AUSTRALIAN **BAUXITE** LIMITED
ASX: ABZ

ASX ANNOUNCEMENT
16 September 2010

5 Million Tonnes Maiden Taralga Bauxite Resource

- **Maiden Resource: 5 million tonnes of gibbsite-rich bauxite at Taralga, Southern NSW**
- **Resource is based on results from 98 first-pass exploration holes testing some of the extensive number of targets**
- **85% of targets tested contain bauxite exceeding cut-off grades**
- **Drilling has recommenced at Taralga to assess and expand resources, especially in areas where 10 to 13 metres of good quality bauxite was discovered in first-pass drilling**

Australian Bauxite Limited (**ABx**, **ASX Code ABZ**) has 30 bauxite tenements in eastern Australia covering more than 7,100 km². (see Figure 2) and is well advanced in its program to complete first-pass exploratory drilling of all project areas during calendar year 2010 – 6 months ahead of schedule.

ABx is also preparing to enter into commercial discussions during the remainder of 2010 with potential partners and/or offtake customers for a few of its 30 project areas. Taralga EL 7357 located near Goulburn, southern NSW is one of those areas earmarked for discussions. A site visit is being conducted on Thursday 16th September and for that reason, ABx is announcing all information it has at hand including a small maiden resource that has been discovered to date from the preliminary, first-pass drilling – see Figure 1 for location and drillhole details.

A more extensive resource infill drilling program is planned for 1H 2011 but because of the discovery of very thick zones of good quality bauxite between 10 metres and 13 metres thick, some follow-up drilling has commenced at Taralga in the last few days. This may generate data sufficient for a resource upgrade later this year but the follow-up drilling program is primarily focussed on assessing the general potential for easily mined bauxite zones of Direct Shipping Ore grades. Taralga is located near a major railway line leading directly to Port Kembla export terminal (see Figure 1). A Review of Environmental Factors is underway which will clear the way for a more extensive testing program.

ABx has applied for an exploration area adjacent to Taralga EL 7357 to ensure it covers the prospective ground for bauxite in this district.

Resource estimates after application of cut-off grades for the drilled resource areas on the initial deposits tested at Taralga are summarised as follows:

In situ bauxite (unscreened):

Resource category	Tonnes millions	Thickness m	Avl Al_2O_3 %	SiO_2 Rx %	Avl/Srx ratio	Al_2O_3 %	SiO_2 %	A/S ratio	Fe_2O_3 %	LOI %
Inferred	5.4	4.5	28.1	2.9	9.6	38.0	4.9	7.8	30.3	19.1
Indicated	nil									
Total	**5.4**		**28.1**	**2.9**	**9.6**	**38.0**	**4.9**	**7.8**	**30.3**	**19.1**

Leach conditions to measure available Avl Al_2O_3 & reactive SiO_2 rx were 1g leached in 10ml of 90gpl NaOH at 143 degrees C for 30 mins. "Avl/Srx" ratio is (Available Al_2O_3)/(Reactive SiO_2). "A/S" ratio is (Total Al_2O_3)/(Total SiO_2). Values above 10 are excellent

Cut-off grades applied: 2 metres minimum thickness, 32% minimum Al_2O_3 & 8% maximum SiO_2

The deposit lies at surface on topographic high point which have been largely left uncultivated because of the poor soil that develops on bauxite. The iron levels are generally highest in the top layer of iron-rich gravel (technically described as pisolite layers).

