

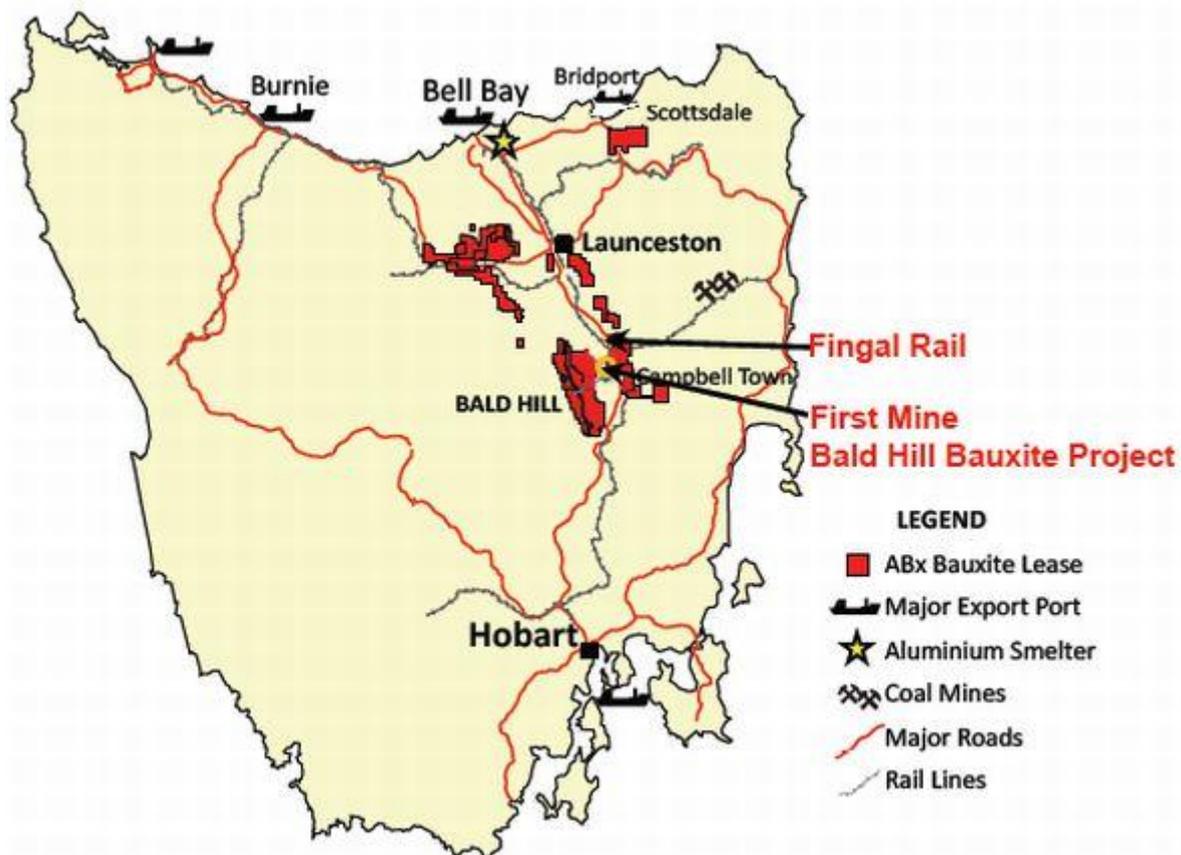
Australian Bauxite

14/05/2014

- ABZ
- Speculative
- **HIGH**

Trial mining part 2

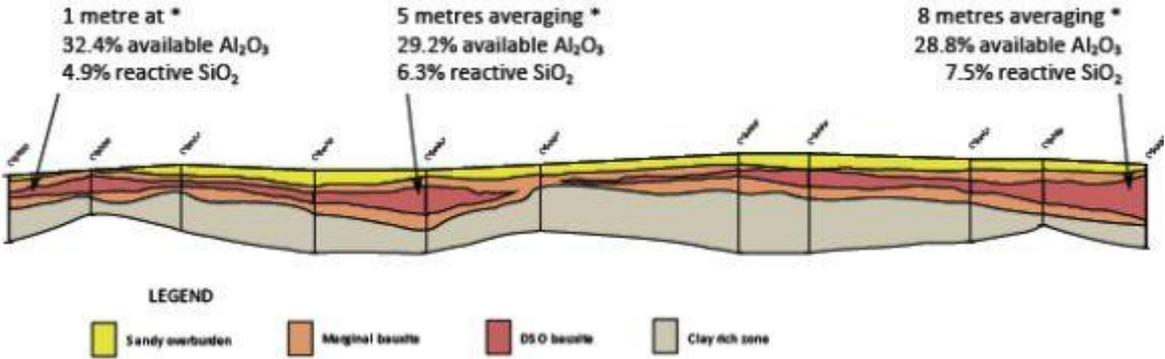
The success of the 2013 trial mining exercise at the Bald Hill and Fingal Rail bauxite deposits in Tasmania has opened the way for the company to conduct further mining trials. Permitting is now underway for the recommencement of trial mining at the Fingal Rail deposit. The following figure shows the location of the company's Tasmania projects:



Source: Australian Bauxite

The new mining trials at Fingal Rail will be conducted in the same technique as the company expects to conduct long-term mining in Tasmania.

