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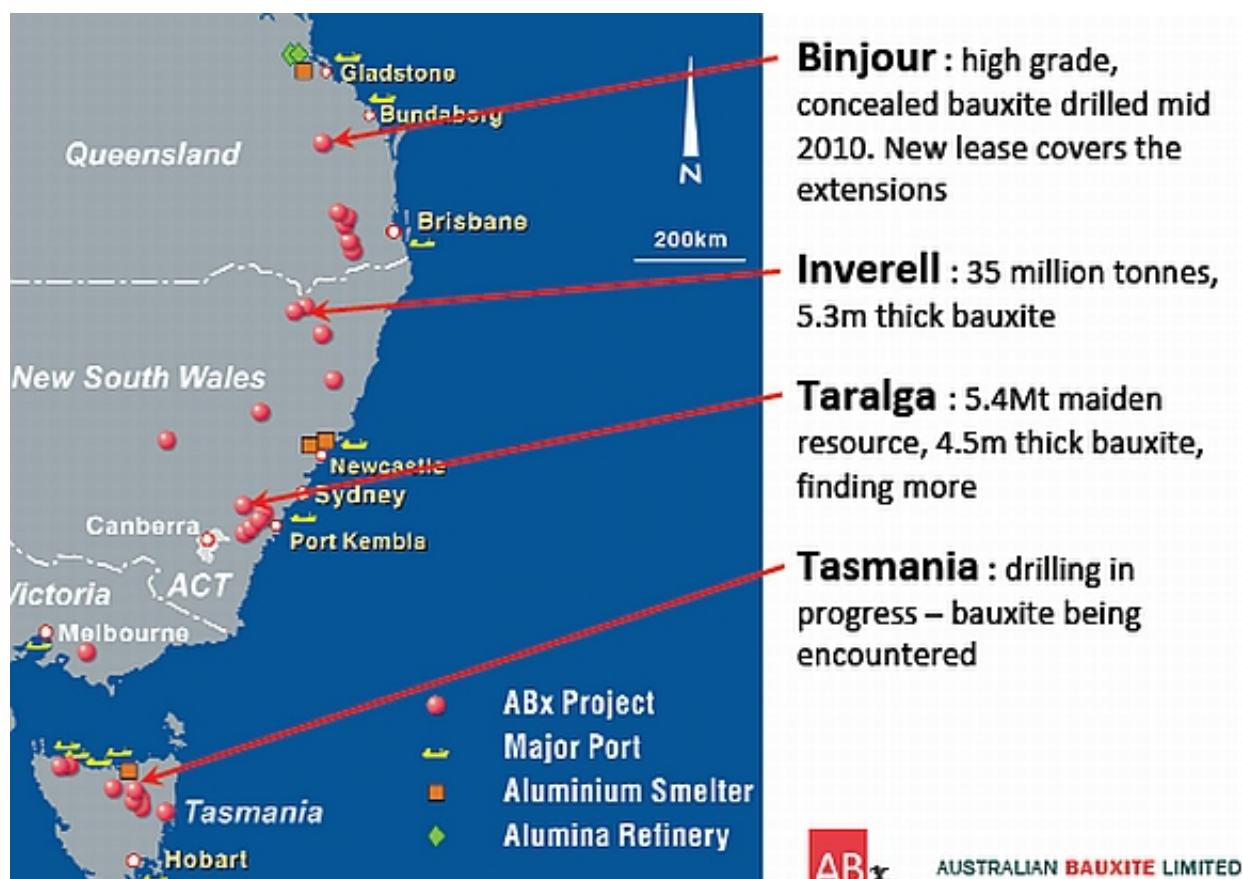
Australian Bauxite Limited 01 Dec 10

ABZ

AUD \$0.57 B

Improving resource numbers justify the drilling and value

Australian Bauxite Ltd has had a very busy period since we last wrote on the company to initiate coverage in FAT-MIN-233. The company has reported a maiden joint ore reserve code at Taralga, increased the resource at Inverell and discovered new mineralisation anomalies. Some 980 holes were drilled totalling around 10,000 metres across the company’s tenements in New South Wales, Tasmania and Queensland. Exploration continues to add a positive value bias, as over 7,000km² of ground reveals new mineralisation secrets, through a growing understanding and knowledge of the tenements. The following figure displays the company’s various project sites.

