



AUSTRALIAN **BAUXITE** LIMITED

ASX: ABZ

ASX ANNOUNCEMENT

18 January 2011

2011 Bauxite Drilling Program Underway Full Steam Ahead

- Two drill rigs to accelerate exploration and JORC resource definition at Taralga NSW. Second drill rig commissioned to expand drilling across three states;
- New ore-bodies discovered at Taralga in late 2010 to be fast tracked – 2 rigs mobilised;
- No program delays due to inclement weather – Tasmania, Binjour in central Queensland and Guyra in northern NSW on schedule for drilling in late Summer & Autumn;
- Laboratory work progressing well – results from the last phase of 2010 drilling in Tasmania and Binjour are pending

Emerging bauxite exploration and development company, Australian Bauxite Limited (ABx, ASX Code ABZ) has commenced an aggressive 2011 drilling campaign on schedule today in good weather at its fast developing bauxite project at Taralga, near Goulburn, southern NSW. The 2010 drilling campaign ended in Queensland and Tasmania in mid December 2010 and all drilling rigs were sent to Adelaide for full servicing in readiness for the start of the 2011 drilling program. All rigs are operational.

There has been no disruption to ALS Laboratories which analyses the company's bauxite results and results continue to be produced in a timely manner. Results are pending from the drilling done at Binjour and Tasmania in the days before drilling ceased in mid December 2010. These will be reported as available.

Managing director and CEO, Ian Levy said; "Company staff have monitored the impacts of flooding in Queensland, northern NSW and Tasmania by remote sensing techniques, a few safe site inspections and by landholder communications. The bauxite deposits have remained dry but access in Queensland and Tasmania was temporarily restricted by highway closures due to flooding in low lying areas. The exploration team's decision, based on experience, to close-down the two rigs at Binjour in QLD and Tasmania in mid December and recommence drilling at Taralga in southern NSW in mid January has been vindicated. We don't want either rig delayed during our massive 2011 drilling campaign."

TARALGA EL 7269

40km N of Goulburn, southern NSW

The bauxite resources at Taralga doubled to 12 million tonnes following first-pass drilling as announced on 6 December 2010 (see Table 1 overleaf). More than half of the resources are easily mined Direct Shipping Ore (DSO) grade bauxite suitable for direct shipping to customers that require gibbsite-rich bauxite, which is the premium quality bauxite that is in highest demand globally (see Table 2).

A new style of gibbsite-rich bauxite has been discovered in the Southeast of the tenement and this will be further explored as a matter of priority (see Table 3). Drilling will be undertaken in accordance with a Review of Environmental Factors approved by the NSW Department of Industry and Investment. This approval enables resource definition drilling to be undertaken at Taralga without delay in 2011. Landholder relations are good and approvals to drill on schedule have been obtained.



AUSTRALIAN **BAUXITE** LIMITED

ACN 139 494 885

Level 2 Hudson House 131 Macquarie Street Sydney NSW 2000

P: +61 2 9251 7177

F: +61 2 9251 7500

E: corporate@australianbauxite.com.au

Resource estimates on the initial deposits tested at Taralga are summarised in Table 1:

Table 1

Total in-situ bauxite (screened at 0.26mm)

Resource category	Tonnes millions	Thick-ness	Al ₂ O ₃ avl %	Rx SiO ₂ %	Avl/Sx Ratio	Al ₂ O ₃ %	SiO ₂ %	A/S Ratio	Fe ₂ O ₃ %	LOI %	Yield %
Inferred	4.79	4.5m	28.1	1.6	18.1	38.8	5.6	6.9	33.5	17.5	64%
Indicated	7.17	4.5m	28.1	1.6	18.1	38.8	5.6	6.9	33.5	17.5	64%
TOTAL	11.95	4.5m	28.1	1.6	18.1	38.8	5.6	6.9	33.5	17.5	64%

Part of this total bauxite resource is an easily mined, thick layer of DSO grade gibbsite as follows:

Table 2

Gibbsite DSO bauxite (screened at 0.26mm & unscreened grades)

Resource category	Tonnes millions	Thick-ness	Al ₂ O ₃ avl %	Rx SiO ₂ %	Avl/Sx Ratio	Al ₂ O ₃ %	SiO ₂ %	A/S Ratio	Fe ₂ O ₃ %	LOI %	Yield %
Inferred	2.45	4.2m	34.9	1.9	18.4	40.9	4.7	8.7	27.1	22.4	58%
Indicated	4.37	4.2m	34.9	1.9	18.4	40.9	4.7	8.7	27.1	22.4	58%
TOTAL	6.82	4.2m	34.9	1.9	18.4	40.9	4.7	8.7	27.1	22.4	58%

Unsieved in-situ raw grades

TOTAL	6.82	4.2m	31.4	4.3	7.3	38.8	6.6	6.0	26.7	21.6	100%
--------------	-------------	-------------	-------------	------------	------------	-------------	------------	------------	-------------	-------------	-------------

Cut-off grades applied: 30% Al₂O₃ & 2m thickness. Leach conditions to measure available Al₂O₃avl & reactive Rx SiO₂ is 1g leached in 10ml of 90gpl NaOH at 143 degrees C for 30 mins. "Avl/Srx" ratio is (Al₂O₃avl)/(Rx SiO₂). "A/S" ratio is Al₂O₃/SiO₂. Values above 10 are excellent. Tonnage is for bauxite in-situ. Yield is for screening at 0.26mm. If a different beneficiation method is used, yield will be different. Tonnages requiring no upgrade will have 100% yield.