The mining technique to be used in the new Fingal Rail trial will be to thinly slice across the surface of the deposit. The Fingal Rail bauxite deposit has the characteristic that this method on mining can exploit. The following figure shows a concept of the Fingal Rail bauxite deposit:



Source: Australian Bauxite

The company expects to mine thin horizontal slices of about 25 centimetres of ore from the surface of the deposit. In identifying this mining technique as appropriate, the company found that contaminants can easily be identified and removed. The ease of identifying and removing contaminants opens up the potential to mine more marginal graded bauxite zones.

This mining technique also copes with the mining of different zones of bauxite. The following figure shows a surface miner and the “harvesting” concept the company plans to use (the plant and hauler are not Australian Bauxite assets):



Source: Australian Bauxite

The ability to quickly source varying grades of bauxite will allow the blending of the bauxite ore to produce a final blended product specific to customer specification. **The company expects it would receive a premium price from customers for the delivery of product that meets consistent specification.** Another premium price point is the likelihood that the bauxite produced will contain low levels of silica.

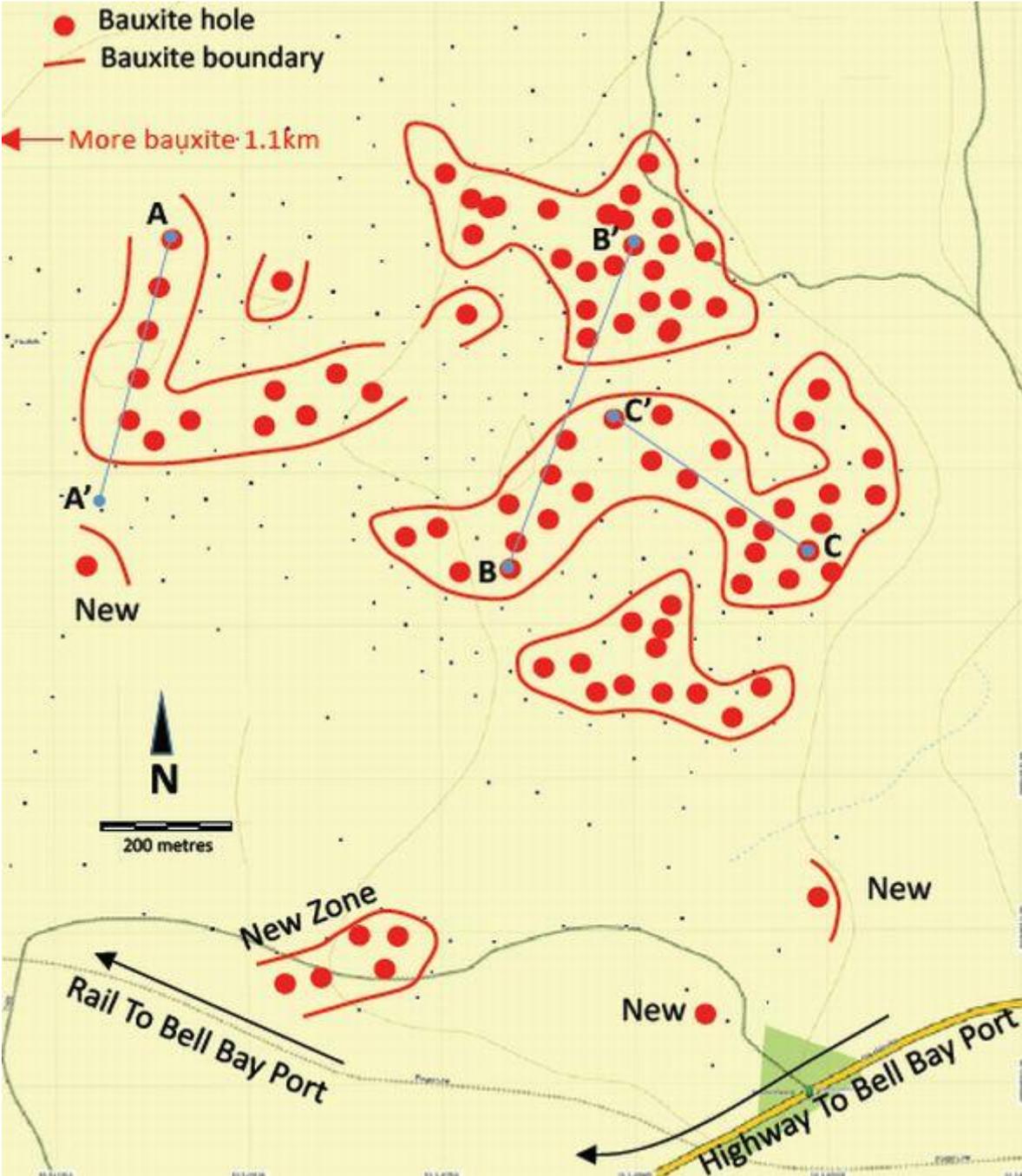
The dry screening trial also proved that marginal bauxite can, by being passed through the process, yield a coarse bauxite product with grades of 75% to 85% bauxite.

