

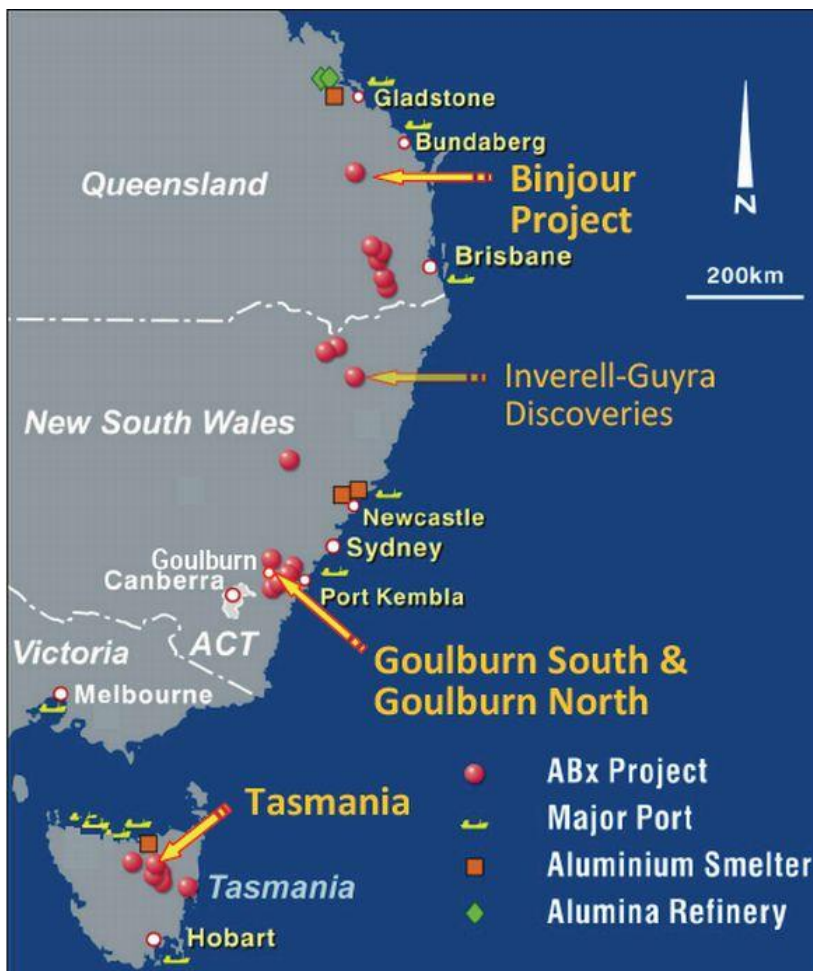
**Australian Bauxite**

23/07/2014 FAT-MIN-432

- ABX
- Speculative
- **HIGH**
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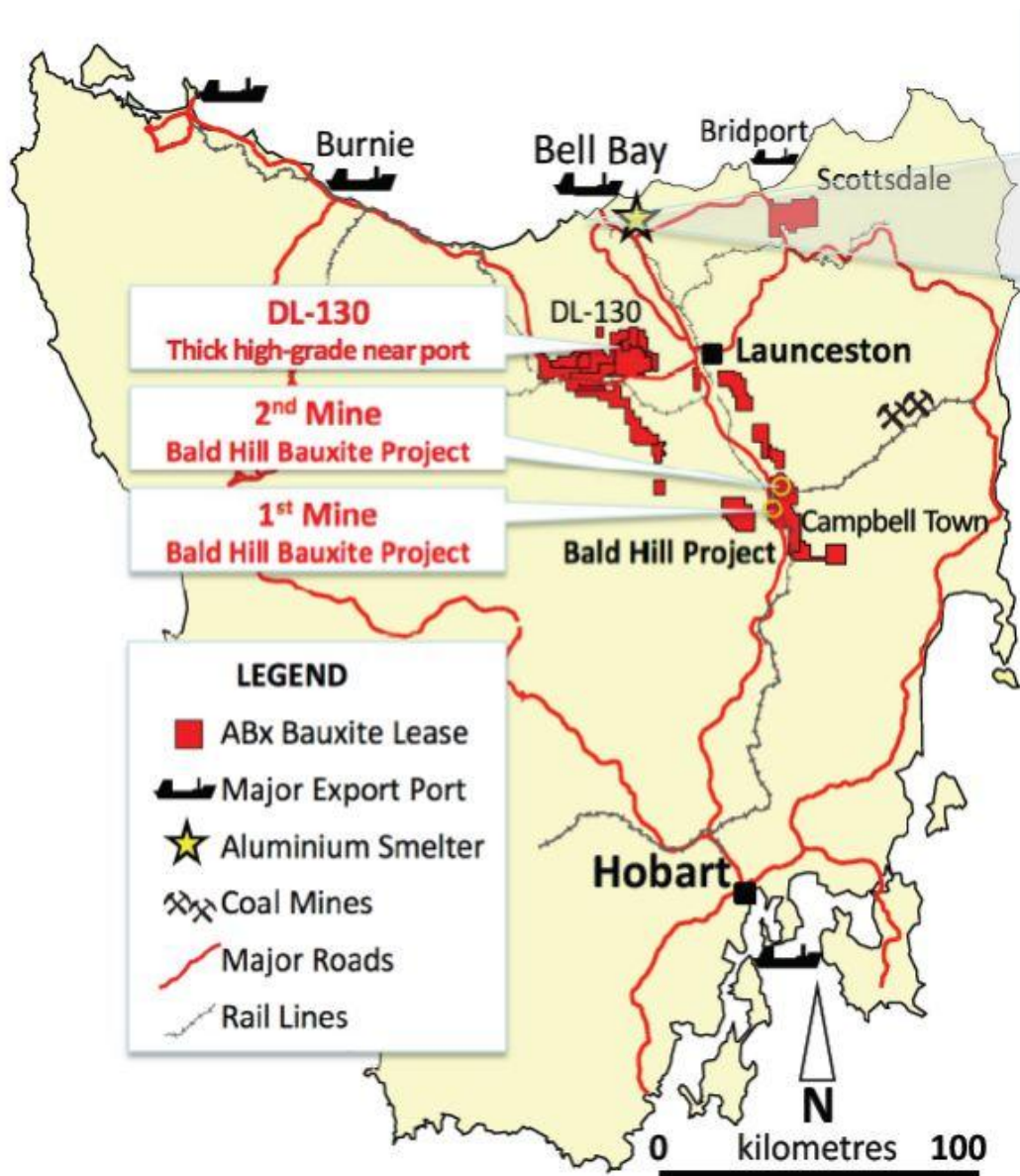
**Tasmania bauxite production may not be far off**

