



AUSTRALIAN BAUXITE LIMITED

ASX: ABZ

## QUARTERLY REPORT

### Quarterly Activities Statement period ended 31 December 2012

#### About Australian Bauxite Limited: ASX Code ABZ

Australian Bauxite Limited (ABx) holds the core of the newly discovered Eastern Australian Bauxite Province. Its 42 bauxite tenements in Queensland, NSW and Tasmania covering 6,883 km<sup>2</sup> 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. ABx conducts vigorous reviews of the commercial viability of its projects and tenements, resulting in new acquisitions, but also reductions in area as exploration is conducted.

ABx's bauxite is high quality and can be processed into alumina at low temperature – the type that is in short-supply globally. **Global resources declared to date total 115.6 million tonnes.** At Inverell in northern NSW, a resource of 38.0 million tonnes<sup>1</sup> has been reported from drilling 35% to 40% of the area prospective for bauxite; at the Taralga project in southern NSW, a resource of 37.9 million tonnes<sup>2</sup> of bauxite has been reported; at Guyra<sup>3</sup>, a 6.0 million tonnes maiden resource was declared; at the Binjour Plateau in central QLD, a 24.5 million tonnes<sup>4</sup> resource has been declared; in Tasmania, a 5.7 million tonnes maiden resource has been declared and at Mundubbera in central Qld, a 3.5 million tonnes maiden resource has been declared, confirming that ABx has discovered a significant bauxite deposit including some bauxite of outstandingly high quality.

ABx aspires to identify large bauxite resources in the Eastern Australian Bauxite Province, which is emerging as 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.

#### ABx Pic of the Quarter Field bloodsucker...



Tasmanian leech on CEO's leg during flora & fauna field study trip. Neither is considered to be a threatened species.

This quarterly report is dated 31 January 2013 and is for the three months to 31 December 2012.

#### PRINCIPAL POINTS

##### Corporate

- Data Room established; majors express interest
- Director exercises 1.1 million, 30 cent ESOP options (the exercise price matched the prevailing market price at the time)
- Cash in hand at 31 December 2012 was \$2,017,000.

##### Exploration

- 3.5 million tonnes maiden resource declared on granted Qld mining lease 155 km from Bundaberg Port
  - Bauxite production being assessed
  - Scoping studies for early production have commenced
- 5.7 million tonnes maiden resource near Bell Bay port in Tasmania
  - 377 drill holes into less than 10% of the identified target areas
  - Scoping studies for early production are well advanced

##### Tenement status

Tenements are 100% in good standing.

#### Disclaimer Regarding Forward Looking Statements

This ASX announcement (Announcement) contains various forward-looking statements. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements are inherently subject to uncertainties in that they may be affected by a variety of known and unknown risks, variables and factors which could cause actual values or results, performance or achievements to differ materially from the expectations described in such forward-looking statements.

ABx does not give any assurance that the anticipated results, performance or achievements expressed or implied in those forward-looking statements will be achieved.

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**Market Commentary: Bauxite Prices Firming**

Indonesian export bans and a 20% export tax came into force on 9 May 2012 and led to a sharp reduction in Chinese imports of Indonesian bauxite and a 20% increase in Indonesian and Indian bauxite prices to between US\$50 and US\$53 per tonne CIF China. In 2014, Indonesian export quotas will reduce further and the tax will increase to 50% to conserve Indonesian bauxite needed to supply Indonesian alumina refineries currently under construction. ABx intends to export Indonesian-type low temperature bauxite from eastern Australia, commencing during 2014.

Indonesian bauxite is sold to Chinese alumina refineries that operate at relatively low temperatures of about 140 degrees centigrade and rely on imports of low-temperature bauxite, which is composed of the tri-hydrate alumina mineral called gibbsite – the same type of bauxite that ABx intends to export. Approximately 65% of bauxite shipments into China come from Indonesia and 30% from Australia.

In the months prior to May 2012, Chinese imports from Indonesia reached record levels ahead of the implementation of the 20% export tax on 9 May. An all-time record of 6.274 million tonnes were imported in May 2012, of which, 5.564 million tonnes (89%) came from Indonesia. After May, exports from Indonesia fell substantially but are starting to rise again. Average prices of Indonesian bauxite increased by about 20% in August to between US\$50 and US\$53 per tonne due to the 20% export tax imposed in May. This is the highest average monthly price since 2008 when Indonesian bauxite prices peaked at US\$68.50 and Australian bauxite prices peaked at almost US\$75 per tonne.