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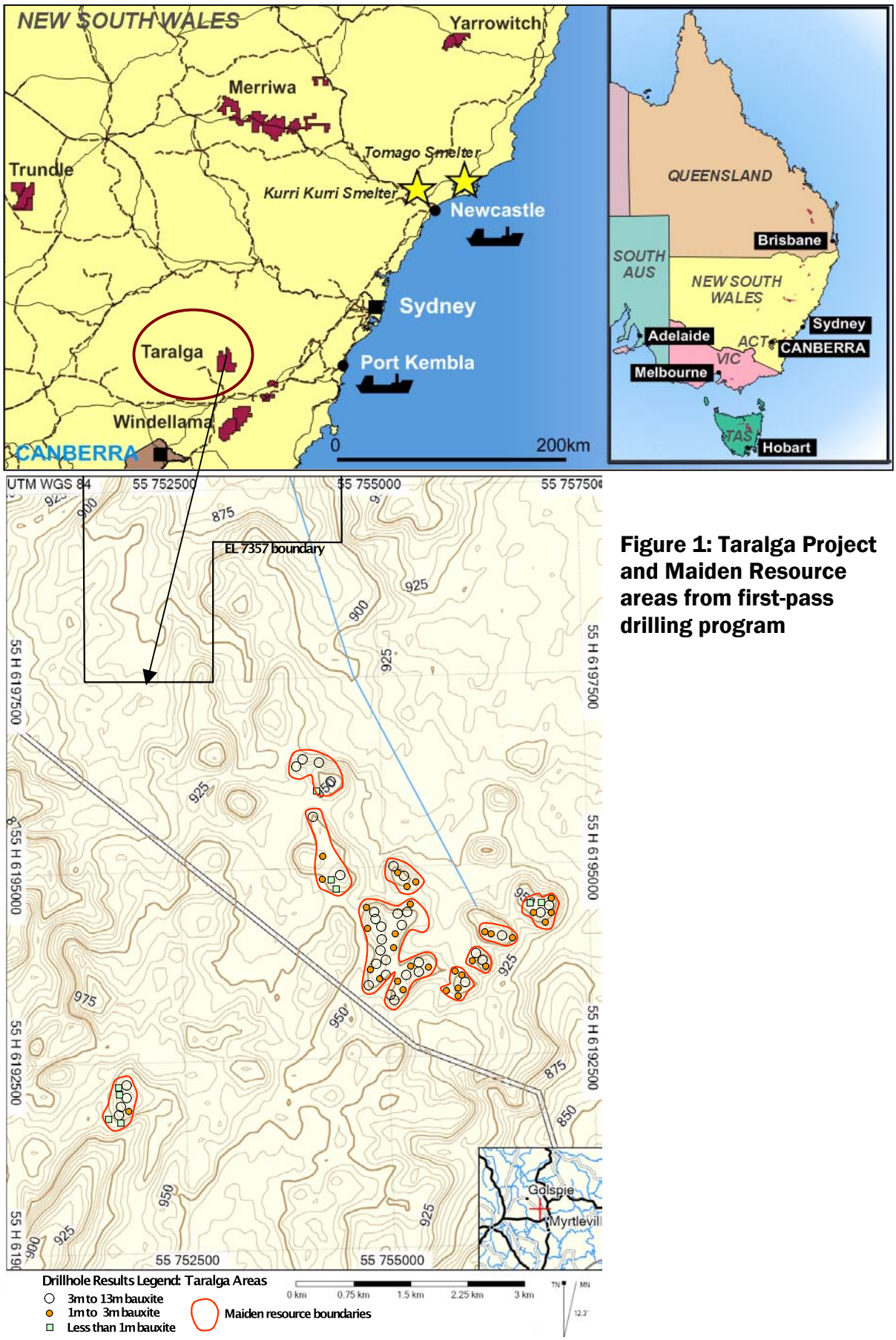

Figure 1: Taralga Project and Maiden Resource areas from first-pass drilling program

Parts of the deposit have been confirmed as high grade, Direct Shipping Grade ("DSO" bauxite) up to 13 metres thick and these areas will be assessed by the current follow-up drilling and drilled in more detail during the first half of 2011.

BENEFICIATION CHARACTERISTICS

Beneficiation: The bauxite samples have been screened at 0.26mm size with the coarser fraction retained and analysed so as to start the assessment of beneficiation. The following results are crude totals only and do not include any assessment of excluding iron-rich pisolite layers during mining. More beneficiation test work will be done when follow-up drill results are received over coming months.