Australian Bauxite, as we reported in FAT-MIN-398, has successfully completed a period of trial mining in Tasmania. The trial involved the mining of direct shipping ore (DSO) quality bauxite, on a small scale at its Bald Hill and Fingal Rail projects. The results from the trial will help the company to progress to production on a commercial scale. The following figure shows the location of the company’s bauxite assets:



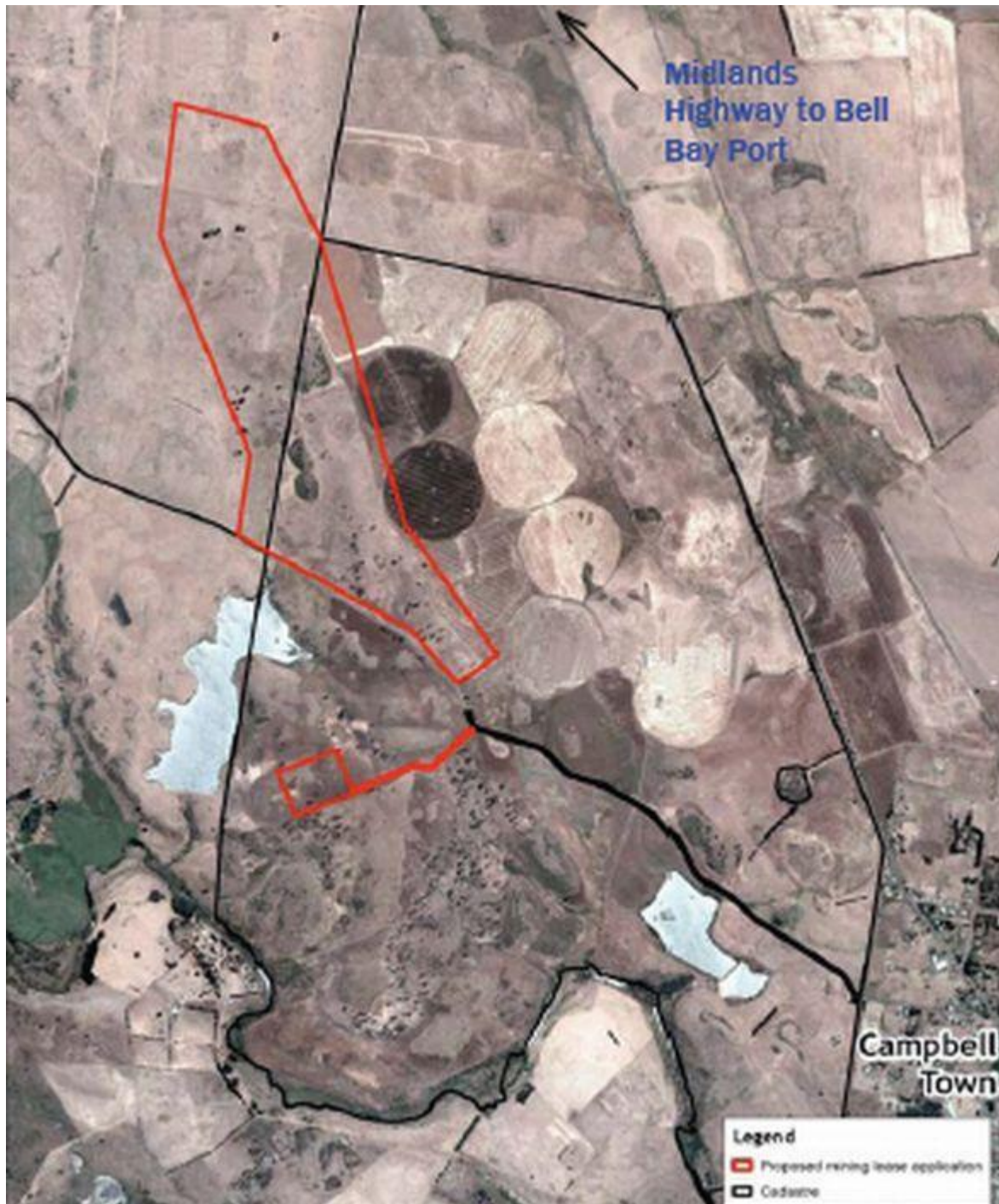
Source: Australian Bauxite

The company has had considerable success in the discovery of bauxite deposits up and down the east coast of Australia. In doing so, it has been able to grow its joint ore reserve code compliant resource to 115.7 million tonnes of bauxite ore classified into 60.2 million tonnes indicated and 55.5 million tonnes inferred. The company is targeting a 200 million tonne resource that is now in view. **We believe the current suite of assets the company owns will in due course deliver on that target.** The company in the near-term is, however, focussed on advancing mining in Tasmania. The following figure shows the company's Tasmanian sites:



Source: Australian Bauxite

As stated, the focus is now on commencing mining at Bald Hill. Operations at Bald Hill will be small scale, with the company looking to extract a minimum 500,000 tonnes per annum of bauxite over an initial mine life of around 4 years. The following figure shows an aerial view of the Bald Hill project site.



Source: Australian Bauxite

The life of the Bald Hill could improve as the company is of the view that the tenement hosts an additional extension of bauxite mineralisation totalling circa two million tonnes. **Bald Hill bauxite is DSO quality that will require little additional processing once extracted from the ground.** Bauxite from the mine will be transported by road to the port of Bell Bay. Capital costs are estimated at A\$12 million. The company is currently seeking finances to develop the Bald Hill mine.

Operating costs for the Bald Hill mine is forecast to be less than A\$29 per tonne free on board (FOB). With the price of bauxite trading around A\$75 to A\$80 per tonne a (representative price), operating margins from lower priced DSO sales would still be satisfactory.