**Strong Chinese Bauxite Imports**

Indonesian bans & 20% taxes began 9 May 2012

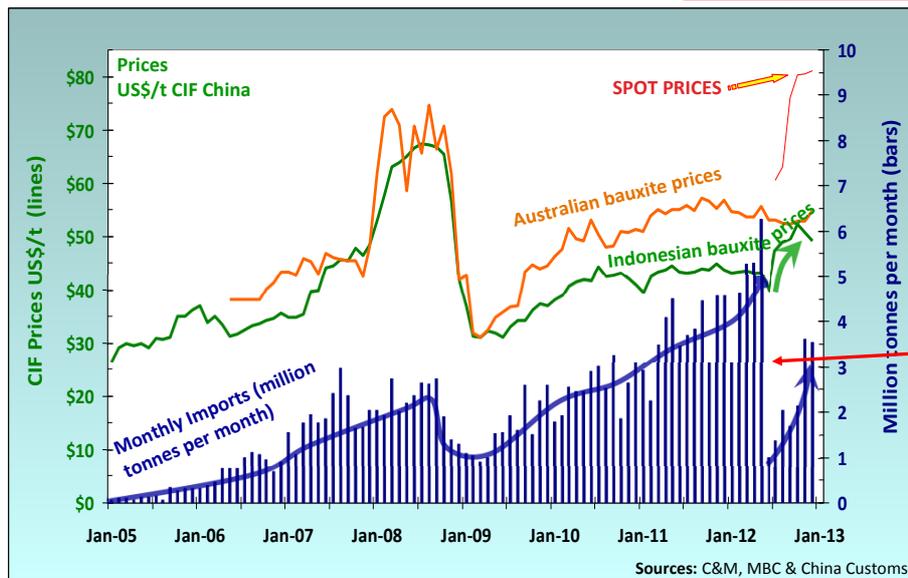


Figure 1: Chinese Bauxite Import Tonnes and Prices: 1 January 2005 to 31 December 2012

Current Indonesian prices of US\$50 to US\$53 would increase to **between US\$62 and US\$66** per tonne by the imposition of the 50% export tax on Indonesian bauxite exports in 2014. Indonesian bauxite exports will become more expensive due to the 50% export tax and higher production costs in Indonesia where the easy-bauxite has been largely mined out. Some Chinese bauxite importers have recently paid US\$82 per tonne of bauxite from Jamaica and Guinea - a taste of things to come.

**Majors express interest – Data Room established**

ABx established a virtual data room in response to approaches made since its declaration of three State-Significant Projects (ASX: 27 September 2012) (**Projects**). All participants have been afforded equal access, based on their commitment level, commencing with execution of a confidentiality agreement, and then progressing through term sheet and MoU's. The data room is currently open to six international groups and their advisors, who are investigating the ABx opportunity, be it at tenement, project, subsidiary or company level. Site visits have been conducted in each of the Projects and are ongoing. ABx gives no assurance that any proposal, agreement or transaction will result but it will update the market of further developments.



**Resource Update – December Quarter**

Company resources grew to 116 million tonnes – 2 new maiden resources were declared in the December quarter.

**Queensland**

**3.5 million tonnes maiden resource (Inferred)**

ABx completed investigative drilling as part of its due diligence with respect to Mining Lease ML80126, located 25 km south of Mundubbera and 155 km southwest of Bundaberg Port in central Queensland (see Figure 2). ABx confirmed that the Inferred Resource of bauxite identified is 3.5 Million tonnes.

Establishing the resource size provides the “resource size consideration” for concluding final agreements to purchase the mining lease and commence early mine production to supply the buoyant bauxite market, which is currently seriously short of this type of gibbsite bauxite.

This granted, long-term mining lease ML80126 might be a fast-track route to the commencement of ABx’s large Binjour Bauxite Project located 115 km southwest of Bundaberg Export Port, Queensland – see Figure 2.