In situ bauxite (screened at 0.26mm)

Resource category	Tonnes millions	Thick-ness m	Avl Al_2O_3 %	SiO_2 Rx %	Avl/Srx ratio	Al_2O_3 %	SiO_2 %	A/S ratio	Fe_2O_3 %	LOI %
Inferred	6.1	4.6	31.7	2.4	13.1	39.8	3.8	10.6	31.6	19.9
Indicated	nil									
Total	**6.1**	**4.6**	**31.7**	**2.4**	**13.1**	**39.8**	**3.8**	**10.6**	**31.6**	**19.9**

Leach conditions to measure available Avl Al_2O_3 & reactive SiO_2 rx were 1g leached in 10ml of 90gpl NaOH at 143 degrees C for 30 mins. "Avl/Srx" ratio is (Available Al_2O_3)/(Reactive SiO_2). "A/S" ratio is (Total Al_2O_3)/(Total SiO_2). Values above 10 are excellent

Cut-off grades applied: 2 metres minimum thickness, 32% minimum Al_2O_3 & 8% maximum SiO_2

Note about the increased tonnage: applying the cut-off grades to the screened grades leads to more intercepts and thicker zones downhole that exceed the cut-off grades. Hence, the tonnage of in-situ bauxite above cut-off grade can increase with screening. The yield factor has not been applied to the tonnage quoted above because not all material would require screening.

Yield: the simple total, volume weighted average yield on the 0.26mm screen is 63%. The tonnage in the table above is the in-situ material above cut-off grade prior to screening and the grades are the grades of the screened material sizing greater than 0.26mm.

RESOURCE ESTIMATE METHOD

Drilling on a random pattern governed by site availability was done in the northeastern part of EL 7357 to test several of the many prominent bauxite plateaus.

During August 2010, 98 holes were drilled totalling 710 metres. Drill samples were collected at 1 metre intervals from the aircore drillholes and analysed at ALS Laboratories in Brisbane including trihydrate (THA) available alumina (Avl Al_2O_3) and reactive silica (SiO_2 Rx) measurements. Leach conditions to measure available Avl Al_2O_3 and reactive SiO_2 Rx were 1g leached in 10ml of 90gpl NaOH at 143 degrees C for 30 minutes

Estimation was done by a polygonal modelling using Voronoi polygons with a tightly defined resource boundary around the holes as shown in Figure 2. Bauxite density was conservatively assumed at 1.8 dry tonnes per cubic metre in situ.

