16 March 2010

STATE ONE STOCKBROKING LTD
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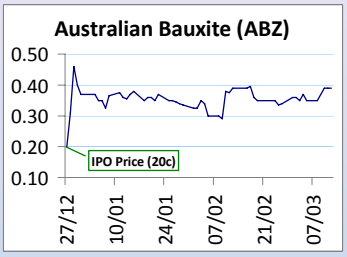
AFSL 247100 ABN 95 092 989 083

AUSTRALIAN BAUXITE (ABZ)



Source: IRESS

Investment Data * (ASX code: ABZ)	
Share Price	A$0.39
Ord Shares	80.0 M
Market Cap	$ 31.2 M
Net Cash	$ 6.2 M
Enterprise Value	$ 25.0 M
Options (30c)	12.0 M
Conv. Notes	8.0 M
Diluted Market Cap.	$ 39.0 M
52 week Low/High	0.25/0.49

* Assumes successful completion of 10.0M share placement.

Corporate Structure	
Hudson Resources	62.5%
+ 600 Shareholders	37.5%

Board	
Non Exec. Chairman	**Peter Meers +**
CEO & MD	**Ian Levy**
Tech. Director & Chief Geo.	**Jacob Rebek**
Non Ex. Dir	Vincent Tan
Non Ex. Dir	Wei Huang +
Joint Co. Sec.	Henry Kinstlinger
Joint Co. Sec.	David Hughes

+ Also directors of Hudson Resources.

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Recommendation: Strong Speculative Buy ($0.39)

Based on an expected resource of +150 Mt for ABZ and an Enterprise Valuation based on A$0.50 per tonne of bauxite, we have a 12 month target of approximately A$0.75 per share. The evidence suggests that this figure will continue to increase as further drilling, focussing specifically on resource determination, accelerates through 2010.

1.0 INVESTMENT OVERVIEW

- ABZ listed on the ASX through an IPO on 24 Dec 2009 as a spin-out of the bauxite interests of Hudson Resources Ltd (ASX code: HRS), which holds 50M shares.
- HRS instigated this project in 2006, when it retained the well regarded geologist, Jacob Rebek (now ABZ Chief Geologist), who has long held the view that there was significant potential for commercial bauxite deposits close to Australia's east coast. He spent more than 3 years accumulating bauxite tenements which fitted his criteria relating to ore quality, size, proximity to transport & ports, and potential to be developed without undue resistance and competing land uses. His initial exploration strategy was to explore bauxite occurrences identified prior to 1954 to formulate his exploration model then use that knowledge to make many more discoveries.
- At the time of listing, ABZ had accumulated 17 exploration tenements totalling ~5,000 km^2, in three zones: south-east NSW (the Port Kembla Zone); north-central NSW (Newcastle Zone); & south-east Queensland (the Gladstone/Brisbane Zone). More than 4,000 samples have been collected to date from the 17 mainland tenements, and their analysis has confirmed that the deposits are predominantly of the highly sought gibbsitic form of the mineral, displaying relatively high grades of available Al_2O_3; high Alumina to Silica ratios; an absence of problematical forms of iron; and an attractive coarse-grain structure which simplifies processing. (Grades are detailed later.)
- Using proprietary techniques developed by HRS personnel, ABZ is of the view that it has the capacity to reduce the moderately high iron content to produce what it maintains will be viewed as premium-grade bauxites. Whilst there is potential to sell the extracted iron by-product, this has not been actively considered in this review.
- A feature of the projects is that exploration and the proving up of JORC resources is very cheap, given the location, surficial nature and typically high thickness of the Mainland deposits (5-9 metres), with air-core holes of only 15 metres required. With material of this nature, drilling on a 300 metre grid is, we understand, typically sufficient to deliver a resource calculation to JORC standards.
- On 9th March 2010 ABZ announced that a further 8 tenement licence applications in Tasmania had been lodged. 14 of the locations sampled from these tenements returned the best results of any of ABZ's tenements in its entire East Coast bauxite exploration program. **From State One's understanding of bauxite properties, some of the grades reported represent truly exceptional quality material.** (see page 11)
- The Tasmanian sampling has returned results which offer unmatched high levels of Available Alumina; low Reactive Silica, high Alumina to Silica ratios; together with high loss on ignition ("LOI") (suggesting that the ore mineral is the preferred Gibbsite) and iron contents well below those on the ABZ mainland tenements. ABZ now needs to replicate these samples in drilling.
- To date ABZ has reported drilling results on only the one tenement, Inverell (Newcastle Zone), but results on other tenements will start emerging mid year as the 2010 drilling campaign commences shortly. It should be noted that there is nothing remarkable about Inverell, except that it was the first tenement to be granted to HRS, which was keen to drill-test its theories at the time. Sampling has since shown that quite a few other tenements hold the promise of even better grades and thicknesses.
- The initial resource calculation at Inverell, based on 118 holes, delineated a ~20 Mt JORC resource, from a small portion of the deposit – less than 10%. The resource was released within two months of the IPO, and after incurring drilling and analysis

costs of less than $100,000 (overheads excluded). ABZ is on record as stating that they are targeting an Inverell deposit exceeding 200 Mt. A similar deposit at Pindaroi, located < 10 km to the east of Inverell, is reckoned to be of similar size.

- ABZ is about to commence another drilling campaign in the region, with the intention of testing the possible extent of Inverell and Pindaroi. ABZ is also aiming to drill test at least 6 of its other tenements during 2010.
- ABZ is already developing production strategies for a number of its tenements, including the possibilities of:
  1. Direct shipping beneficiated ore for export from its Port Kembla Zone;
  2. Feasibility studies on alumina smelters near the Newcastle & Brisbane Zones;
  3. Direct shipping of ore from its Gladstone-Brisbane Zones for supply to domestic alumina refineries.
- Although there is not expected to be a dramatic change in focus, the recent success in Tasmania will clearly lead to a strong tilt in that direction. We expect that drilling of these new tenements will commence in the December quarter of 2010.
- At the outset, ABZ is likely to focus on cash generation through DSO (Direct Shipping Ore) activities, which are reckoned to have particular potential in Tasmania and the Port Kembla Zone.
- Given that China is one of the largest and fastest growing markets for aluminium and its dearth of indigenous bauxite resources, we believe that there is high credence to the speculation of intense interest in high-quality large-scale Australian bauxite resource projects from China resource investors and aluminium companies alike – but there are a myriad of potential suitors for ABZ's bauxite products.

2.0 ABZ's BAUXITE EXPLORATION STRATEGY

Jacob Rebek's exploration strategy has involved the use of a number of "screens" to identify areas of large-tonnage and high-quality bauxite, located in close proximity to existing infrastructure (especially rail), including ports.

ABZ has sought to strictly impose its criteria, to ensure that it is focussing on the best bauxite deposits available on the east coast.

The selection process has avoided areas of conflicted land use (suburban, quality agricultural land, recreation, etc) as well as environmentally sensitive areas, including waterways.

The fact that all ABZ tenements are located on pastoral/grazing land means there are no native title issues. Furthermore, landowners are typically supportive of exploration, as the prevailing value of the bauxite-covered land for agricultural use is relatively low.

ABZ is fortunate in that, unlike the long-established Australian bauxite producers, it will not be subject to the obligation to upgrade any of the bauxite to alumina prior to export. This gives it every opportunity to generate early operating revenue and to maximise long term value.

All of the ABZ tenements are 100% owned by ABZ, with 17 already in the company's name and the remaining 8 going through a routine transferral process from Hudson Resources. We are informed that none of these tenements are subject to any royalties other than the standard State imposed royalties: NSW: $0.35/tonne; Queensland: the higher of 10% or $2.00/t for export, or $1.50/t for domestic sales. (This compares with a rate of 7.5% in WA.) As best we know, there is not yet a specified rate for Tasmania.

