



AUSTRALIAN BAUXITE LIMITED

ASX: ABZ

QUARTERLY REPORT

Quarterly Activities Statement period ended 30 June 2013

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 6,878 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. 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 tonnes¹ 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 tonnes² of bauxite has been reported; at Guyra³ a 6.0 million tonnes maiden resource was declared; at the Binjour Plateau in central QLD, a 24.5 million tonnes⁴ resource has been declared; in Tasmania, a 5.7 million tonnes⁵ maiden resource has been declared and at Mundubbera in central QLD, a 3.5 million tonnes⁶ 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 endorses best practices on agricultural land, strives to leave land and environment better than we find it. We only operate where welcomed.

1, 2, 3, 4, 5, 6 See JORC Resource Statement

ABx Pic of the Quarter



Chief Operating Officer, Leon Hawker pegging Mining Lease ML 1961 for the Bald Hill Bauxite Project on 1 May 2013. It is not a ritual, just a business.

This quarterly report is dated 30 July 2013 and is for the three months to 30 June 2013.

PRINCIPAL POINTS

Corporate

- \$500,000 exclusivity payment received from China's Xinfu Group, a major Chinese aluminium company for Tasmanian and Goulburn South projects
- First mining lease application for Bald Hill bauxite project lodged in Tasmania 3 May 2013
- A second potential mine site may have been discovered 11km north of Bald Hill
- Washington H Soul Patterson & Company Limited and Gleneagle Securities became substantial shareholders
- Cash in hand at 30 June 2013 was \$2.3 million

Exploration

During the June quarter, drilling continued in Tasmania defining resources on ABx's first mining lease at Bald Hill near Campbell Town, 110km south of Bell Bay Port.

Towards the end of the quarter, drilling moved to the Fingal Rail prospect and encountered a solid bauxite layer concealed beneath a sand layer. Assays are pending and the Fingal Rail deposit remains open to the west.

Ground exploration continued to define new and additional bauxite areas.

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.

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

Bauxite Market Commentary

ABx will produce gibbsite-rich bauxite, the type that is in greatest demand and shortest supply. ABx is preparing to commence its initial production in Tasmania in late 2014.

Bauxite demand is intensifying due to reduced supply from Indonesia, India and China and increased demand for alumina (aluminium oxide) due to rising Aluminium production.

Bauxite prices are still rising even whilst the price of aluminium metal has remained flat. The different trajectories for the prices of bauxite and aluminium have developed because many new-technology, more efficient aluminium smelters have opened in recent years and significantly increased aluminium production which has suppressed aluminium prices. Aluminium is now a more competitively priced metal than ever before and its consumption is rising faster than all other metals.

New aluminium production leads to increased demand and higher prices for bauxite. China has insufficient domestic bauxite to feed its burgeoning aluminium industry so it imports more than 40% of its bauxite, mainly from Indonesia, Australia and India.

