

Bauxite Resources enters off-take deal

3-November-08 by Rebecca Lawson

Perth-based Bauxite Resources Ltd has entered into an off-take agreement with a Chinese alumina producer to supply all of its entire requirements.

Bauxite and Shanxi Wusheng Aluminium Company Ltd has entered into a memorandum of understanding whereby the former company will supply up to 2.8 million tonnes of bauxite each year.

The bauxite will be sourced from the company's Darling Range tenements.

The deal also provides for funding of capital works to be arranged by Shanxi, and a direct equity investment through a placement of 15 million shares in Bauxite at a share price yet to be determined.

Bauxite has agreed not to enter into any off-take deals with third parties for the next three months as both companies finalise details of the off-take and funding deals.

The announcement is pasted below:

Perth-based bauxite explorer, Bauxite Resources Limited, (ASX: BAU; "BRL"), has signed a Memorandum of Understanding with Chinese alumina producer, Shanxi Wusheng Aluminium Company Limited ("Shanxi Wusheng"), with the aim of finalising an agreement within three months to supply quality bulk bauxite Direct Shipping Ore (DSO) to China.

The core aim of the MOU is for the two companies to work together with a view to delivering the first shipment of ore within 12 months of signing a formal off-take agreement under the terms of the MOU. In the MOU with Shanxi Wusheng, BRL is to provide up to two million eight hundred thousand tonnes per annum of bauxite sourced from BRL's extensive Darling Range tenements and shipped from a nominated port in Western Australia.

The MOU also provides for funding of capital works to be arranged by the Chinese company for infrastructure repayable out of supplies of bauxite, as well as a direct equity investment by way of a placement of up to 15 million shares in BRL at a share price to be determined upon execution of the official contract.

BRL has agreed not to enter into any off-take agreements with other third parties for a period of three months, giving BRL and Shanxi Wusheng an exclusive period to finalise the details of the off-take and related capital and funding requirements. This three month exclusivity period does not affect negotiations relating to direct investment opportunities in BRL from third parties who may be interested in the long-

term alumina refinery stage two option, currently being investigated by the Company.

The following activities are currently being progressed by BRL and have been defined in the MOU as the key factors required to ensure the development of the DSO project:

- land access arrangements and necessary approvals for the bauxite mining operations;
- all necessary licences and approvals for the transport of ore to port operation and export;
- satisfactory agreements for the authorisation and construction of appropriate port facilities, and;
- completion of all necessary feasibility studies.

Chinese Bauxite Supply & Demand

Local Chinese bauxite reserves are predicted to be exhausted within 10 years and the Chinese government is encouraging Chinese companies, in particular alumina refineries, to invest and secure bauxite supplies from overseas.

This coupled with the dramatic reduction of shipping freight costs significantly enhances the prospect of a start-up DSO project for BRL in the Darling Ranges. An article in the Shanghai Daily on 24 September this year stated that in the first seven months of 2008, China had imported 16.1 million tons of bauxite, up 29.3 percent year-on-year and that due to a widening supply gap, its reliance on imports for bauxite was set to reach 47.3 percent in 2008 (from just 9.4 percent in 2005.)

Summary

The signing of an MOU is a significant milestone for the Company and is further evidence of the potential to bring BRL's extensive Darling Range tenements into production.

BRL's Chairman, Mr Luke Atkins, said the MOU provided an important first step in a relationship with a Chinese off-take partner and had justified the Company's recent meetings in China: "The fact that we have secured this MOU in these difficult times with an end user customer is testament to the quality of our project and a direct result of the extensive networking with Chinese companies that the company has concentrated on this year."

"With this MOU we are very confident that we have laid the foundations for a mutually beneficial relationship with Shanxi Wusheng and look forward to continuing negotiations with them to reach an official off-take and funding arrangement in the very near future," he added.

Mr Atkins also said that the work done by the Company's newly appointed Managing Director, Mr Daniel Tenardi, has been crucial in the fast-tracking of the project and the signing of the MOU: "Since coming on board in early September this year, Mr

Tenardi has worked tirelessly to ensure our DSO project is brought on stream as quickly as possible and this MOU is testament to his dedication ability and enthusiasm for the project."

"Mr Chester Chen, formerly with CITIC Pacific Mining and recruited by Mr Tenardi as Marketing and Logistics Manager has been instrumental in assisting Mr Tenardi in these negotiations", Mr Atkins added.

As a marketing and communications expert, Mr Chen compliments the executive team with his experience, expertise and contacts in dealing with potential Chinese DSO bauxite off-take customers.