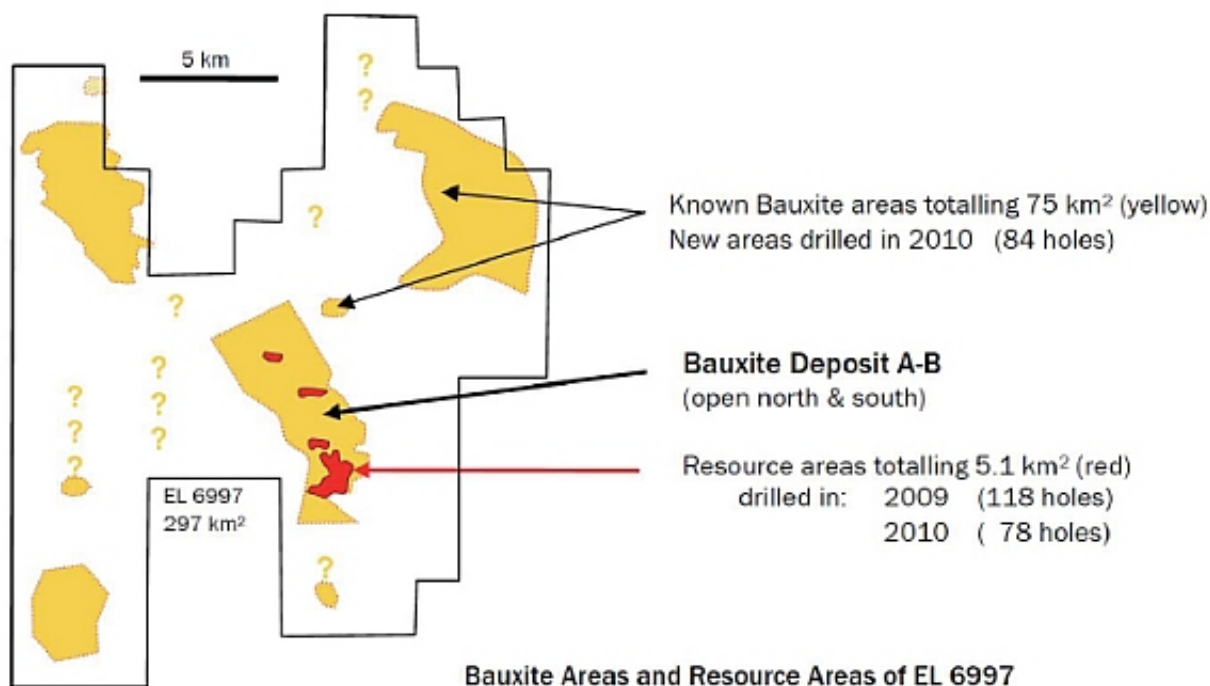


The company, in September 2010, declared a maiden resource at its Taralga Bauxite project. The resource was based on 98 exploration holes, with 85% of the anomalies tested by the programme were shown to contain bauxite exceeding cut-off grades. The

maiden resource total was 5 million tonnes of ore comprising inferred of 5 million tonnes showing 28.1% aluminium oxide and 2.9% silica to give an aluminium oxide to silica ratio of 9.6 times.

