRL and Yankuang Resources Ltd – and BRL and HD Mining – has the potential to play an important role in building shareholder value. The refinery joint venture provides BRL with the opportunity to have a leveraged participation in a business that would normally not be available to the company due to the high capital cost entry barriers.

Under the terms of the BAJV

- BAJV will 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 split 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 Mtpa capacity in the south west 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%; and
- Yankuang has also agreed to purchase 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.

The BRL Joint Venture with Shandong also supports the bauxite mineral exploration program, providing for:

- Shared bauxite rights over the 1000km^2 of tenements that are the subject of this joint venture;
- Shandong to fund 100% of all exploration and feasibility costs;
- An opportunity for Shandong to earn 60% of the bauxite rights upon a decision to mine;
- Potential to joint venture other exploration; and
- Leading to diversification of the Company's resource base.

In summary BRL's progress is gaining momentum. We intend to build on our growth and achievements in 2011, and look forward to a productive and rewarding 2012. The board, management team and staff of BRL thank you for your support and appreciate your continuing interest in our Company.

Yours faithfully.

Scott Donaldson CEO.

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BRL's previously announced Bauxite Resources (JORC 2004)

JORC Classification	Bauxite Tonnes Dry (000,000)t	Total Al_2O_3 (%)	Available Al_2O_3 (%) @143^{0}C	Reactive SiO_2 (%)	BRL Bauxite Rights
Cardea 3 (November 2011)					*Note 3*
Indicated	4.6	42.6	30.8	3.4	
Inferred	13.2	41.6	29.5	3.9	
Cardea (August 2011)					*Note 2*
Inferred	6.4	41.8	29.3	4.3	
Minerva (August 2011)					*Note 1*
Inferred	2.2	38.7	28.9	3.9	
Aurora (April 2011)					*Note 1*
Indicated	7.0	43.5	33.0	3.1	
Inferred	4.4	41.3	30.2	4.0	
Rusina (April 2011)					*Note 1*
Inferred	3.7	40.3	29.1	5.3	
Juturna (June 2011)					*Note 1*
Inferred	8.2	40.2	29.9	3.9	
Vallonia (June 2011)					*Note 1*
Inferred	1.5	36.6	28.0	3.9	
Total Indicated	11.6				
Total Inferred	39.6				
Total*	**51.2**	**41.1**	**30.1**	**3.9**	

Note 1: Within JV with Yankuang Resources JV
Note 2: Within JV with Shandong #1 Bureau JV
Note 3: Within JVs with Yankuang Resources JV and Shandong #1 Bureau JV
Note 3: All resources utilise a cut off grade of 25% available alumina except for Aurora & Rusina that use 24%
*Differences due to rounding

COMPETENT PERSON STATEMENT

In accordance with the Australian Stock Exchange requirements, the technical information contained in this report has been reviewed by Mr. Peter Senini, a consultant to Bauxite Resources Ltd. The information in the report to which this statement is attached that relates to Mineral Resources is based on information reviewed by Mr. Senini, who is a Member of the Australian Institute of Geoscientists. Mr. Senini has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves." Mr. Senini consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

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JORC List of Assessment and Reporting Criteria

Sampling Techniques and Data

	Vacuum samples were collected as 0.5m samples using a twin riffle splitter
Drilling techniques	All drilling is vacuum using a 45mm drill bit
Drill sample recovery	Bauxite Resources geologists monitor sample recovery from vacuum drilling by weighing and tracking the mass of recovered sample cuttings. Poor recovery can occur due to cavities, partial blockages of the samples hose and wet samples. Recovery is generally high for the data input into the resource estimates. For diamond-core drilling the core recovery is established by measurement of the recovered core. Triple-tube diamond drilling is used to maximise recovery and where recovery is poor through target zones of resource, the holes are abandoned and re-drilled nearby until acceptable recovery is achieved.
Logging	Bauxite Resources geologists log the vacuum samples in 0.5-metre down-hole increments. Regular chip-tray samples are collected as permanent physical records for audit and validation purposes. Diamond core samples are logged and photographed in core trays. Data is captured in digital core loggers. All logging data is captured in digital logging devices to ensure consistency of coding and minimise data entry errors.
Sub-sampling techniques and sample preparation	The vacuum samples for each 0.5 metres of drilling are collected at the rig using a riffle splitter to collect approximately 1.5kg samples into a calico bag with the remaining sample dropped onto the ground. The majority of diamond core is collected whole in 0.25 metre interval into a calico bag. The whole core is broken with a brick chisel or collected by hand in unconsolidated material. Selected intervals of bauxite mineralisation are collected in longer intervals and despatched for bulk density measurements.
Quality of assay data and laboratory tests	The majority of Bauxite Resources samples were analysed at Nagrom Laboratory in Perth with some earlier samples analysed at Ultra Trace Laboratory in Perth. Bauxite Resources documentation describes the analysis of samples by a number of ISO standards methodologies (6140:1991, 9516:2003, 12677:2003, 6606:1986, ISO 6607:1985, 10213:10213, 6994:1986, 6995:1985, 6606:1986; 8557:1985). These analyses provided estimates of principal bauxite components of alumina, silica, iron, titania, and loss on ignition, and a suite of trace elements. Results reported by Bauxite Resources as available alumina and reactive silica represent partial extractions. Bauxite Resources documentation describes the in-laboratory quality control methods which include the use of four matrix match standards, and determination of precision and accuracy according to ISO standards. The company also include a high-grade and a low-grade, in-house (uncertified), standard as blind-standards in the field sample stream at a 1:200 ratio. Bauxite Resources also collect duplicate samples in the field sample stream.
Location of data points	Drillhole collar surveys are based on WA's Department of Land and Administration survey marks for control and using differential GPS equipment to locate the drill collars within a precision of ± 0.05 metres. Topographic data used for the Mineral Resource areas is a combination of GEODATA TOPO 250K Series 3 and Landgate Medium-scale Topographic Database data. Bauxite Resources did not survey the hole paths of any of the drilling because all holes are short and any deviation errors are not significant relative to the average drill hole spacing used to defined the Mineral Resources.
Data spacing and distribution	Bauxite Resources has drilled collar spacings at 80m (along strike) by 80m (on section) and this is considered adequate to establish both geological and grade continuity. All vertical sampling is on a 0.5-metre interval, either raw or composited.
Orientation of data in relation to geological structure	The orientation of the drilling (vertical) is approximately perpendicular to the sub-horizontal mineralisation and is unlikely to have introduced any significant sampling bias.