Indonesian Export Bans and Export Tax Increases to 50% in 2014

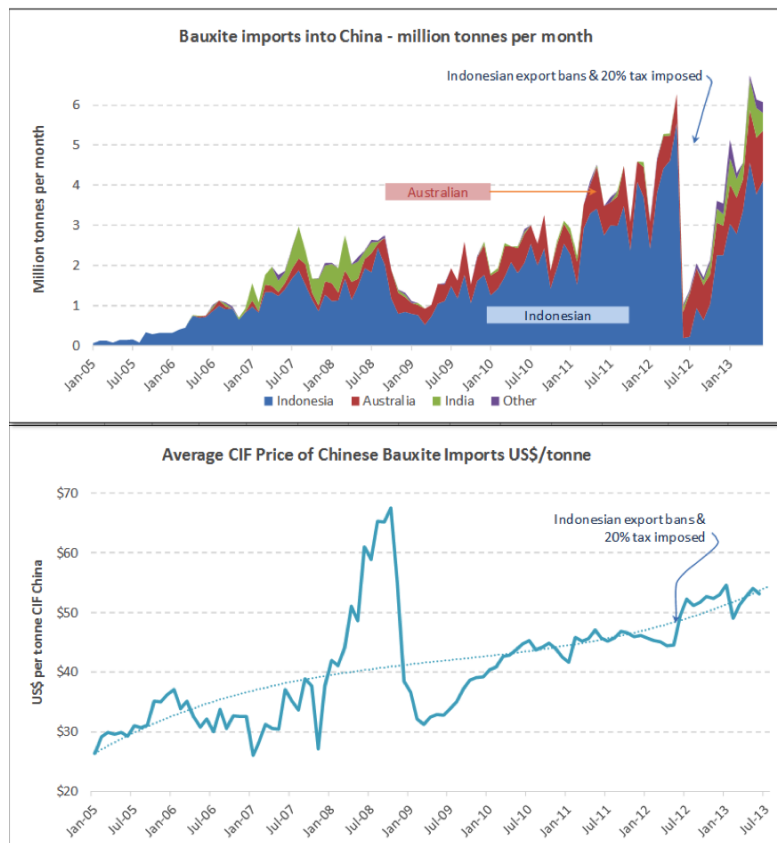


Figure 1: Chinese Bauxite Imports; tonnes per month & average Prices CIF China to 30 June 2013
Source: Chinese Customs & Bloomberg

Rising demand and prices for Australian bauxite are forecast to strengthen further when Indonesia increases its export tax on bauxite from 20% to 50% in 2014.

Record Bauxite Imports into China

Bauxite is the fastest growing seaborne traded mineral commodity. Chinese bauxite imports have risen from zero in 2004 to more than 50 million tonnes per year today.

As Figure 1 graphs show, Chinese imports of bauxite were volatile in 2012 because of the impact of Indonesia's first tranche of export bans and export tax in May 2012.

Chinese bauxite imports are now rising strongly, reaching an all-time record of 6.74 million tonnes in April 2013 and are remaining high.

Since 2008 bauxite prices have been rising towards US\$60 per tonne, and we believe it is a reasonable expectation they will exceed US\$60 per tonne during 2014 and 2015, as Indonesia's export taxes increase from 20% to 50% are applied.

ABx has forecast additional rises in bauxite prices to more than US\$65 per tonne after 2014 because of rising costs of production in Indonesia and India compounded with the additional export taxes and bans at a time when large new aluminium smelters are still being opened, especially in China.

Furthermore, recent exchange rate movements are considered especially encouraging because it increases the net received price for bauxite in Australian dollars.



Mining Lease application lodged (ASX Announcement 8 May 2013)

ABx lodged an application for a mining lease with Mineral Resources Tasmania and a Notice of intent was also submitted to the Environment Protection Authority during the week of 8 May 2013.

Due diligence with major Chinese aluminium company, Xinha Group (**Xinha**) is well underway and a site review by Xinha completed.

ABx's first mining lease application ML 1961 is over 173 hectares, located off Macquarie Road, 8km northwest of Campbell Town in central northern Tasmania. Bald Hill Bauxite Project ("BHBP") was chosen as the name of this first mine. Critical to the application process is a Development Proposal and Environment Management Plan (DPMP) which has gone through several review processes and is expected to be submitted in final form in the next few weeks once results from several bulk pit tests are known and confirm the handling properties of the product which will be a gravel-sized product, initially trucked to Bell Bay Port.

Mining is planned to commence in the second half of 2014 with the first shipments scheduled for December 2014.

Exclusivity Payment Received: Due diligence underway (ASX 9 April 2013)

Following the execution of a Term Sheet with major Chinese aluminium company, Xinha with respect to two State-Significant bauxite projects of the Tasmanian and Goulburn South bauxite projects, Xinha has paid an exclusivity payment of A\$500,000 for a five-month due diligence period to 31 August 2013.

Term sheet agreement with preferred supportive offtake partner to fully-fund first two bauxite projects (ASX: 4 April 2013)

ABx and the major Chinese aluminium company, Xinha executed a term sheet with respect to two State-Significant bauxite projects and have commenced an exclusive negotiation and due diligence period (**Exclusivity Period**) to finalise formal agreements, commencing initially with a detailed Memorandum of Understanding (MoU) once due diligence is completed followed by a series of Joint Venture and commercial agreements before year-end.

Commercial terms have been agreed between ABx and Xinha with respect to the early development and operation of the Tasmanian and Goulburn South bauxite projects. The two companies will also share information concerning the prospective Binjour project in Queensland.

A Mining Lease Application ML 1961 for ABx's first mine at Bald Hill in Tasmania has been lodged, with the expectation that mining will commence development in the second half of 2014.

When the MoU is executed, Xinha will pay an additional \$2 million for a 5.8% equity in ABx through the issue of 6.58 million shares at \$0.38 per share. The Exclusivity Payment will fully convert to shares as part of this placement.

