HD **Bauxite Resources Limited (ASXBAU) Bauxite Resources Newsletter Feb 2014**

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Welcome to 2014 and the **Chinese** New Year, the 'Year of the Horse' believed to bring **energy** and at Bauxite Resources (ASX:BAU) we believe the momentum built in 2013 positions the **company** to make 2014 a year of reaching further milestones towards commencing commercial export of bauxite from Western Australia.

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The key to commercial success in the **mining** sector is to have long term sustainable demand for your commodity and I firmly believe we are now entering a golden time for the bauxite industry.

I believe the **Company** is well positioned to take advantage of the golden years of bauxite due to:

- Favourable Bauxite Market

- Large JORC Code defined Bauxite Resource

- Main resources are close to existing road, rail and port infrastructure

- Located in largest bauxite and **alumina** producing region in the world

- Gibbsite bauxite with low reactive silica and low temperature processing

- **Company** well funded with favourable joint venture funding arrangements

Company News and Market Developments

- Bauxite resources held by BRL and its joint ventures partner's increases to 338 **million** tonnes (Mt)

- Felicitas bauxite deposit upgrade to 218.7Mt @ 39.1% Total Al_2O_3 (30.1 % available @ 148�C), 8.9% SiO_2 (1.9% reactive @148�C)

- Commenced environmental study on BRL's 100% Fortuna Deposit

- Undertaken conceptual mine planning activities as part of the **Company**'s strategy of targeting export DSO shipments out of the Fortuna deposit.

- Discovered significant new mineralisation in both the north and east Darling Range, displaying high available **alumina** grade and low reactive silica.

- Indonesian bauxite export bans imposed effective 12 January 2014 means Australian bauxite is now further sought after by **Chinese** refineries as a long term alternative supply source.

- Successful hand-back of rehabilitated bauxite trial **mining** area as farmland to private owner.

COMPANY STRATEGY

To support the fundamentals BRL has recognised the importance of being ready to move and is now focussing on the commercial development of its bauxite resources to supply into the direct shipment **ore** (DSO) export to international customers.

RIGHT COMPANY RIGHT LOCATION

RIGHT COMMODITY RIGHT TIME

The Company has four central strategies under its business plan:

- Commercialisation of BRL's 100% Fortuna Deposit (and other areas held by BRL)

- Development of the BAJV arrangements to support the development of the Felicitas resource

- Undertake the exploration development work required under the HD Mining joint venture to move into feasibility studies

- Explore acquisition/divestment opportunities to add value to shareholders

BAUXITE MARKET CHANGING CONDITIONS

As with Iron Ore about seven years ago the massive increase in Chinese Aluminium capacity has driven a requirement for substantial increases in raw materials. China, in 2002, had an aluminium production capacity of just over 5 million tonnes per annum and now has over 30 million tonnes in 2013. This now represents approximately 50% of the world capacity.

On the supply side historically China was self sufficient in bauxite with the alumina refineries built near bauxite mines.

Many of these bauxite mines were deep mines and were predominantly diasporic bauxite which needs extraction temperatures around 280oC. However over recent years many of the new alumina refineries have been designed on low temperature imported bauxite.

With the depletion of local bauxite China has been focussed on sourcing bauxite from logistically favourable locations for supply. Over recent times the main source of bauxite has been Australia and Indonesia. According to CRU, Chinese imports of bauxite are expected to increase from around 40Mt in 2012 to 94Mt in 2022.

Indonesian ore export bans

The Indonesian Government confirmed on January 12, 2014, that the ban on bauxite exports from Indonesia would commence. Last year it is estimated approximately 45 million tonnes of bauxite was exported from Indonesia to China. The ban will ultimately require additional supply of bauxite to satisfy demand out of China. (Refer page 4 for further information)

Australia is logistically well placed to supply this demand and Western Australia is currently the largest bauxite producing region in the world. With BRL's bauxite resources located near existing rail infrastructure this provides an opportunity for low capital cost and nearer term start-up of DSO export of bauxite from Western Australia. Australia's proximity to China means Australia has a logistical advantage to many other alternative supply sources and therefore the Company well positioned to take advantage of the increase in demand for Australian bauxite.

Trial Mine-site handed back to landowner - rehabilitation completed

The area of private farmland that was used for the trial mining in 2009/10 has now been formally handed back to the owner following successful rehabilitation of the pastoral land.

Following the trial shipment in March 2010 the eight hectares of cleared pastoral land was returned to original land form by replacing the stockpiled overburden and topsoil. In consultation with the owner during the four successive growing seasons, BRL has monitored and gathered data from the rehabilitation process.

Peter Canterbury, BRL's CEO commenting on the hand back of the land said:

"The hand back of the trial mining land three and a half years after mining, with yield from the land being comparable to that of the unmined land, demonstrates the compatibility of bauxite mining with farming operations."

"In addition, the mining of bauxite is likely to improve the soil conditions for future farming operations."

"This rehabilitation provides the knowledgebase for all future mining operations including our Fortuna and Felicitas deposits which are our current focus areas for development due to their larger scale."

HD Mining joint venture - significant new project areas

Dionysus project (North Darling Range)

BRL and its joint venture partner HD Mining announced results of an exploration drilling campaign on private farmland approximately 120km north east of Perth.