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Estimation and Reporting of Mineral Resources

Database integrity	The Bauxite Resources drilling data is hosted by an external provider (rOREdata Pty Ltd) in the acQuire database system, which is designed to capture, store and verify geological drilling data. Data collected in field loggers is transferred to the database via text files as is data from the laboratory. rOREdata provide reports to the company regarding basic integrity validation of the data such as overlapping records, missing assays and duplicate drillhole identifiers.
Geological interpretation	Geological logging of drilling has confirmed the geometry of the mineralisation with a high degree of confidence. Geochemical changes down hole have been used to determine the bauxite zone. A wireframe was constructed to represent the major zone of mineralisation within the laterite profile. The overlying gravel zone and underlying clay zone are assumed to be outside of the main mineralised envelope, which is defined by the hardcap, bauxite and transitional zones.
Dimensions	The Cardea3 resource area extends over a strike length of 3,810m (from 6,518,885mN – 6,522,695mN) and includes the 11.5m vertical interval from 344mRL to 332.5mRL and occurs as one continuous zone (pod). The Cardea3 portion within E70-3432 (BAJV) occurs as one main zone in the south and a small limb to the north which extends into E70-3160 (Shandong) and is part of the main continuous zone of mineralisation. The mineralisation is near surface, flat lying with an average overburden thickness of 0.75 metres.
Estimation and modelling techniques	The deposit mineralisation was constrained by wireframes constructed using a 16% available alumina cut-off grade in association with changes to reactive silica down hole. The wireframes were applied as hard boundaries in the estimate. The bauxite domain was constrained into one continuous zone of mineralisation and a statistical analysis was conducted on this domain. No high grade cuts were applied to the data. Using parameters derived from modelled variograms, Ordinary Kriging was used to estimate average block grades in 3 passes using Surpac. An ID^2 interpolation was used to check the OK model. Parent block size of 40m NS by 40m EW by 1m vertical with sub-cells of 10m by 10m by 0.5m. The parent block size was selected on the basis of being approximately 50% of the average drill hole spacing in the deposit. Validation of the model included detailed comparison of composite grades and block grades by northing and elevation. Validation plots showed good correlation between the composite grades and the block model grades.
Moisture	Resource tonnages are reported as dry metric tonnes with an assumed dry density of 1.6 tonnes per cubic metre. Available test data indicates the dry density is in the order of 1.6 tonnes per cubic metre with wet density in the order of 1.7, which implies an in situ moisture content of 0.1 tonnes per cubic metre (6 to 7 percent moisture).
Cut-off parameters	The Mineral Resource has been reported at a 25% Av Al2O3 cut-off and has been based on assumptions about economic cut-off grades for open pit mining.
Mining factors and assumptions	Bauxite Resources has assumed that mining of the deposit will be via truck and shovel configuration and that there will be good visual control to establish the top and base of bauxite during mining. There has been no minimum mining thickness assumed.
Metallurgical assumptions	The available alumina grades exceed the stated Bauxite Resources target grade. Reactive silica is below the four to five dry-weight percent that is implied to have a significant negative effect on Bayer-process reagent consumption. The company is carrying out studies to assess the degree to which high-silica Mineral Resources can be positively affected by application of beneficiation techniques. Low-silica sources within the deposits could also be blended with higher silica resources to produce acceptable process products.
Bulk density	A dry bulk density of 1.6 tonnes per cubic metre has been used. The in situ bulk density assignment was based on 773 previous reported measurements on diamond core samples taken from neighbouring BRL deposits.
Classification	Mineral Resources were classified in accordance with the Australasian Code for the Reporting of Identified Mineral Resources and Ore Reserves (JORC, 2004). The Indicated portion of the resource was defined where the drill spacing was at 80m by 80m, continuity of mineralisation was robust through the thickest bauxite zones where limited or no calculated assays were used, and supported by kriging efficiencies of greater than 90%. The Inferred portion of the resource was defined where the drill spacing was still predominantly 80m by 80m, continuity of mineralisation was good, but a portion of available alumina and reactive silica assays were calculated rather than assayed. The Bauxite Resources Competent Person has reviewed and agrees with this approach.
Audits and reviews	The mineral resource estimates have been peer reviewed by Snowden and by Bauxite Resources' Competent Person. No external fully independent audits or reviews have been completed.
Discussion of relative accuracy/ confidence.	No uncertainty studies have been carried out to establish the local confidence and accuracy of the Mineral Resource estimates.

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