On a screened basis (at 0.26mm) the resource increases to 6.1 million tonnes of ore comprising inferred of 6.1 million tonnes showing 31.7% aluminium oxide and 2.4% silica to give an aluminium oxide to silica ratio of 13.1 times. The tests were conducted on 1 gram of leached ore. The deposit lay near the surface and has a width of 4.6 metres. We are excited by the fact that only 10% of the Taralga strike has been explored. **We believe these results are an early indication of the prospective nature of the Taralga project.**

Drilling at the company's Inverell project has also been very successful, with an increase in resource to 35.9 million tonnes of ore, up 64% on the previous resource number. On at screening basis (0.26mm) the resource comprises inferred of 11.7 million tonnes showing 38.7% aluminium oxide and 4.4% silica to give an aluminium oxide to silica ratio of 9.3 times, and indicative of 24.2 million tonnes showing 35.6% aluminium oxide and 4.2% silica to give an aluminium oxide to silica ratio of 9.1 times. The deposit lay near the surface and has a width of 5.6 metres. Again we are excited by the fact that only 15% of the identified bauxite areas have been explored at Inverell. **We believe the potential for further resource upgrades remains very high.** The following figure displays the company's Inverell tenement.



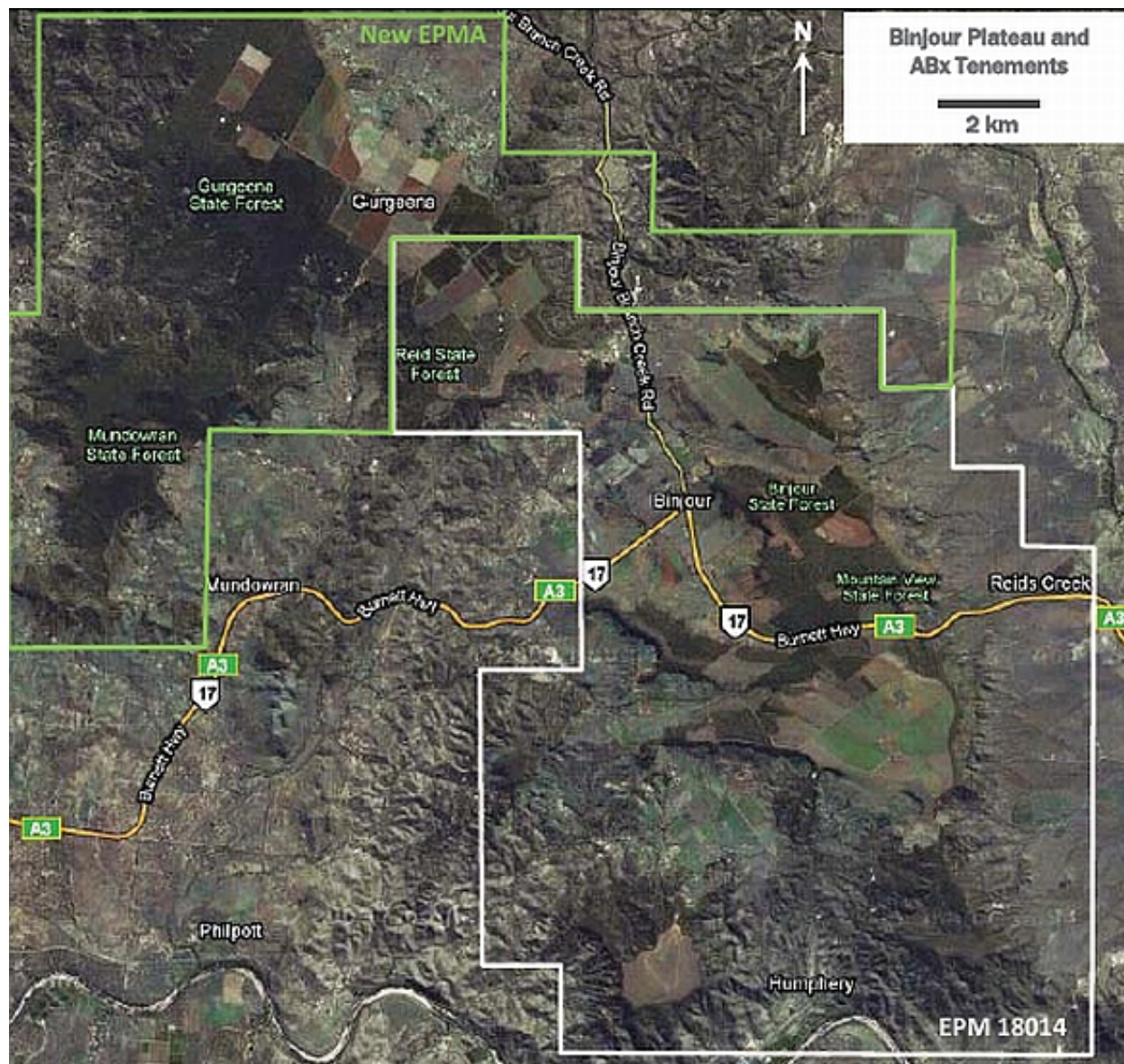
These results like at Taralga, we believe are an early indication of the prospective nature of the Inverell project.