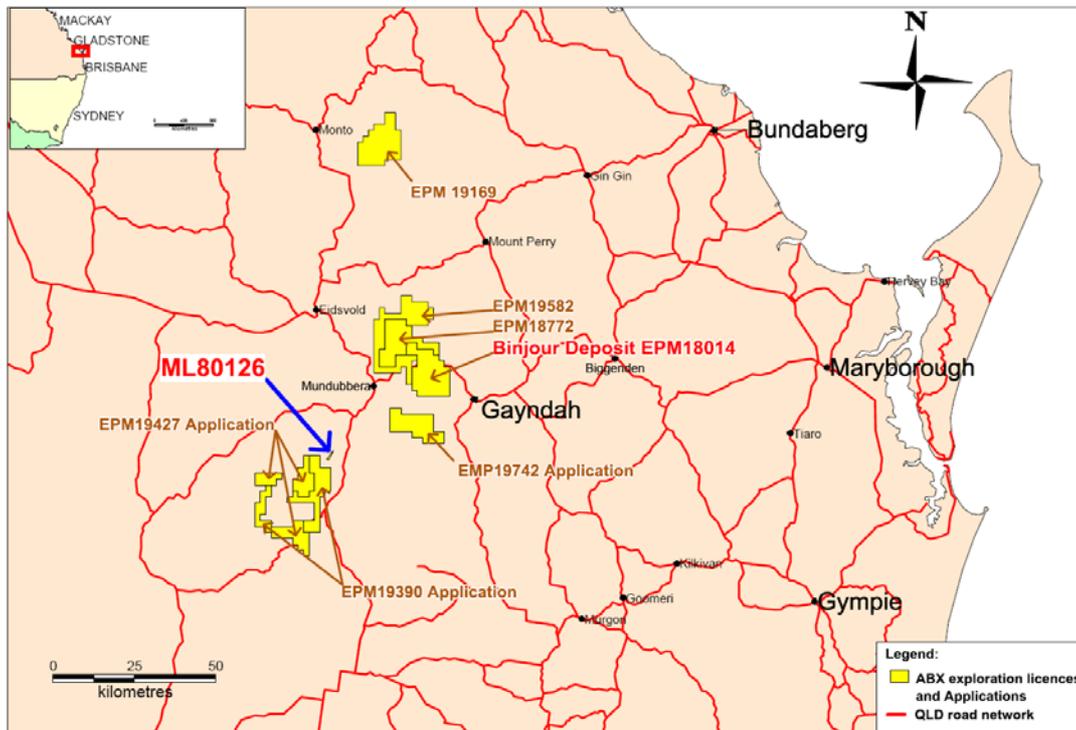


Figure 2: ABx Bauxite Tenements in Central Queensland, including ML80126 & the large Binjour Project

Table 1: Summary of Maiden Bauxite Resources, Mining Lease ML80126

Cut-off 25% Al <sub>2</sub> O <sub>3</sub> Avl			Sieved at 0.26mm											
Resource category	Tonnes millions	Bauxite Thickness	Al <sub>2</sub> O <sub>3</sub> Avl % 143°	Rx SiO <sub>2</sub> %	Avl/Rx Ratio	Al <sub>2</sub> O <sub>3</sub> %	SiO <sub>2</sub> %	A/S Ratio	Fe <sub>2</sub> O <sub>3</sub> %	TiO <sub>2</sub> %	LOI %	Yield %	Overburden m	Internal Waste m
Inferred	3.5 Mt	4.9 m	32.8	5.2	6.3	40.2	7.2	5.6	25.3	4.9	21.7	67%	1.5 m	0 m
<b>TOTAL</b>	<b>3.5 Mt</b>	<b>4.9 m</b>	<b>32.8</b>	<b>5.2</b>	<b>6.3</b>	<b>40.2</b>	<b>7.2</b>	<b>5.6</b>	<b>25.3</b>	<b>4.9</b>	<b>21.7</b>	<b>67%</b>	<b>1.5 m</b>	<b>0 m</b>

Cut-off grades applied: Minimum 25% available Al<sub>2</sub>O<sub>3</sub> Avl, 2m thickness, 200m search ellipse. Leach conditions to measure available alumina "Al<sub>2</sub>O<sub>3</sub> Avl" & reactive silica "Rx SiO<sub>2</sub>" is 1g leached in 10ml of 90gpl NaOH at 143 degrees C for 30 mins. "Avl/Rx" ratio is (Al<sub>2</sub>O<sub>3</sub> Avl)/(Rx SiO<sub>2</sub>) and "A/S" ratio is Al<sub>2</sub>O<sub>3</sub>/SiO<sub>2</sub>. Avl/Rx values above 6 are good. Tonnage is for bauxite in-situ. Yield is for screening all samples at 0.26mm. The significant tonnages requiring no upgrade will have 100% yield.

**Tasmania**

**5.7 million tonnes maiden resource declared (Inferred) – DL-130 Deposit**

ABx considers its Tasmanian Project located within 100 km of Bell Bay Port to be a state significant discovery of a major bauxite province, which may come into production ahead of ABx’s other mainland projects.