ABZ has also been conscious of the location of existing alumina refineries and aluminium smelters; as well as possible sources of coal, power and water, which could be beneficial when considering the possibilities of refinery construction.

An absence of geopolitical issues relating to ABZ's tenement package should mean that potential customers would be more willing to make a significant investment (such as that required by an alumina refinery) provided ABZ can demonstrate high uniform bauxite quality, supply consistency and price competitiveness.

3.0 BAUXITE CHARACTERISTICS & ABZ'S BENEFICIATION STRATEGY

In evaluating the investment merits of ABZ it is important to understand the key parameters of high quality bauxite and appreciate how the bauxites being targeted by ABZ compare.

ABZ is focussing on bauxite ores which are:

'ABZ's objective is to produce a beneficiated bauxite product of premium quality for Australian east coast and overseas markets, specifically Asia Pacific region as it is the future of aluminium production and consumption. Customers will be able to achieve savings through the use of premium quality bauxite feed for their processing plants.'

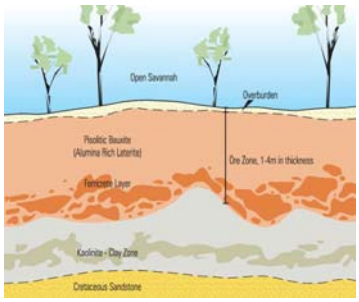
- **Rich in Gibbsite**, the preferred ore mineral due to its lower processing costs. Of all the bauxite minerals, Gibbsite (alumina tri-hydrate or "THA") is the preferred form because of the relative ease with which it is upgraded to alumina. It dissolves into solution at significantly lower temperatures than the other bauxite minerals, such as Boehmite & Diaspore. Extraction of alumina from gibbsite-rich bauxite can occur at temperatures of about ~130^{O} Celsius, whereas the other forms need temperatures exceeding 200^{O}C and as high as 340^{O}C in many cases.

  Not only are the costs in processing Gibbsite significantly lower, but % recoveries are higher and the quality of the resulting alumina product tends to be better. Gibbsite rich bauxite is therefore highly sought after and commands a price premium, not only as a stand-alone high grade product, but also as a blending product.

- **High in alumina (Al_2O_3) and especially Available Alumina.**
  Available Alumina is the amount of alumina in the bauxite which is present in a form that can be extracted by a low-temperature refinery. Available alumina will be reduced by the presence of reactive silica and non-gibbsite ore minerals.

- **Relatively low in Reactive Silica.**
  There are two forms of silica present in bauxite: reactive and non-reactive. Reactive Silica is the silica which dissolves into the caustic soda leach, and places a demand on the caustic soda and/or the alumina present (reducing the Available Alumina). The lower the reactive silica, the higher the Available Alumina and the lower the processing costs.

Bauxite Geology



Source: Cape Alumina

- **Relative high Available Alumina to Reactive Silica ratio ("A/S").**
  This ratio is one simple means of expressing the value of the bauxite ore from a processor's perspective. A/S ratios of above 8 are viewed as good quality bauxite, whilst ratios of above 12 are viewed as very good quality bauxite. It should be noted that some of ABZ's Tasmanian samples have ratios of 25 or more.

- **Coarse grained** - which makes them easier to handle and process.
  The coarse grained composition of the bauxite being targeted by ABZ is such that the silica, iron oxide and other minerals separate more easily from the alumina than is typical. This makes for a simpler and cheaper beneficiation process, with better resulting product.

Regarding Iron Content

It should also be noted that some of the areas being targeted by ABZ contain bauxite ores which are relatively high in iron. Although the mainland bauxite deposits being evaluated by ABZ are high in iron when compared with the bauxites from Northern & Western Australia, they have an advantage in that the iron is, in all cases, in a form which is relatively easy to extract. (Not the troublesome goethite seen in WA.) The contained iron is in the form of coarse-grained haematite, which can be readily processed using proprietary and relatively low-cost iron extraction technology which has been developed by Hudson. The processes involve grinding, followed by gravity and magnetic separation to create a premium bauxite which matches any available on world markets. It has been demonstrated that simple screening should yield an Inverell product with an A/S ratio of >14, and an available Alumina content above 40%, with overall recovery of 75-80%.

Using the more sophisticated lab-scale tests, Mainland bauxite with in-situ iron oxide grades of up to 30% has been beneficiated to an iron content of 10% or less. ABZ is confident that the required results can be replicated on a commercial scale, and we believe that Hudson is pushing ahead to patent the technology. In Tasmania the initial sampling results have shown iron contents of 20% or less, and typically less than 10%.

4.0 THE MAIDEN INVERELL 22MT JORC RESOURCE

4.1 Extent

At Inverell, tenement EL 6977 in NSW, 3 small areas totalling 2.4 km^2 has been drill tested by 118 holes, totalling 1,773m. The drilling has only evaluated 5-10% of the visibly identifiable bauxite deposit A-B, which is open to the north and west and thus far is mapped over 4.6km in a north-south direction.

Deposit A-B is one of 4 major bauxite areas identified on EL 6977 and the initial resource area represents less than 10% of the known major bauxite occurrences identified thus far. The initial resource is expected to grow substantially with further drilling over the coming months, with ABZ targeting a resource of at least 200 M tonnes. The regional resource is expected to ultimately prove much higher given that the Pindaroi tenement (some 10 km to the east), is almost as large and appears (on surface at least), to contain better quality bauxite.

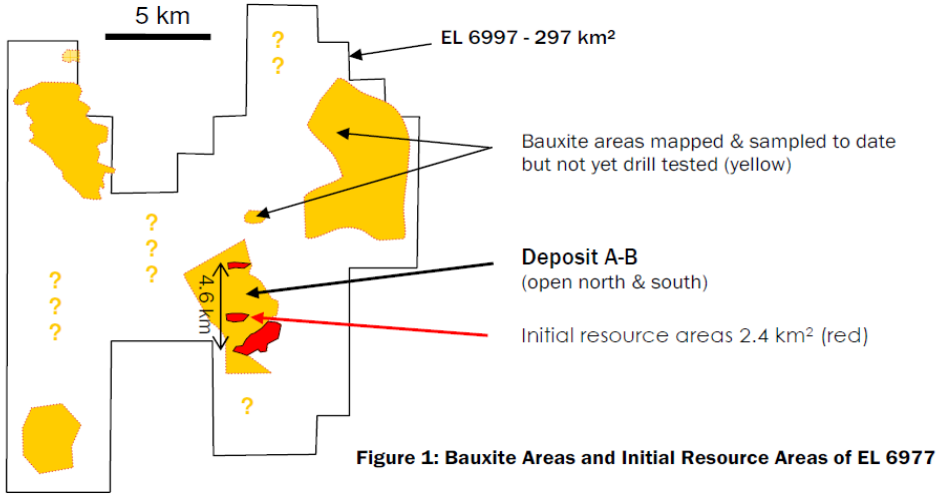


Fig 1: Inverell Bauxite Occurrences

4.2 Ore Quality

The table below indicates the average raw grades published for the Inverell resource, together with indicative potential grades which the company estimates can be achieved through:

(a) simple crushing and screening, or alternatively by
(b) grinding followed by gravity & magnetic separation. (*)

	Total Al_2O_3	Available Al_2O_3	Total SiO_2	Reactive SiO_2	Fe_2O_3	LOI	A/S Ratio	Recovery	Size
Raw (%)	38.1	29.9	5.9	5.4	27.8	21.2	5.6		
Beneficiated									
- Screened (%)	42.5	36.9	2.8	2.6	23.5	24.1	14.4	85%	1.2mm
- Iron Reduced (%)	49.2	42.7	3.3	3.0	10.0	27.8	14.4	75%	

Table 1: Inverell - Raw Grades & Potential Beneficiated Grades

The suggested grades (after the more-sophisticated degree of beneficiation) do in our understanding compare very favourably with current offerings of bauxite on the open market.

