

23 August 2010

Company Announcement Office
Australian Securities Exchange Limited

Australian Bauxite completes \$6 million placement

Australian Bauxite Limited (**ABx**) advises that it has completed a placement of 13.50 million fully paid ordinary shares (15.77% of its issued capital) at 45 cents per share to sophisticated, eligible and/or professional investors, as defined under Section 708 of the Corporations Act, raising \$6,075,000 before costs.

Following settlement on or before 27 August, ABx will have cash reserves in excess of \$10 million to fund its current exploration and development programs.

The shares are to be issued in accordance with a resolution passed by shareholders at the Company's Annual General Meeting on 28 May 2010.

State One Stock Broking Limited facilitated the placement with strong participation by institutional funds. ABx will release an updated top twenty shareholders as soon as practicable.

ABx will continue its high rate of exploration activity for the remainder of 2010, including the completion of 1,000 holes, and, as a result of this capital raising, increasing the exploration rate to 1,400 holes in 2011. By the end of 2010, ABx expects to complete first pass drilling on all of its granted tenements in Queensland, NSW & Tasmania, and complete prioritisation of its projects.

Initial Commercial Presentations

ABx plans to present initial results from several bauxite projects to potential customers and/or partners, commencing in September. Opportunities for project advancements may arise from these initial presentations but the detailed review of several projects will also help ABx to identify its projects with the highest potential for early development and production.

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About Australian Bauxite Limited: ASX Code ABZ

Australian Bauxite Limited (**ABx**) holds the core of the newly discovered Eastern Australian Bauxite Province. Its 29 bauxite tenements in Queensland, NSW and Tasmania covering 7,039 km² were rigorously selected on 3 principles:

1. Good quality bauxite;
2. Proximity to infrastructure connected to export ports; and
3. Free of socio-environmental or native title land constraints.

All tenements are 100% owned and free of obligations for processing and third party royalties. ABx has already discovered many bauxite deposits and new discoveries are still being made as knowledge and expertise grows.

The company's bauxite is high quality and can be processed into alumina at low temperature – the type that is in short supply globally. At the company's first drilling prospect in Inverell, northern NSW, a maiden resource of 22 million tonnes has been reported from drilling 10% of the area prospective for bauxite. Australian Bauxite Limited aspires to identify bauxite resources in excess of 200 million tonnes in one of the world's best bauxite provinces.

ABx has the potential to create significant bauxite developments in three states - Queensland, New South Wales and Tasmania. Its bauxite deposits are favourably located for direct shipping of bauxite to both local and export customers. The ABx discoveries of bauxite in Tasmania are yet to be evaluated by drilling but bauxite is confirmed to extend over relatively large areas.

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