A 2 to 8 metres thick surface layer of gibbsite-rich, low silica bauxite occurs in moderate-sized blocks over the Tasmanian northern midlands area in the hinterland of Bell Bay where Australia’s first alumina refinery and first aluminium smelter were established. In early 2012, ABx identified bauxite in Tasmanian locations, which are suitable for production. Drilling commenced in late August and will continue throughout 2013 to extend the areas of bauxite drill testing. Only 10% of targeted areas have been drilled to date and contain the following maiden resources:

**Table 2: Summary of Maiden Bauxite Resources, Tasmania**

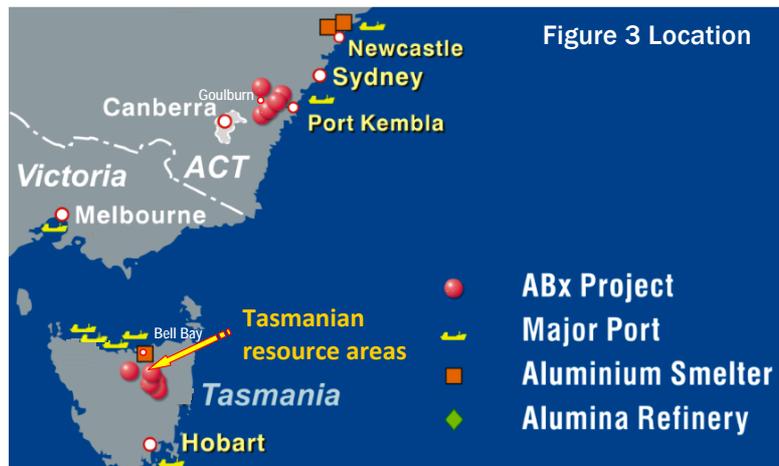
Tasmanian Bauxite Resources			Sieved at 0.26mm											Overburden m	Internal Waste m
Resource category	Tonnes millions	Bauxite Thickness	Al <sub>2</sub> O <sub>3</sub> Avl % 225°	Al <sub>2</sub> O <sub>3</sub> Avl % 143°	Rx SiO <sub>2</sub> %	Avl/Rx Ratio	Al <sub>2</sub> O <sub>3</sub> %	SiO <sub>2</sub> %	A/S Ratio	Fe <sub>2</sub> O <sub>3</sub> %	TiO <sub>2</sub> %	LOI %	Yield %		
Inferred	5.7 Mt	3.8 m	39.5	37.6	3.2	11.9	44.1	4.3	10.4	22.8	3.1	25.0	55%	1.5 m	0.1 m
<b>TOTAL</b>	<b>5.7 Mt</b>	<b>3.8 m</b>	<b>39.5</b>	<b>37.6</b>	<b>3.2</b>	<b>11.9</b>	<b>44.1</b>	<b>4.3</b>	<b>10.4</b>	<b>22.8</b>	<b>3.1</b>	<b>25.0</b>	<b>55%</b>	<b>1.5 m</b>	<b>0.1 m</b>

Cut-off grades applied: Minimum 30% available Al<sub>2</sub>O<sub>3</sub> at 143 degrees, 2m thickness, 350m search ellipse for each 25m x 25m block. Leach conditions to measure available alumina "Al<sub>2</sub>O<sub>3</sub> Avl" & reactive silica "Rx SiO<sub>2</sub>" is 1g leached in 10ml of 90gpl NaOH at 143 degrees C for 30 mins. "Al<sub>2</sub>O<sub>3</sub> Avl % 225°" is estimated available alumina at 225 degrees C based on metallurgical testwork. "Avl/Rx" ratio is (Al<sub>2</sub>O<sub>3</sub> Avl)/(Rx SiO<sub>2</sub>) and "A/S" ratio is Al<sub>2</sub>O<sub>3</sub>/SiO<sub>2</sub>. Values above 10 are excellent. Tonnage is for bauxite in-situ. Yield is for screening all samples at 0.26mm. The significant tonnages requiring no upgrade will have 100% yield.

The resource is based on 377 holes totalling 2,652 metres, averaging 7 metres depth.

Typically there is 3.5 to 4 metres of bauxite beneath 0.5 to 2 metres of soil and overburden which will be selectively removed and replaced over mined-out areas to ensure that seeds and soils remain viable.

Approximately 50% of the bauxite layer is DSO grade Bauxite<sup>2</sup> which can be mined and directly shipped.