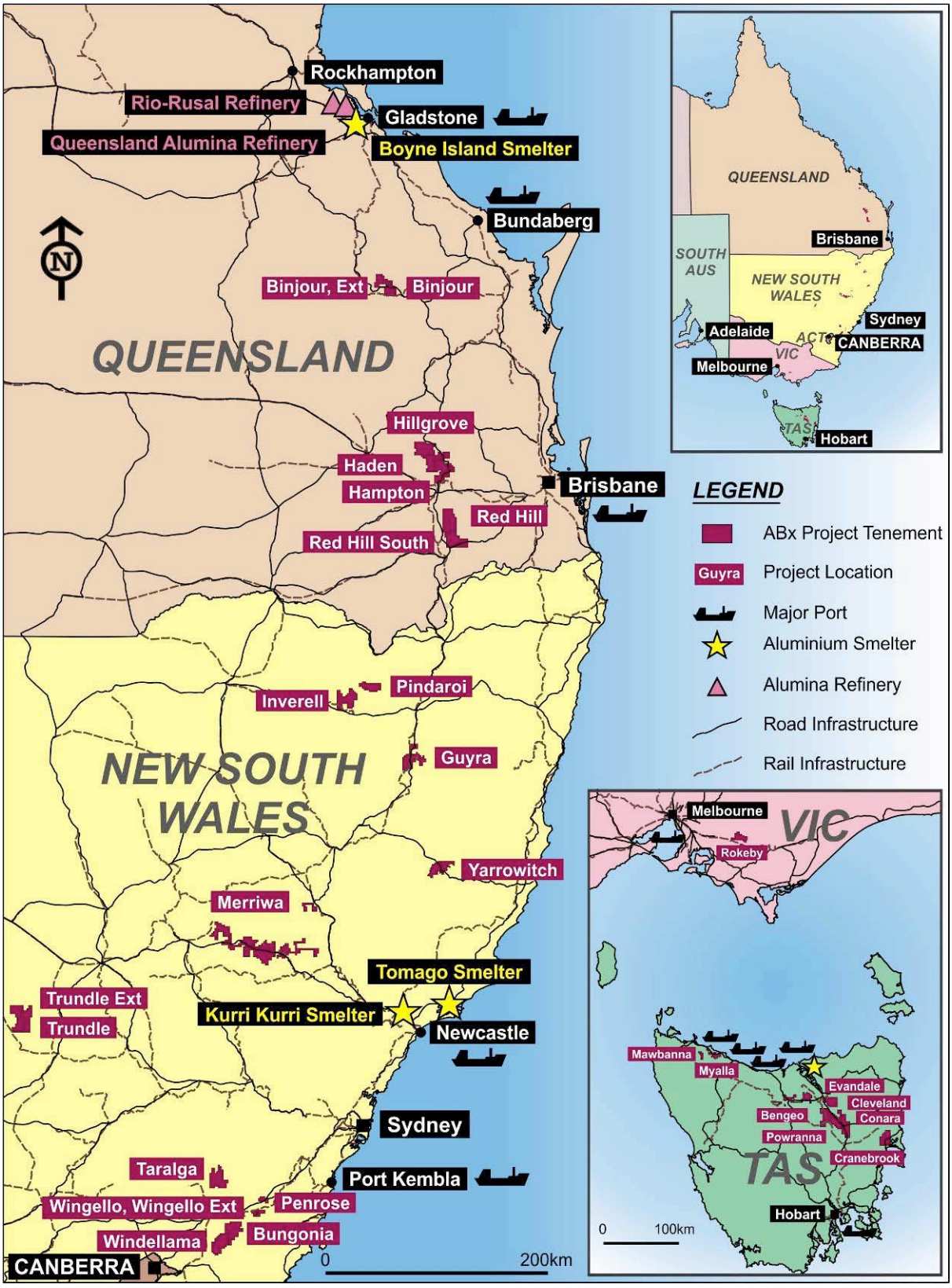

Figure 2: ABx Project Tenements

About Australian Bauxite Limited: ASX Code ABZ

Australian Bauxite Limited (**ABx**) holds the core of the newly discovered Eastern Australian Bauxite Province. Its 30 bauxite tenements in Queensland, NSW and Tasmania covering more than 7,100 km^2 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 resource of 36 million tonnes has been reported from drilling 15 to 20% 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.

For further information please contact:

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Qualifying statement

The information in this announcement that relate to Exploration Information are based on information compiled by Jacob Rebek and Ian Levy who are members of The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Mr Rebek and Mr Levy are qualified geologists and are directors of Australian Bauxite Limited.

Mr Rebek and Mr Levy have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are 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 Resources. Mr Rebek and Mr Levy have consented in writing to the inclusion in this announcement of the Exploration Information in the form and context in which it appears.

Exploration Target Statement

ABx has an exploration target of 200 to 300 million tonnes of bauxite, based on the Mineral Resources totalling 36 million tonnes of bauxite from 196 drillholes drilled across an area that is less than 15% of the known bauxite deposits on a single Exploration Lease EL 6997 at Inverell in northern NSW. In accordance with the JORC Code, readers are advised that with regards this exploration target of 200 to 300 million tonnes, "the potential quality and grade is conceptual in nature, that there has been insufficient exploration to define full Mineral Resources and that it is uncertain if further exploration will result in the determination of a Mineral Resource". Inverell tenement EL 6997 was the first of 30 tenements to be drilled and has since discovered sizeable, good quality bauxite occurrences on several other tenements. ABx sees no reason to vary its exploration target.