4.3 Development Options

ABZ is looking at no less than 2 strategies for extracting value from the Inverell & other projects.

1. **Develop direct shipping bauxite operations**
   Upgrading the ore to an appropriate extent, so as to minimise transport costs and maximise selling price, before shipping to alumina refineries. The most profitable business would in all likelihood be exporting to the low cost refineries in China, which have been a rapidly growing consumer in recent years. Alternatively there are a number of alumina refineries in Australia which could greatly benefit from the injection of some high quality bauxite into their mix.

   Whilst this strategy would involve minimal capex and accelerated cash flows, and involve relatively low risk, it would also carry the risk of ABZ leaving a lot of potential profit on the table.

2. **Construction of Alumina refineries**
   As the costs of constructing a refinery (esp. in Australia) are significant, a major resource (+200Mt) and a very high quality of bauxite must be available for this option to be considered. It would require a well-funded strategic partner(s) but it could provide ABZ with an interest in a very significant asset.

   Given its distance from port, the profitability of the direct shipping option at Inverell will be heavily dependent on transportation costs. Detailed studies will need to be carried out.

   Building a refinery in the Upper Hunter Valley region is a strong option, provided ABZ can prove up the required resource. The area is relatively well located in terms of availability of competitively priced power, water, rail, port and access to an appropriately skilled workforce.

5.0 NEAR TERM STRATEGY

For the coming 12 months, we expect that ABZ's strategy will include:

- Drilling at least 1000 holes across a range of tenements in all three States in which the company is active.
- The Inverell and Pindaroi tenements will figure prominently in this program, as ABZ seeks sufficient input data for a detailed desk-top assessment of the feasibility of the various options for these tenements.
- Ideally ABZ will be seeking some strong comfort that 200 Mt is a valid target for the Inverell/Pindaroi project, and will be well on the way to establishing this as a resource.
- Following the recent sampling success in Tasmania, there is likely also to be a high priority placed on these projects. ABZ will be looking to drill test the various deposits and replicate the bauxite quality of the first samples taken. It will also be watching deposit thicknesses, in the hope that they match those seen in their tenements in the Mainland States.
- Other drilling is likely to progress ABZ's projects in Southern Queensland (Pechey State Forest) and Southern NSW, where bauxite occurrences are smaller in tonnage but located closer to port, and appear to be of higher quality.
- Discussions with potential customers and partners regarding the wide range of options available to the company have commenced and will be ongoing.

6.0 PEER COMPARISON

There are four bauxite explorers listed on the ASX.

Name	Code	Main Project	Last (c)	Cash (M)	Debt (SM)	Shares (M)	EV ($M)	Resources (Mt)	EV/Resources ($/t)
Australian Bauxite	ABZ	Inverell	39	6.7	0	80	24	22	1.10
Bauxite Resources	BAU	North Darling Range	75	61.0	0	260	134	18	7.36
Iron Mountain	IRM	Wandoo	9.7	1.5	0	162	14	50	0.28
Cape Alumina	CBX	Pisolite Hills	50	7.8	0	134	60	86	0.70

Table 2: Peer Comparison – Financial - Indicative

'Over 85% of the bauxite mined globally is converted to alumina for the production of aluminium metal. An additional 10% goes to non-metal uses in various forms of specialty alumina and the remainder is used for non-metallurgical bauxite applications (e.g. commercial applications as abrasives and refractories).'

Name	Code	Total Al_2O_3	Available Al_2O_3	Raw SiO_2	Reactive SiO_2	Fe_2O_3	LOI
Australian Bauxite	ABZ	38.1	36.9*	5.9	2.6*	23.5*	21.2
Bauxite Resources	BAU	43.1	31.6		3.2		20.7
Iron Mountain	IRM	43.7	30.3		3.2		20.1
Cape Alumina	CBX	53.1	41.5	12.4	7.5	6.8	25.2

Table 3: Peer Comparison - Resource Quality - Indicative

** After Simple screening at a yield of 80%*

Bauxite Resources (BAU) is located in Western Australia and is the most advanced bauxite company of the four. It is currently trial mining and the first shipment of DSO to an overseas buyer was a recent major milestone. BAU's bauxite is gibbsite type – like ABZ's, but slightly higher in reactive silica, and higher in goethite than ABZ's bauxite.

Cape Alumina's (CBX) projects are in Queensland and its flagship project, Pisolite Hills, is some 50km NE of Weipa. CBX's bauxite deposit has a higher reactive silica content than ABZ's and reportedly, a higher concentration of gibbsite than its neighbour at Weipa.

'In general, it takes about two to three tonnes of bauxite to produce one tonne of alumina and two tonnes of alumina to produce one tonne of aluminium.'

Iron Mountain (IRM) has recently acquired Wandoo after the takeover of Aluminex. Wandoo sits near BAU's Darling Range project. Previous work carried out has delineated a resource of 50Mt.

The Weipa & Gove deposits (in Qld & NT respectively) are both higher in alumina and silica content but lower in gibbsite than the WA and NSW deposits.

7.0 THE ABZ MAINLAND TENEMENTS - INVERELL

The ABZ mainland tenements consist of 17 exploration tenements totalling ~5,000 km^2, encompassing areas in south-eastern New South Wales (the Port Kembla development zone); north-central New South Wales (the Newcastle development zone); and south-eastern Queensland (the Gladstone/Brisbane development zone).

All tenements are 100% owned and lie in regions with existing infrastructure and close to significant population centres with a skilled workforce and a full range of services.

Based on two years of initial studies and field work in eastern New South Wales and south-eastern Queensland, encouraging results have been obtained from analyses of samples of bauxite from outcrops and or exposures for all the ABZ Project tenements. The initial JORC resource is a first but small step in ABZ realising its goals and providing evidence of enormous potential.

7.1 INVERELL EL 6997; PINDAROI EL 7268 (North-Central NSW)

To date, the company's exploration team has investigated a small percentage of the two large bauxite tenements in the Inverell area as demonstrated by the following statistics:

Tenement	Name	Total Area & % of area explored to date	Bauxite Areas	Areas Drill-Tested to date
EL 6997	Inverell	297 km² (50-60% explored)	~90km² (4 areas)	less than 2.5km²
EL 7268	Pindaroi	138 km² (25-35% explored)	~35km² (3 areas)	Nil

Table 4: Inverell & Pindaroi tenement exploration

EL 6997, of 297 square kilometres [sq km], covers extensive bauxite deposits developed by weathering of a porous friable layer in Tertiary Basaltic. These have been preserved from erosion by a thin layer of overlying basalt. The laterites form a horizontal layer of bauxite generally from 2 to 5m thick but in places, much thicker, suggesting that a target tonnage of 150Mt is possible. Additional thick bauxite deposits may also occur from erosion and deposition in palaeo-depression and channels.

Pindaroi EL7268, of 138 sq km, covers a number of widely spaced outcrops of massive cemented bauxite layers similar to those found on EL 6997. Due to the EL's proximity to EL 6997 [Inverell], similar conclusions with respect to grade, transport and marketing will probably apply.

7.2 Inverell Location

EL 6997, of 297 sq km, is located approximately 20 km north-west of Inverell, in north-eastern New South Wales with a skilled workforce and full range of engineering services – power, water and bitumen roads. The EL is 90 km from Guyra where bauxite has also been discovered and where bauxite could be loaded on train if the Armidale – Guyra line is rehabilitated. Alternatively the bauxite can be trucked another 30 km to Armidale where the rail is still active. Railway distance from Armidale to Newcastle is approximately 450 km. Pindaroi EL 7268 is close to Inverell EL 6997 and has the same logistical advantages as the Inverell tenement.

7.3 Inverell Bauxite Mineralisation

Initial sampling from Inverell has yielded the following results. Simple beneficiation process involves crushing and screening to derive excellent results – note A/S ratios.