Tasmania is what the company terms as 'the new frontier', as it has been granted seven new tenements. Drilling has already commenced in October 2010, with early indications of the presence of bauxite both in the holes and from surface sampling. The company is

awaiting the assaying results. **Although exploration in Tasmania is in its infancy, we consider the potential for exploration success to add additional future value as high.** We will monitor announcements concerning the company's Tasmanian drilling programme closely.

Approximately 135km to the south of the Taralga project, the company was also drilling at Windellama, where 58 holes have been drilled to date. The company has indicated some 47 holes showed the presence of bauxite. The thickness of the mineralisation zones varied from 3.3 metres to 7 metres. Samples have been sent for assaying with the results pending. The Windellama site may have similar mineralisation characteristics as found at Taralga. The company has obtained approval to commence a JORC drilling programme at Windellama. **We consider the potential for Windellama to produce a JORC resource in the future as high.**

With the discovery of the Binjour deposit in mid 2010, the company has undertaken an exhaustive assessment of the region to delineate additional extensions of mineralisation. As a result of surface sampling, geological observations and remote sensing techniques, the company has applied for an additional exploration permit. The following figure shows the current permitted area (white) and the new extension region (green) at Binjour.



Bauxite was found over an extensive area, with the company undertaking initial drilling in zones where the deposit was considered to be thicker and shallower. The results from 18 holes have supported the company's initiative in seeking additional ground. The average of the holes screened at 26mm was four metres showing 39.7% aluminium oxide and 2.6% silica to give an aluminium oxide to silica ratio of 15.2 times. **This result is outstanding.** Overall, the deposit lay between 3 metres to 19 metres deep. **We view this site as having high exploration potential.**

The company has drilled in a number of other locations including Haden, just north of Toowoomba. A programme of 39 holes, of which 23 indicated the presence of bauxite, showed an average bauxite thickness of between 4.4 metres to nine metres. At Hillgrove and Red Hill, north and south of Toowoomba respectively, 20 holes were drilled. Bauxite was intercepted in 13 of the holes, with an average thickness of 2.75 metres to four metres. **These sites have the potential to be future gems.**

We view Bauxite Australia as a good fit for a portfolio of junior resource stocks with growth potential. There is potential value upside from exploration that continues to

progress on a very sound success rate.



ABZ broke out from a symmetrical triangle pattern in June, which resulted in a surge in price, reaching a recent high of 56 cents on August 9. Having retraced a portion of its recent advance, ABZ found support from the 50 period moving average (green line) to once again rally higher, printing an all time high of 62 cents on November 22. The uptrend in place is suggestive of a continuation higher over the broader term.

Bauxite Australia is a speculative play on aluminium and there is a lot of work the company must do before the first tonne of product is shipped to customers. Be that as it may, with a market capitalisation of some A\$45 million, and with A\$10 million in the bank we see limited downside.

Australian Bauxite Limited is recommended as a BUY for Members who do not have exposure.

Snapshot ABZ

Australian Bauxite Limited

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	A\$44.8m
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