Xinha may take up a 50% interest in the Projects through funding all pre-production costs for the first mine of each project (Tasmania and Goulburn South) including due diligence costs, evaluation costs, feasibility studies costs, lease payments, project development-construction costs and working capital.

Agreements will include an off-take agreement for a minimum of 50% of production and up to 100% if requested by ABx. However, it is anticipated that 100% of production will be sold to Xinha by mutual agreement, especially in the early years as the operations ramp up to full production. Bauxite prices are to be set by the prevailing market prices at the time of delivery in the normal manner.

Exploration – Fingal Rail Prospect Shows Potential

ABx exploration and drilling teams completed their tasks of delineating the resources at Bald Hill Bauxite and moved to a nearby prospect called Fingal Rail to complete the May Drill Hitch. Fingal Rail is located 11km northeast of the Bald Hill Bauxite Project and was expected to be a small bauxite deposit (see Figure 2).

Assay results have not been received but it became clear that the bauxite discovery outcrop at Fingal Rail continued northwards and north-westwards, concealed beneath a thin cover of loose sand and muds, possibly of post-glacial origin. As a result, drilling was extended for another month before closing down for the winter break in mid-July.

Should Fingal Rail contain export grade bauxite, it would become part of the same mining operation as Bald Hill Bauxite Project. Several batches of assays are pending.



Tasmanian Locations

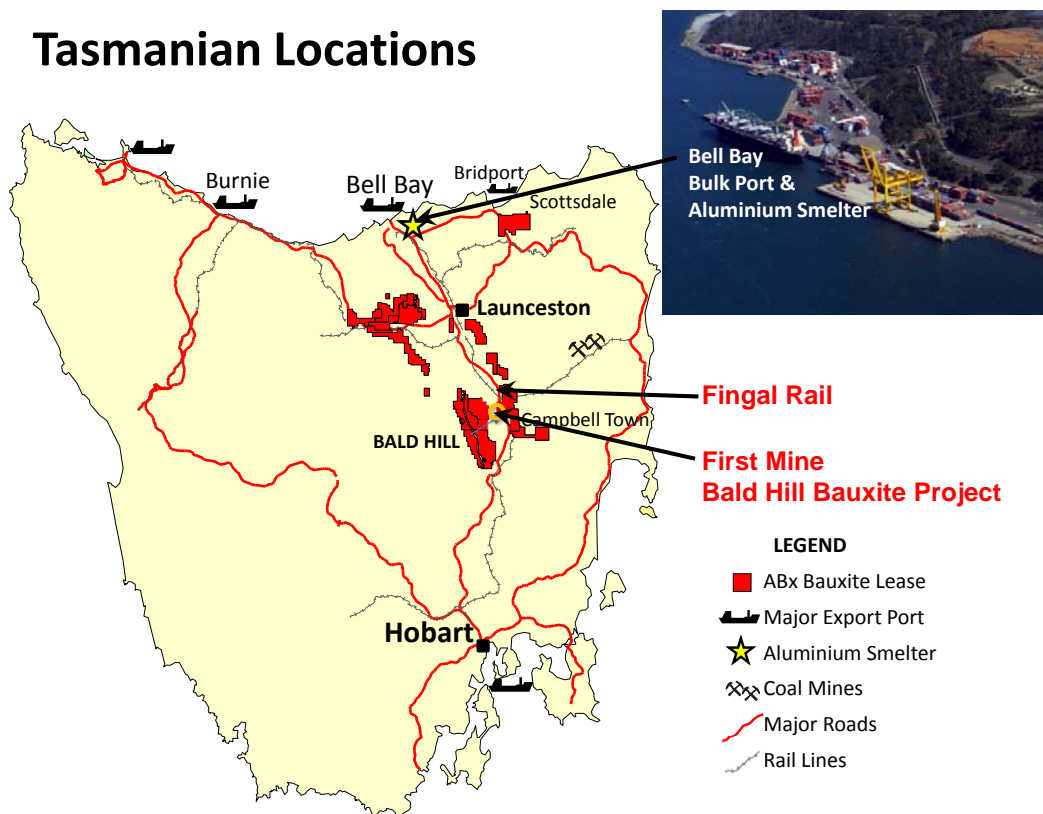


Figure 2: Locations In Tasmania

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.

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



Figure 3: ABx Project Tenements and Major Infrastructure