All bauxite 2m to 9m thick	RAW BAUXITE IN SITU					SIMPLE SCREENED BAUXITE					
	Total Al_2O_3%	Total SiO_2%	Total Fe_2O_3%	LOI %	Total A/S ratio	Weight % +1.2mm	Screened Al2O3 %	Screened SiO2%	Screened Fe2O3%	Screened LOI %	Screened A/S ratio
Average	38.8	4.4	28.9	22.2	8.8	31%	43.3	2.1	24.4	25.2	20.3
75 percentile	40.3	3.4	26.7	23.3	11.7	35%	47.4	1.7	20.3	26.5	27.9

Table 5: Bauxite sampling at Inverell

The Loss on Ignition [LOI] data indicates that alumina is present predominantly as gibbsite, which is a significant advantage. Targets in the central and north east part of EL 6997, include Targets A and B and Simpson, Derek and Bucknell targets. A large area south-east of Target A [Holder Plateau] remains to be explored on foot and additional targets are expected. A large area in the South West part of EL remains to be explored.

The first drilling programme on Target A [Holder Plateau], Target B [Lockwood Plateau] and several other targets – notably Wimbledon Plateau – has been completed with initial JORC resources of 22Mt. The Wimbledon Plateau target to the northwest of Target B, is similar to Targets A and B. The width of the zone in which the bauxite is exposed is narrower but potential for bauxite extending a long distance toward the north west under the thin black soil cover exists, to be tested by drilling as a matter of priority.

In the area to the south and southeast of Target A, exploration remains to be undertaken and there is potential for discovery of a substantial continuation of the present in the southwest part of the EL on the Glenorchy Plateau. The southwest edge of the plateau is marked by a 'chain' of cemented bauxite outcrops in which a thickness of up to 12m of a bauxite layer has been observed with reasonable assay values. Assays results are better further east and include values with up to 52% available alumina and 2% reactive silica. The potential for unusually thick bauxite coupled with the indicated high quality make this a medium-high priority area for drilling.

7.4 Inverell Metallurgical Testing

The work has indicated that the size of grains of gibbsite and iron oxide minerals in the samples is much larger than in bauxite from deposits in northern Australia and overseas. Extraction of iron oxide mineral grains during beneficiation may be possible and would result in a significant increase in the alumina content of the beneficiated product, thus increasing the range of marketing opportunities.

7.5 Inverell Logistics

Transport and beneficiation are currently being investigated. The main option is trucking 90 km to Guyra where bauxite has also been discovered by ABZ and where bauxite could be loaded on train if the Armidale – Guyra line is rehabilitated. Alternatively the bauxite can be trucked another 30 km to Armidale where the rail is still active. Railway distance from Armidale to Newcastle is approximately 450 km. Due to relatively long trucking distance from Inverell to Armidale and by rail from Armidale to Newcastle port, the cost of rail transport is relatively high. Beneficiation to remove some of the grains rich in iron oxide is being investigated using low cost grinding and inexpensive 'mechanical' methods.

7.6 Inverell Marketing/Costs

Due to the location of this deposit there are a number of options & factors that need be considered:

- As distance to port is lengthy, transportation costs will be relatively large. Under a direct shipping of ore scenario there is a risk that margins on this operation may not be acceptable.
- A possible scenario might involve upgrading the ore to refractory grade but this will take time and money although rewards could be substantial as refractory grade product can fetch in excess of $120/t. In order for this scenario to play out, ABZ needs to increase its resource substantially, convert resources to measured or better and potentially find a client/partner.
- Another option could involve building an alumina refinery and processing the ore itself. This is an expensive option but could be viable if resources are sufficiently large and economics of the operation viable.
- Processing costs are relatively low due to the nature of the mineral and deposit type. Strip ratios for Inverell are low, suggesting mining costs of ~A$5/t, to which beneficiation costs in the vicinity of A$10/t should be added.

Other tenements are summarised in the table on the following page. Most of the other tenements are closer to port enhancing the project economics. Some of these tenements are priority drilling targets and will be acted upon in the short term. Those in Qld display excellent potential due to their proximity to refineries/smelters and infrastructure. The Southern NSW tenements are also close to Port Kembla and display early positive bauxite characteristics similar to Inverell