Initial resource estimations for a new style of bauxite based on 2010 results from Taralga are as follows:

Table 3

Quartz-bearing, gibbsite-rich bauxite (screened at 0.26mm)

Resource category	Tonnes millions	Thick-ness	Al ₂ O ₃ avl %	Rx SiO ₂ %	Avl/Sx Ratio	Al ₂ O ₃ %	SiO ₂ %	A/S Ratio	Fe ₂ O ₃ %	LOI %	Yield %
Inferred	0.52	3.6m	33.2	2.2	15.2	39.6	15.0	2.6	20.4	20.6	57%
Indicated	0.65	3.6m	33.2	2.2	15.2	39.6	15.0	2.6	20.4	20.6	57%
TOTAL	1.16	3.6m	33.2	2.2	15.2	39.6	15.0	2.6	20.4	20.6	57%

Cut-off grades applied: 30% Al₂O₃ & 2m thickness. Leach conditions to measure available Al₂O₃avl & reactive Rx SiO₂ is 1g leached in 10ml of 90gpl NaOH at 143 degrees C for 30 mins. "Avl/Srx" ratio is (Al₂O₃avl)/(Rx SiO₂). "A/S" ratio is Al₂O₃/SiO₂. Values above 10 are excellent. Tonnage is for bauxite in-situ. Yield is for screening at 0.26mm. If a different beneficiation method is used, yield will be different. Tonnages requiring no upgrade will have 100% yield.

Note: Only a very small proportion of this new bauxite type has been drilled to date. In the table above, the total silica (SiO₂) is 15% but only 2.2% of that is reactive silica (ie. Rx SiO₂). Therefore, 12.8% of the bauxite is non-reactive silica, probably in the form of quartz particles. This resembles bauxite from the world famous darling ranges bauxite mines and alumina refineries south of Perth, WA.

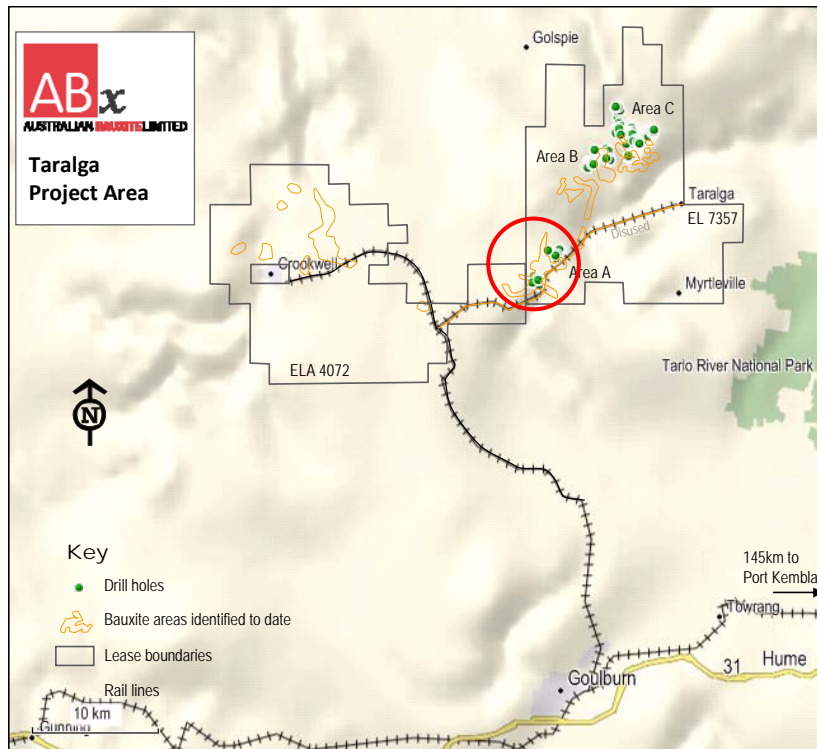


Figure 2

Taralga Tenements, Bauxite Areas, Drillhole Locations & Infrastructure

Drilling commenced in Areas B & C because of identified bauxite occurrences.

Good bauxite (some with non-reactive quartz) was also recently discovered in Area A (circled). **This will be drill tested as a matter of priority.**

The western application area ELA 4072 covers possible extensions.

The Taralga rail line is disused. The Crookwell rail line is not in operation but can be reopened.

Goulburn-Port Kembla rail is a heavy duty rail line.

TIMETABLE

The current drilling schedule is shown below, weather permitting:

Cycle	From	To	<u>Rig 1</u>	<u>Rig 2</u>
1	18 Jan	3 Feb	Taralga, Goulburn area Sth NSW	Taralga, Goulburn area Sth NSW
2	15 Feb	3 Mar	Goulburn area Sth NSW	Guyra – Inverell area Nth NSW
3	15 Mar	31 Mar	Binjour QLD (or Tasmania)	Guyra-Inverell-Pindaroi Nth NSW
4	12 Apr	28 Apr	Tasmania (or Binjour QLD)	Guyra-Inverell-Pindaroi-Merriwa Nth-Central NSW
5	10 May	26 May	Binjour QLD & Sth QLD area	Large Metallurgical Samples



For further information please contact:

Investor Relations, Henry Kinstlinger, Australian Bauxite Limited

Telephone: +61 2 9251 7177

Fax: +61 2 9251 7500

www.australianbauxite.com.au

Email: corporate@australianbauxite.com.au

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.

About Australian Bauxite Limited: ASX Code ABZ

Australian Bauxite Limited (ABx) holds the core of the newly discovered Eastern Australian Bauxite Province. Its 32 bauxite tenements in Queensland, NSW and Tasmania covering 7,500 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, an interim resource of 35 million tonnes has been reported from drilling 15% to 20% of the area prospective for bauxite and a resource of 12 million tonnes of bauxite has been reported for the Taralga project. 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. Drilling of the ABx bauxite discoveries in Tasmania has only recently commenced but bauxite is confirmed to extend over relatively large areas.



ABx Project Tenements and major infrastructure – January 2011