We view both the ore blending capability and dry screen processing as premium price initiatives for minimal development capital and low operational costs.

The Bald Hill project remains on track to commence first bauxite production in the latter part of 2014. The critical granting of a Mining Lease (Lease) over the Bald Hill tenements is expected shortly, with the Tasmanian Government already indicating its preparedness to grant the Lease. All the prerequisite reports have been received and tabled including the reports from the Tasmanian Environmental Protection Agency. The company expects to lodge a Development Plan and Environmental Management Plan for final public viewing in August 2014. An

environmental bond will be paid and final land access agreements will be signed off with landowners, following receipt of the Lease and the company's final review of the bauxite market fundamentals.

On the exploration front, the company continues to enjoy exploration success at its Fingal Rail project. The following figure shows a concept schematic of the Fingal Rail bauxite deposit:

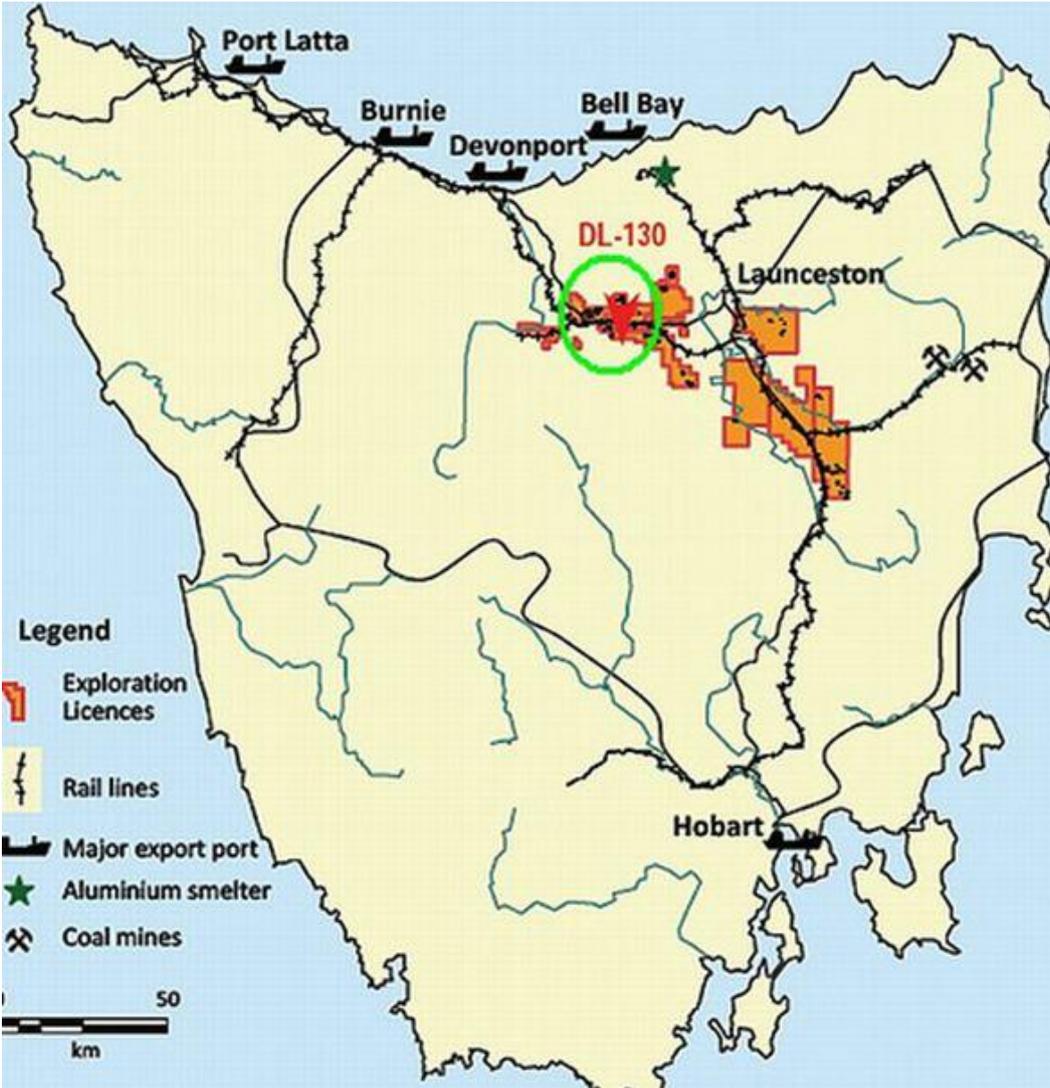


Source: Australian Bauxite

Recent drilling has identified additional zones of previously unknown bauxite around the perimeter of the main Fingal Rail ore body. **These new zones extend the occurrence of saleable grade bauxite in seam thickness well beyond the current Mining Lease boundary.**

To explore the extent of the new mineralised zones at Fingal Rail, the company will conduct a new follow-up drill programme. The programme will aid in determining to extend of the mineralisation. Once the extent of the new mineralisation is known, the company will determine to include the new zone in the current Lease boundaries or layover the finds to be included in future Mining Lease applications.

The company has also been exploring across prospect DL-130 and again has reported early success, following the intersection of high grade bauxite. The following figure shows the location of DL-130 (highlighted):



Source: Australian Bauxite

DL-130 hosts the highest grade bauxite discovered by the company in Tasmania to date. The high grade bauxite has been intersected over intervals up to 14 metres thick and is currently undergoing laboratory testing to determine its quality characteristics. The company is certainly encouraged by the results and could be looking at a third bauxite mine behind the Bald Hill and Fingal Rails projects. We will monitor announcements on progress at DL-130 closely.