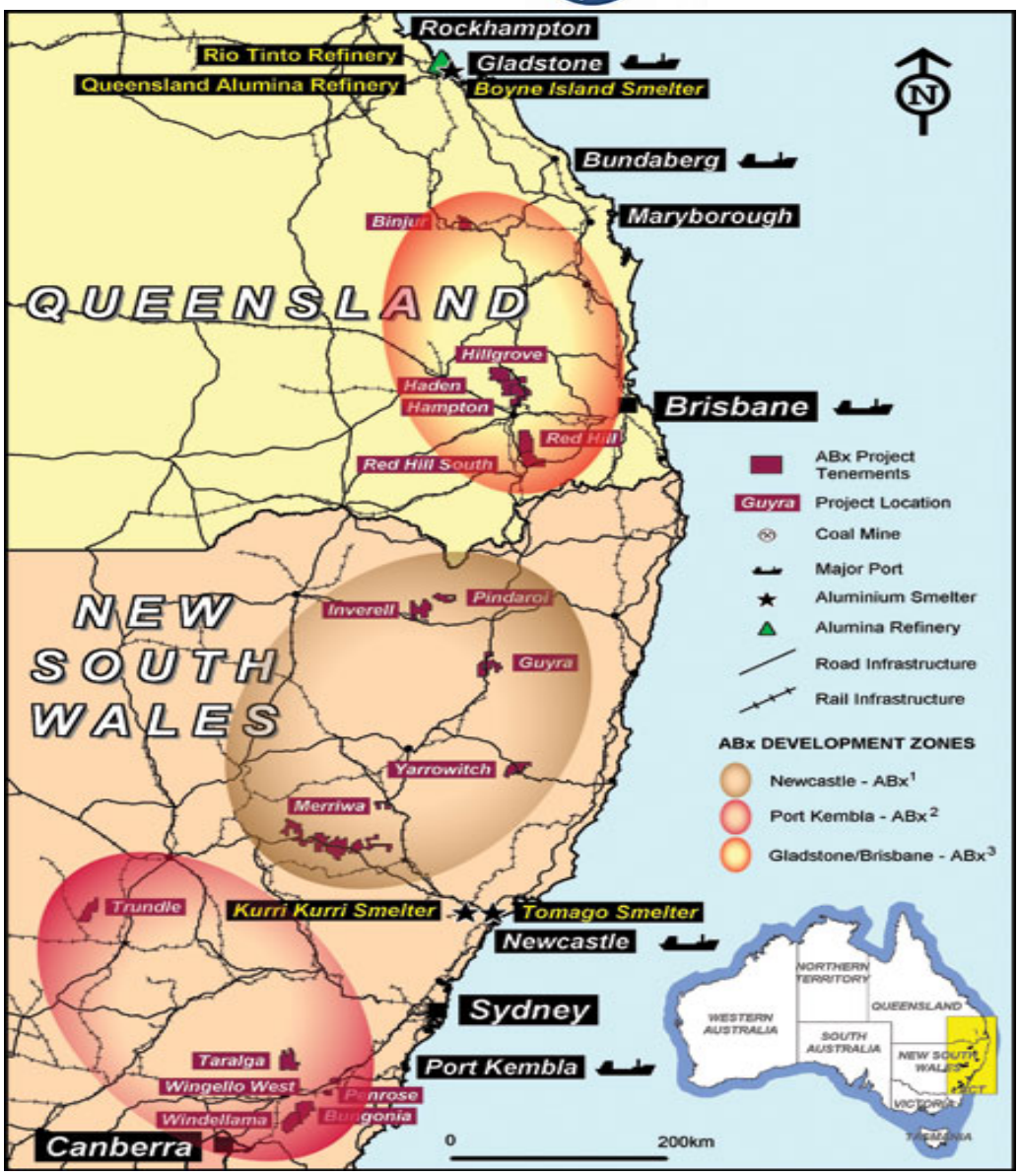


Fig 2: ABZ's Mainland Tenements

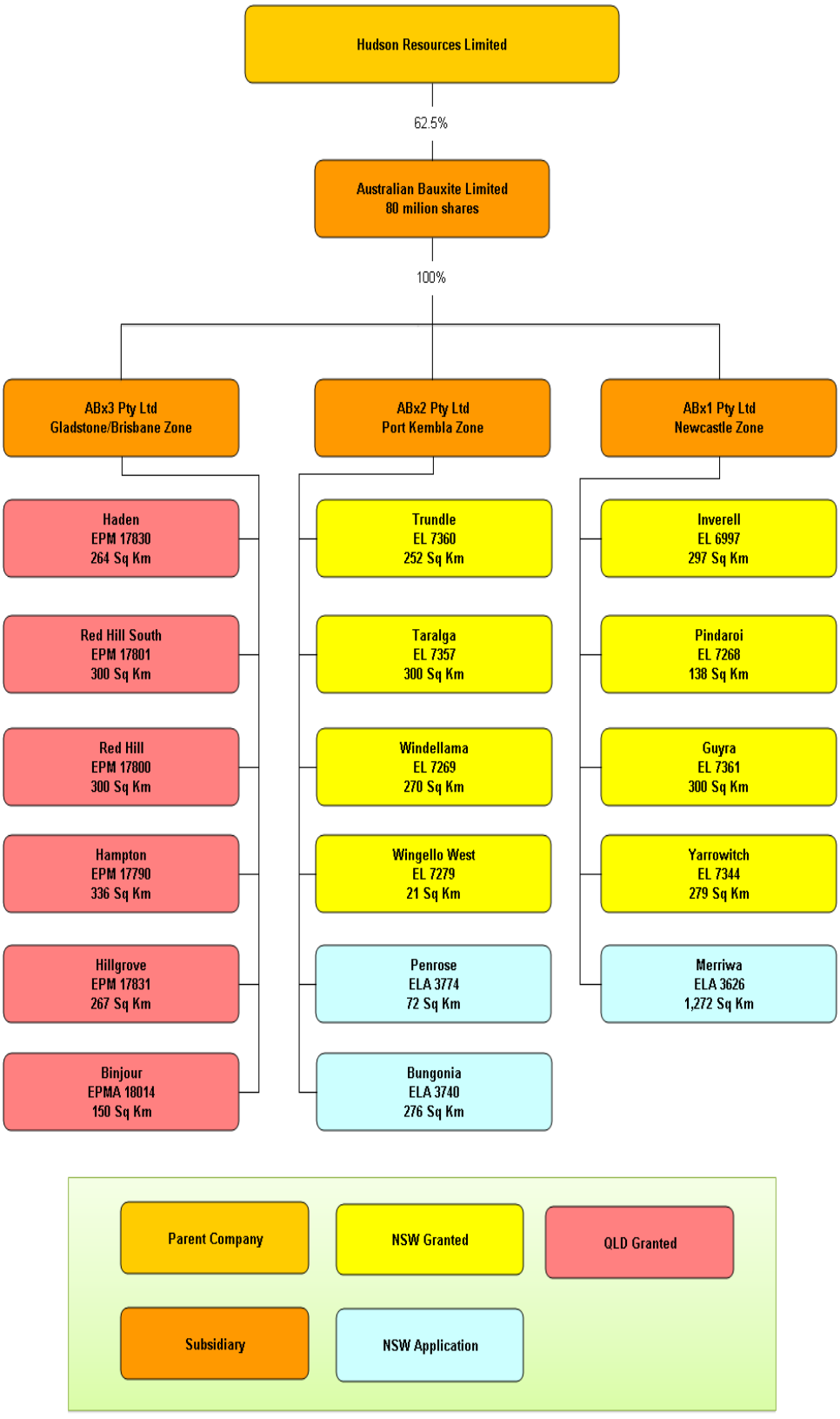
8.0 ABZ'S MAINLAND BAUXITE TENEMENTS (in order of planned drilling sequence)

Table 6: ABZ's Bauxite Tenements

Location	Geological Description	Al_2O_3 (Total)	Al_2O_3 (Available)	SiO_2 (Total)	SiO_2 (Reactive)	Fe_2O_3	LOI
Inverell: Central part (including Targets A & B) and NE part (297km2)	Several groups and 'chains' of outcrops of massive cemented bauxite layers in Tertiary volcanics	35–56%	29–45%	2–10%	1.3-8%	7–36%	20-28%
Inverell – North-Western Targets. NW part of EL 6997	Loose lumps of bauxite in thick lateritic red soil profile developed on Tertiary volcanic plateaus. Range of assays quoted is for hand selected lumps of bauxite [red soil has not been included in the samples].	36–52%	28–46%	1.5–6%	1.2–5%	13–32%	19–28%
Pindaroi EL 7268 (138km2)	A number of widely spaced outcrops of massive cemented bauxite layers in a Tertiary Volcanic area - similar to those in EL 6997 (Inverell).	30–57%	27-52%	2.5–12%	2–9%	4–26%	19–28%

Location	Geological Description	Al_2O_3 (Total)	Al_2O_3 (Available)	SiO_2 (Total)	SiO_2 (Reactive)	Fe_2O_3	LOI
Taralga EL 7357 (300km2)	Two groups of outcrops of pisolitic bauxite underlain by non-pisolitic bauxite in Tertiary Volcanic areas.	38-49%	27-44%	1.8-6%	0.6-2.1%	18-36%	17-27%
Trundle ELA 736 (252km2)	Small outcrops of pisolitic and non-pisolitic bauxite surrounded by extensive areas of red soil in upper part of lateritic weathering profile in a rather flat area with poor outcrop. Potential for paleo-channels exists.	Pisolitic bauxite: 44–49% Non Pisolitic bauxite: 53-57%	Pisolitic bauxite: 30-35% Non Pisolitic bauxite: 42-53%	Pisolitic bauxite: 14-23% Non Pisolitic bauxite: 2-6.5%	Pisolitic bauxite: 7-12% Non Pisolitic bauxite: 1.6-4.7%	Pisolitic bauxite: 14-15% Non Pisolitic bauxite: 9-14%	Pisolitic bauxite: 25-28% Non Pisolitic bauxite: 31%
Windellama EL 7269 (270km2)/Bungonia ELA 3740 (276km2)	Several groups outcrops of pisolitic bauxite underlain by non-pisolitic bauxite in Tertiary Volcanic areas. Range of assays quoted here is for selected samples of non-pisolitic bauxite from Windellama EL 7269.	38-57%	34-51%	3-8%	0.8-2.6%	6-18%	22-31%
Hampton EPM 17790 (336km2)	Loose lumps of bauxite in thick red soil in upper part of lateritic profile developed on a 3km wide Tertiary Volcanic plateau. No systematic exploration to date. Range of assays quoted here are for hand selected lumps of bauxite.	38-52%	28-45%	2-7%	1.5-5%	15-33%	
Hillgrove EPM 17831 (267km2)/ Haden EPM 17830 (264km2)	A 'chain' of outcrops of a massive cemented bauxite layer in a Tertiary Volcanic area – similar to the bauxite layer in EL 6997 (Inverell). Range of assays quoted here is for spot samples across the entire thickness of massive cemented bauxite outcrops.	35-55%	30-50%	1.5-7%	1-6%	15-37%	
Binjour EPM 18014 (150km2)	Loose lumps of bauxite in thick lateritic red soil profile developed on a Tertiary Volcanic plateau.	35-50%	40%	3-8%	1.2-6%	17-36%	15-23%
Guyra EL 7361 (300km2)	To date, one group of outcrops of a massive cemented bauxite layer in Tertiary Volcanic areas has been found - similar to those EL 6997 [Inverell]. No systematic exploration to date.	38–45%	36–42%	2.3–2.4%	1.8–1.9%	23–33%	22 – 25%
Merriwa ELA 3626 (1,272km2)	Three outcrops of massive cemented bauxite layer in Tertiary Volcanic areas-similar to those EL 6997 [Inverell] No systematic exploration to date. Assays quoted here are for the group with better quality only.	36–41%		7–9%		24–29%	20–23%
Red Hill EPM 17800 (300km2) & Red Hill South EPM 17801 (300km2)	Outcrops of massive cemented bauxite layers in a Tertiary Volcanic area similar to those in EL 6997 at Inverell, NSW	35-46%	25-41%	3-8%	3-7%	19-33%	
Wingello West EL 7279 (21km2)/ Penrose EL 3774 (42km2)	A number of outcrops of pisolitic and non-pisolitic bauxite in Tertiary Volcanic areas.	45-50%		4-8%		9-22%	15-27%
Yarrowitch EL 7344 (279km2)	To date, two groups of outcrops of a massive cemented bauxite layer in Tertiary Volcanic areas have been found - similar to those EL 6997 [Inverell]. No systematic exploration to date. Assays quoted here are for the group with better quality only.	44–46%	36–39%	2.7–8%	1.6–6%	17–23%	24–25%