Bald Hill is the first of a series of bauxite mines that the company plans to develop across its Tasmanian tenements. The broader plan for the company's Tasmanian bauxite deposits is to develop a series of small scale mines. Including Bald Hill, the company plans to develop three other mines on its Tasmanian tenements. **Ultimately, the target is to mine up to two million tonnes of bauxite per annum in Tasmania.** Bauxite from these mines can be shipped through the Bell Bay port. Only DSO would be shipped.

Across the company's Tasmania tenements, the current DSO resource stands at three million tonnes of bauxite. **The company is targeting a total Tasmanian resource of 12 to 20 million tonnes of bauxite it considers can readily be extracted.** A broader target of 30 million to 50 million tonnes of bauxite is likely hosted within the company's Tasmanian tenements.





Tasmania is only the starting point for bauxite production, with the company planning to have four main regions in production by 2019. Binjour in Queensland is planned for start-up in 2018 for one to five million tonnes, with Goulburn South in New South Wales (NSW) in the same year for one to two million tonnes. Finally, Goulburn North in NSW with a start date of 2019 for two to three million tonnes. The Goulburn projects are the most advanced with estimated capital costs for Goulburn South of A\$20 million and Goulburn North A\$90 million. Operating costs are estimated at A\$30 per tonne (FOB) for Goulburn South and A\$37 per tonne FOB for Goulburn North.

The company had a cash resource of A\$2.6 million at 31 March 2014, with an expenditure forecast of A\$380,000 for the June quarter. The company will clarify its cash position to 30 June 2014, with the release, by end July, of its June quarter 2014 activities. In the meantime, 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 as a result of the success of trial mining, the company can now confidently advance its projects in that State. The success of the trial mining was certainly a key milestone in the progress toward commercial production.

The value drivers we see in developing the company's bauxite assets are, we believe, being moving in an encouraging direction. We expect positive news on financing to get production going in Tasmania will be the next positive news flow from the company.

**As a consequence of our view, Australian Bauxite will remain firmly held in the Fat Prophets portfolio.**

## Snapshot ABX

### Australian Bauxite

#### **Latest Closing Price: \$0.225**

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: \$28.6m**