At 31 March 2014, the company had a cash resource or equivalent of A\$2.6 million. Expenditure for the current quarter has been budgeted at A\$380,000. Exploration expenditure is forecast at A\$150,000, while the forecast for development activities is A\$100,000. We consider the company has sufficient cash resources to meet all its current commitments.



With bauxite production in Tasmania now proven to be a viable concept, the critical trials were another milestone in the progress toward commercial production. The value catalysts we see in the company are, we believe, moving in an encouraging direction. Catalyst we expect will be reinforced by more positive news flow from the company in the months ahead, as it looks to conduct further mining trials in Tasmania. Adding to the value equation is the ongoing exploration success, especially in Tasmania, as the company improves the in ground value of its bauxite deposits.

Consequently, Australian Bauxite will remain firmly held in the Fat Prophets portfolio.

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Oil & Gas, John Wood Group, Kazakhmys, Legal & General, Low and Bonar, Majestic Wine, Marstons, Medusa Mining, Mitchells & Butlers, Mitsubishi UFJ Financial, National Grid, Newmont Mining, Nomura Securities, Norcros, Orix Corporation, Panasonic, Paragon Group of Companies, Petra Diamonds, Petrofac, Petropavlovsk, PICC Property & Casualty, Randgold Resources, Reckitt Benckiser, Rexam, Royal Dutch Shell, Solgold, Sony Corporation, Standard Chartered, Sumitomo Mitsui Financial, Suncor Energy, Sylvania Platinum, Tesco, Toyota Motor, Tullow Oil, Unilever, Vedanta Resources, Vodafone, Volkswagen, Zillow. These may change without notice and should not be taken as recommendations.

Snapshot ABZ

Australian Bauxite

Latest Closing Price: \$0.205

Australian Bauxite is different from other bauxite wannabes inasmuch that its projects are below the Tropic of Capricorn. As other explorers were focused on the metals of the day like gold and copper, Australian Bauxite's chief geologist was carefully picking the eyes out of the East Australian Bauxite Province. This was not a fast process but one that took several years of detailed exploration. The company's tenements cover over more than 6,500 square kilometres. This is a large area and the target is combined resources of over 200 million tonnes. The business plan is to begin marketing bauxite in Asia, and then expand the business to supply alumina refineries in Gladstone, Queensland, and possibly create state-significant projects in the bauxite-alumina industry.

Market Capitalisation: \$26.0m