8.1 ABZ'S MAINLAND TENEMENTS - STATUS



Source: ABZ

9.0 ABZ'S TASMANIAN BAUXITE TENEMENTS

- 8 new exploration licences pending - an area of ~1,508km^2
- Assay results display excellent content characteristics with very high gibbsite, very low goethite and low silica levels. The obvious differences between ABZ's NSW & QLD bauxite is the much lower iron oxide levels and higher alumina content.
- The location of the tenements is superb, with infrastructure (roads, rail, power) close by. ABZ has cherry picked the best available locations that fell within their internal strict criteria such as low environmental risk, nearby infrastructure, free of socio/land issues and good quality bauxite
- Some of the advantages of mining in Tasmania include relatively low electricity costs due to the abundance of sources of power such as coal, gas and hydro.
- A big positive for ABZ's Tasmanian tenement location is the proximity to port such as Bell Bay which also hosts an Aluminium smelter owned by Rio Tinto (RIO). The added bonus is that there are no quotas or constraints on bauxite exports from Tasmania.
- The areas containing bauxite is relatively large but the thickness of bauxite layers still needs to be determined through drill testing
- As the Tasmanian bauxite is displaying similar characteristics to ABZ's NSW & QLD bauxite, simple beneficiation will enhance the quality of the bauxite further.

Average Surface Sampling Assay Results

Area	Al_2O_3 (%)	Avl. Al_2O_3 (%)	SiO_2 (%)	Rx SiO_2 (%)	Fe_2O_3 (%)	TiO_2 (%)	LOI (%)	No. Samples
Evandale	50.2	35.8	7.4	6.2	19.5	2.3	20.0	3
Conara/Cleveland/Powranna	56.9	52.0	3.6	3.0	7.1	1.2	30.7	3
Bengeo	57.1	52.0	2.4	1.8	8.3	1.5	30.2	3
Myalla	53.2	48.5	2.7	2.2	12.1	1.6	29.8	3
Mawbanna	47.3	37.1	6.0	5.2	20.0	1.5	24.8	2

Table 7: Tasmanian Surface Sampling

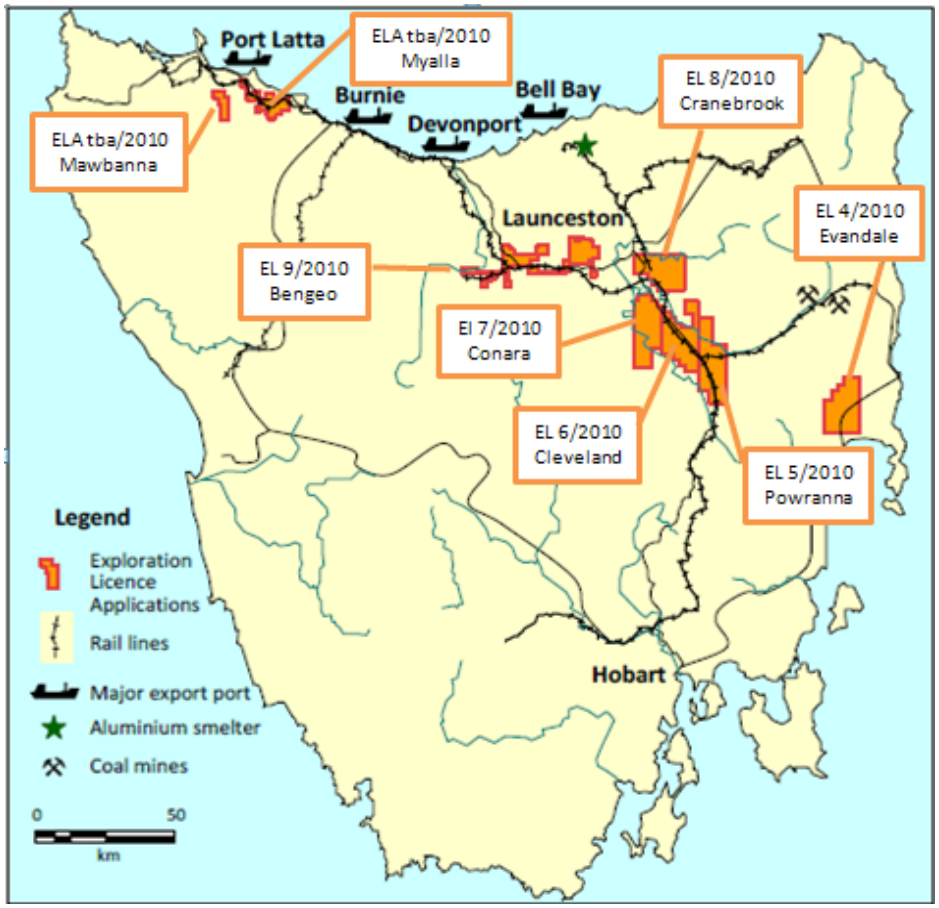


Fig 3: ABZ's Tasmanian Tenements *Source: ABZ*

10.0 AUSTRALIAN INDUSTRY OVERVIEW

10.1 AUSTRALIA'S MARKET SHARE & OPERATIONS

'Based on International Aluminium Institute data, Australian production totalled 63 million tonnes (Mt) of bauxite (31% of world production), 19.7 Mt of alumina (33%) and 2 Mt of aluminium (8%)'

Australia was the leading producer of bauxite and alumina globally in 2008, and the world's fifth largest aluminium producer. According to Geoscience Australia, Australia has JORC bauxite resources of 7.9Gt (2008). This reserve base ranks Australia as the second largest bauxite province in the world after the Republic of Guinea. This provides a world class resource base for the Australian industry, which comprises five bauxite mining operations, seven alumina refineries, six primary aluminium smelters, twelve extrusion plants and two rolled product (sheet, plate and foil) mills. The industry is geared to serve world demand for alumina and aluminium with more than 80% of production being exported. What also make Australia's bauxite special are the physical characteristics (low silica and high gibbsite), and the low geopolitical risk.