**Figure 3 Location**

**Environmental Baseline Work**

Environmental baseline work has been commissioned to occur during the current Spring season in Tasmania. ABx is conducting negotiations regarding some pine forest areas and other intensive plantations of imported tree species, which are unlikely to present socio-environmental impediments but they are being assessed by independent environmental experts nonetheless.

**Deposit Geology**

The main deposits lie on plantation forests that are being harvested. Bauxite forms slight ridges with lesser quality, thin soils that are best suited for plantation forest development.

The bauxite is a layer that is interpreted as having formed on the volcanic rocks of the lower Tertiary era (40 to 55 million years old). Recent erosion, especially after the Ice Age has dissected the deposits and the remnant ridges of bauxite are typically 1 to 2 kilometres long but occur in clusters that represent an ancient continuous plateau.

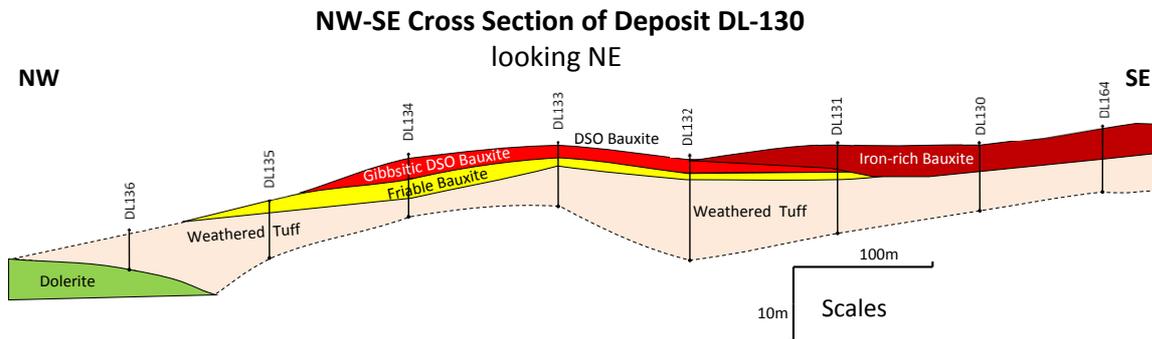


Figure 4: Cross Section Of The Northwest Part of Bauxite Deposit DL-130

### JORC Code Compliant Public Reports

ABx advises that this Quarterly Activities Statement contains summaries of Exploration Results and Mineral Resources as defined in the 2004 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’ (“JORC Code”).

The following table references the location of the Code-compliant Public Reports or Public Reporting on which the summaries are based. These references can be viewed on the ASX and ABx’s website ([www.australianbauxite.com.au](http://www.australianbauxite.com.au)) and the Company will provide these reports, free of charge, to any person who requests it.

Release Date	Title of Notice as lodged with ASX
03/12/2012	3.5 Million Tonnes Maiden Resource – Granted Qld Mining Lease
08/11/2012	Maiden Tasmanian Resource

### Qualifying statement

The information in this announcement that relate to Exploration Information and Mineral Resources 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 to the inclusion in this announcement of the Exploration Information in the form and context in which it appears.

### JORC Compliant Resource Statements

The following are Joint Ore Reserve Code (“JORC”)–compliant Public Reports released to the ASX declaring the JORC resources referred to. These can be viewed on the ASX website and the Company will provide these reports, free of charge on request.

- <sup>1</sup> 08/05/2012 ASX Inverell JORC Resource Update, 38.0 Million Tonnes
- <sup>2</sup> 30/05/2012 ASX Taralga Bauxite Resource Increased 50% to 37.9 Million Tonnes
- <sup>3</sup> 15/08/2011 ASX Maiden Guyra Resource, 6.0 Million Tonnes
- <sup>4</sup> 29/07/2012 ASX Binjour Maiden Resource, 24.5 Million Tonnes
- <sup>5</sup> 08/11/2012 ASX Maiden Tasmania JORC Resource, 5.7 Million Tonnes
- <sup>6</sup> 03/12/2012 ASX Maiden QLD Mining Lease JORC Resource, 3.5 Million Tonnes

### Direct Shipping Bauxite or “Direct Shipping “Ore”

All references in this report to direct shipping bauxite or direct shipping ore (DSO) refers to the company’s exploration objective of defining or identifying DSO grade mineralisation.

### True Width

The true-width of the deposit is not known and will be determined by further resource definition drilling.

### Definitions

DSO bauxite: Bauxite that can be exported directly with minimal processing.  
Averaging method: Aggregated average grades in the table are length-yield-weighted averages of each metre’s yields & grades.



Project Tenements and Major Infrastructure – 4<sup>th</sup> Qtr 2012