(ASX announcement 16 January, 2014)

The exploration program comprised 201 vertical vacuum drill holes completed for 1,333.5 metres on a nominal 320m x 160m or 320m x 320m drill pattern. Approximately 37% of the holes display greater than 25% available alumina over at least 1m thickness. The bauxite within these significant holes averages 3m, up to a maximum of 9m in thickness. The mineralised zones are shallow with limited overburden.

Significant intersections include:

- 9m @ 32.2% available alumina, 43.0% total alumina, 2.1% reactive silica from 2.5m in hole DHVBRL0679

- 7m @ 38.3% available alumina, 49.1% total alumina, 2.3% reactive silica from 1m in hole DHVBRL0560

- 5.5m @ 35.7% available alumina, 48.8% total alumina, 3.3% reactive silica from 0.5m in hole DHVBRL0580

- 6.5m @ 34.0% available alumina, 41.8% total alumina, 2.0% reactive silica from 1.5m in hole DHVBRL0596

Wandering - Pingelly exploration drilling (East Darling Range)

Reconnaissance drilling was completed on a number of private land holdings on exploration licences E70/3890 and E70/3180, between the townships of Wandering and Pingelly, approximately 120km southeast of Perth, with a view to assess bauxite potential and target further exploration in the eastern Darling Range. The program comprised 119 vacuum drill holes for a total of 569 metres, completed on a 320m x 160m spaced grid, or as a series of broad spaced traverses.

Approximately 53% of the holes display greater than 25% available alumina over at least 1m thickness. Bauxite up to 13.5m was intersected (average 3.5m), with limited overburden.

Significant intersections include:

- 7m @ 38.1% available alumina, 43.6% total alumina, 2.9% reactive silica from 0.5m in hole DHVBRL0789

- 13.5m @ 33.3% available alumina, 46.6% total alumina, 1.8% reactive silica from 1m in hole DHVBRL0838

- 7.5m @ 35.8% available alumina, 44.8% total alumina, 1.4% reactive silica from 1.5m in hole DHVBRL0842

- 4.5m @ 39.5% available alumina, 44.6% total alumina, 1.9% reactive silica from 1.0m in hole DHVBRL0799

The assay results quoted have been achieved without the aid of any beneficiation processes.

Industry news - Factors affecting bauxite demand

All aluminium bodies for mass manufactured vehicles a game changer for aluminium industry.

The top selling automobile in the US is going to aluminium bodied construction which could change the demand for aluminium, reported the New York Times 12 Jan, 2014.

The iconic F-150 ute, one of Fords best selling pickups, has undergone a makeover shedding substantial weight with the new 2015 series having bodies built almost entirely of aluminium.

The light weighting of Ford's F-150 has been an investment of billions of dollars by Ford in factory updates, production tooling and engineering expertise aimed at drastically reducing the F-150's weight to improve fuel economy.

The new F-150 is expected to be around 15 percent lighter over all. Cutting weight is widely regarded as the most cost-effective way to reduce fuel consumption and greenhouse gases. Industry experts say that trimming weight by 10 percent results, on average, in a fueleconomy improvement of 6 to 7 percent.

This would bring Ford's most profitable vehicle line closer to meeting the US government's future fleet mileage standards, which call for vehicles with a footprint as large as a full-size pickup to average 30.2 **m**.p.g. by 2025.

As global fuel-economy laws have become more stringent, aluminium's use in automotive applications has steadily grown. To date volume production of all-aluminium bodies had been limited to luxury makes such as Audi, Jaguar Land Rover and Mercedes.

Indonesian minerals export ban - update

Since the implementation of mineral export bans by Indonesia the traded bauxite market has experienced several changes:

- Indonesian bauxite shipments to **China** have trended down since October;

- September bauxite imports, Indonesia to **China**, reached a record high of 7.59Mt.

- Bauxite prices have seen a steady increase from all areas of production but especially the Atlantic region.

- **Alumina** prices showing upward pressure (FOB Australia ~$336 in January)

- In the short term **Chinese** refineries will rely on stockpiled bauxite - estimated 19 months supply

(Source: Harbour **alumina**/bauxite industry analysis and outlook)

Further **Chinese** bauxite/**alumina**/aluminium news:

- **Chinese** government to introducing multi-step electricity pricing policy to resolve overcapacity in aluminium smelting. **China** produced 20,115,217 metric tonnes of primary aluminium Jan � Jan 2013 up 9.6% yoy.

- **China** to maintain 'proactive' fiscal policy and 'prudent' money policy for 2014, this includes keeping the growth of credit and social finance aggregates at 'reasonable' levels.

- **Chinese** governments now studying railway transportation reform, expectations are for a 20% increase in tariff rates.

- **Alumina** spot prices have increased slightly; imported quantities have also risen over the past three month. **China** imported 546,291 tonnes **alumina** in Nov 2013.

- **China** Nonferrous Metals Industries Association (CNIA) economic forum held in Dec 2013 has called for the increase in aluminium use in **China**. **China** needs aluminium for lightweighting in the auto industry, aluminium is cheap at the moment and increasing aluminium use will increase the secondary aluminium markets for the future. Secondary aluminium use is around 65% in the US and only 19% in **China**. CNIA also calls for the use of aluminium to replacement **copper** in electric cable.

To view all figures and diagrams, please visit:

http://media.abnnewswire.net/media/en/docs/ASX-BAU-667470.pdf

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