'The Australian Aluminium industry is dominated by Rio Tinto Alcan and Alcoa'

AUSTRALIAN OPERATING BAUXITE MINES

Mines	Reserves	Production	Owner	Location	Supplies
Mt Saddleback	400Mt	12 Mt	BHP (86%)	WA	Worsley
Gove	171Mt	6 Mt	Rio Tinto Alcan	NT	Gove
Huntly		23 Mt	Alcoa	WA	Pinjarra & Kwinana Refineries
Willowdale		9 Mt	Alcoa	WA	Wagerup Alumina Refinery
Weipa	1.2Bt	16 Mt	Rio Tinto Alcan	QLD	QLD Alumina & Yarwun

Table 8: Australian Bauxite Mines *Source: AAC*

'There is a falling output of bauxite in Indonesia, particularly refractory-grade bauxite, due to exhaustion of ageing deposits. Indonesia has long been a source of gibbsite-rich bauxite supplies to China. Australia is the logical future supplier of bauxite into Chinese alumina refineries'

AUSTRALIAN ALUMINA REFINERIES

Refineries in Australia	Capacity	Owner	Location
QLD Alumina	3.95Mt	Rio Tinto Alcan	QLD
Gove	3.8Mt	Rio Tinto Alcan	NT
Yarwun	3.4Mt	Rio Tinto Alcan	QLD
Worsley	4.6Mt	BHP (86%)	WA
Kwinana	2Mt	Alcoa	WA
Pinjarra	3.2Mt	Alcoa	WA
Wagerup	2.6Mt	Alcoa	WA

Table 9: Australian Alumina Refineries *Source: AAC*

'4 out of 5 major Chinese Aluminium producers are looking to establish projects in Australia due to lower costs. The other is looking at DSO bauxite supply only.'

AUSTRALIAN ALUMINIUM SMELTERS

Smelters in Australia	Production	Owner	Location
Bell Bay	177.5kt	Rio Tinto Alcan	TAS
Boyne	545kt	Rio Tinto Alcan (60%)	QLD
Kurri Kurri	175kt	Hydro Aluminium Group	NSW
Pointo Henry	190kt	Alcoa	VIC
Portland	358kt	Alcoa (58%)	VIC
Tomago	525kt	Rio Tinto Alcan	NT

Table 10: Australian Aluminium Smelters *Source: AAC*

10.2 Australia's Alumina Production Costs in the World Context

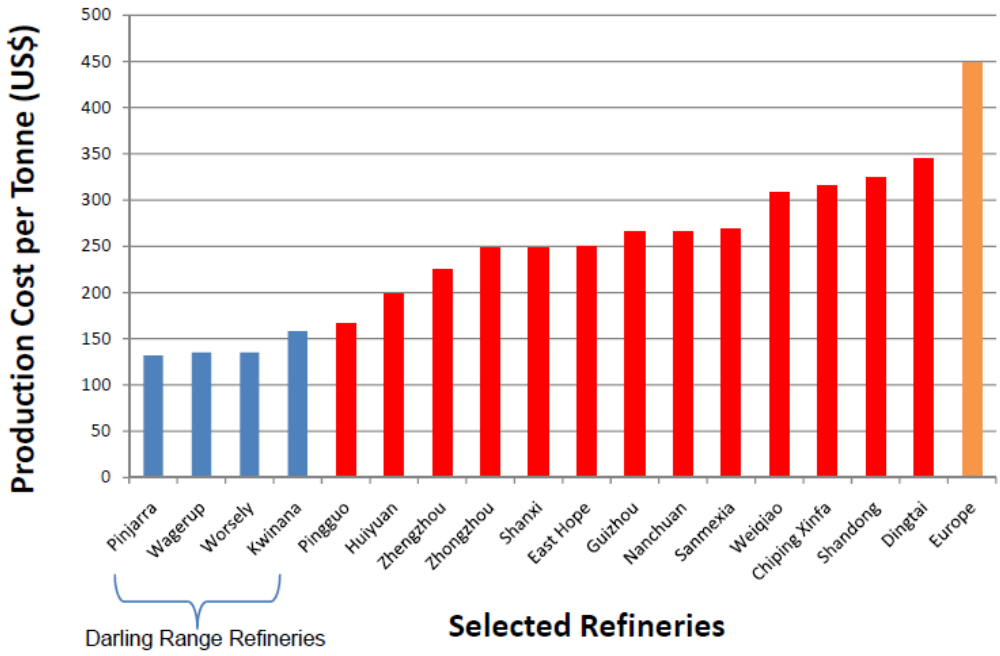


Fig 4: Refinery production cost summary *Source: BAU*

'Most metallurgical-grade bauxite and alumina are purchased under long-term contracts. Contract terms for these commodities normally are not made public.'

WA's Darling Range Refineries currently have cost advantages due to the highly gibbsitic nature of their ore (which significantly reduces power demands) and the low electricity costs through highly attractive natural gas supply contracts. It should be noted that the power cost advantage presently enjoyed will not last much longer, as these contracts are up for renegotiation in 2015-16. At that time there may be an opportunity for ABZ to define itself as Australia's lowest cost alumina producer.

INDUSTRY ALUMINA & ALUMINIUM COSTS

Costs	Alumina (~%)	Aluminium (~%)
Energy	25	25
Alumina		50
Anode		20
Labour	12	5
Other	25	10
Caustic Soda	13	
Feedstock	25	

Table 11: Aluminium Costs ***Source: AME Mineral Economics***

Costs can be lower in Eastern Australia due to;

- lower employee costs due to a larger population and more readily available workforce;
- infrastructure already in place, lowering capex;
- transportation and mining costs are lower due to the differing and multiple of transport options available;
- lower input costs, such as electricity, as the cost base and competition amongst existing, large-scale power providers is greater;
- with a number of orphaned (or "stranded") coal deposits in the region, which find it hard to achieve export profitability due to their distance from the coast, an alumina refinery would be a very welcome new market for their coal, with little competition.

10.3 Downstream Profitability

EBITDA PROFITABILITY & ROA

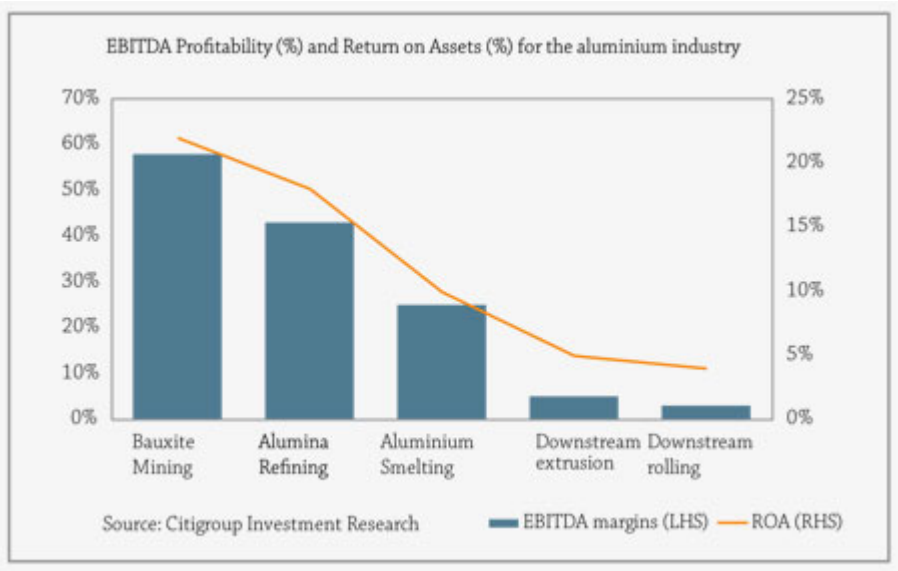


Fig 5: Profitability & ROA in aluminium industry *Source: Citigroup*

The varying profitability of the processing stages in the aluminium industry is well demonstrated in the above graph. As with many mining operations, the biggest returns are generally achieved at the first stage of the process. Profit margins can reduce further down the processing ladder, dependent on input costs. Hence a vertically integrated company has a larger scope to control overall costs than one which depends on a supply of bauxite from a third party.

10.4 Australian Industry Outlook

According to ABARE, in 2010-11, aluminium production is forecast to be around 1.9 million tonnes. Australian aluminium production is projected to remain largely unchanged over the outlook period. No committed expansions to Australia's aluminium production capacity are scheduled to commence over the five years to 2014-15. As a result, Australia's aluminium exports are projected to remain largely unchanged at around 1.6 million tonnes a year over the outlook period.

Australia's alumina production is projected to increase steadily from 2010-11 onward, assisted by a number of production expansions. The expansion of BHP Billiton's Worsley alumina refinery in Western Australia is expected to be completed in 2011. This expansion will add more than 1.1 million tonnes a year of alumina capacity to the existing 3.5 million tonnes capacity. Rio Tinto's Yarwun alumina refinery expansion in Queensland is expected to increase production by 2 million tonnes a year to around 3 million tonnes by 2012. Australia's production of alumina is projected to increase over the outlook period to around 26 million tonnes by 2014-15.

With Australia's aluminium production capacity projected to be largely unchanged over the outlook period, the majority of the projected increase in alumina output will be exported. Accordingly, alumina exports are projected to increase from around 16.4 million tonnes in 2009-10 to around 22.4 million tonnes in 2014-15.

10.5 China & the Expanding Market

Due to a combination of factors, including continued above-average growth in the Chinese economy, a shortage of bauxite deposits in China and the higher cost of treating the difficult Chinese domestic bauxite, the low capital and operating costs of Chinese alumina refineries and aggressive expansion in Chinese alumina refining capacity, expectations are that future demand for bauxite sales to China will continue to grow rapidly.

As most of Chinese alumina/aluminium producers have no source of their own bauxite, imports have been rising sharply in recent years. It is envisaged that this will continue until the likes of Chalco can secure their own overseas resources. If it can offer a reliable supply and consistent well-priced product, ABZ could become a prime acquisition candidate for Chalco (& other leading aluminium producers).

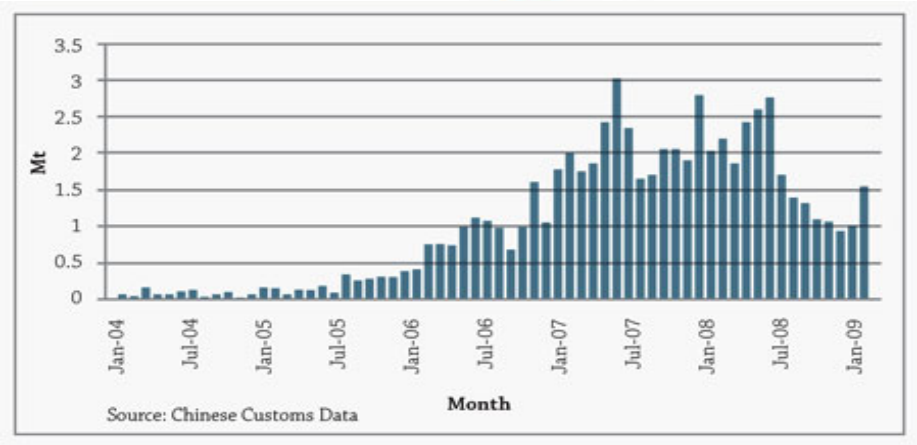


Fig 6: China's Monthly Bauxite Imports *Source: Chinese Customs – BAU Report*

10.6 The World's Leading Aluminium Producers

To highlight the disadvantages currently faced by the leading Chinese aluminium producers, some statistics on the world's four largest producers are useful.

Company	Bauxite	Alumina	Aluminium
Alcoa Inc	36.0	14.3	3.6
Chalco	2.0	8.0	3.2
Rio Tinto-Alcan	30.7	8.8	3.8
RUSAL	11.3	7.3	3.9

Table 12: Big Four 2009 production (Mt)

The alumina/aluminium industry is dominated by 4 companies, Alcoa Inc (US); Chalco (China); Rio Tinto Alcan (Australia); RUSAL (Russia), who combined account for ~40% of global aluminium and ~50% of global alumina production. RUSAL a Russian based metals giant is the largest aluminium producer with ~11% share of the global market.

The big four are vertically integrated companies which typically mine most of their own bauxite, produce alumina & aluminium through refining and smelting and sell different aluminium products to end users. Of the four, Chalco is the least vertically integrated and only produces a small amount of the bauxite it consumes. Thus it is actively looking at securing bauxite supplies through acquisitions and/or off-take agreements.

Chinese aluminium production has been growing rapidly in the last few years due to the rapid expansion of the Chinese economy. In 2009 Chinese aluminium production stood at ~13Mt and accounted for ~36% of total global production. Of that, Chalco's share of aluminium production was ~25%.

11.0 RISKS

As a grass roots exploration play, investment in ABZ involves a large number of risks, including:

- The company has limited cash resources and currently has no revenue operations.
- Its borrowing capacity is limited, at least until significant resources are identified.
- It operates in a very competitive industry, dominated by very large players.
- ABZ's manpower resources are limited.
- The iron extraction process on which ABZ intends to enhance the economics of some of its tenements may not be successful.
- The grades found in the samples collected on the various tenements may not be replicated by follow-up drilling, with the result that they are not commercial.
- The global selling prices of the various bauxite-alumina products which ABZ intends to produce may weaken.
- A rising Australian dollar may diminish the expected profit margins.
- Capital and operating costs may be higher than anticipated.

12.0 BOARD & MANAGEMENT

Peter Meers – Chairman (BA(Econ) FAIB)

Mr. Meers has broad experience across a wide range of industries from consumer, commercial and investment banking, building materials, securities trading and origination and mining and exploration. Mr. Meers is CEO of Tiaro Coal Ltd, and Executive Chairman of Hudson Resources. He has held senior executive positions in portfolio management during a 25 year career with ANZ Bank in Australia and Asia.

Ian Levy – Managing Director & CEO (BSc MSc DIC FAusIMM FAIG)

Mr. Levy has over 30 years experience with mining companies - developing bauxite, gold, coal & base metals projects, including with WMC, Allegiance Mining & Gloucester Coal. He is currently Chairman of Dynasty Metals. Previously a member of the Joint Ore Reserves Committee for 11 years, including 4 as Vice Chairman, and Federal President of the Australian Institute of Geoscientists.

Rado Jacob Rebek – Technical Director & Chief Geologist

Mr. Rebek is a geologist with over 40 years experience in exploration, including over 30 years with CRA and Rio Tinto as exploration manager in PNG, SA and NT and as Exploration Director for South America. Mr. Rebek, as Chief Geologist for Hudson Resources, led the team which discovered the bauxite deposits now owned by ABZ.

Vincent Tan – Non-Executive Director (BCom Admin CA)

Mr. Tan has held senior management positions in a number of public and non-government organisations and has broad experience in corporate structuring. Mr. Tan has worked in a range of industries over the past 35 years, including insurance, finance and property.

Wei Huang – Non-Executive Director (BEcon MCom CPA)

Mr. Huang is experienced in financial control, new business startups and development in mining, construction and financial services industries. He has extensive experience in facilitating and promoting two-way investment between China and Australia and is knowledgeable on the business cultures of both countries.

Henry Kinstlinger – Joint Company Secretary

Mr Kinstlinger has been actively involved in financial and corporate management of a number of public companies and non-governmental organizations for over 25 years, and has broad experience in investor and community relations and corporate and statutory compliance.

David Hughes – Joint Company Secretary

Mr. Hughes is company secretary of a number of ASX-listed companies, including LaTrobe Magnesium Ltd, Hudson Investment Group Ltd, Hudson Resources and Imperial Corporation Ltd.

Francis Choy – Chief Financial Officer (MComm MBA FCPA(HK) CPA)

Mr. Choy has held a number of senior positions in corporate financial management in companies throughout Australia and SE Asia and has extensive experience in project finance, compliance, and acquisition and investment appraisals.

Andrew White – Consultant Geologist (BSc PhD FAIG GAICD)

Mr. White has 45 years of experience in the mining sector, including as Exploration Manager at Comalco (CRA/Rio Tinto's aluminium subsidiary) and at Poseidon.

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Acknowledgements

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