

**Analyst: PETER KOPETZ**
**AUSTRALIAN BAUXITE (ABZ)**
**\$0.69c**
**SPEC BUY**
**Price Target: \$1.02**

Cash: \$7.5M

Global Resources: 61.4Mt



Source: Aegis

Investment Data	
Share Price (\$)	0.69
Ord Shares (m)	100.6
Market Cap (\$m)	69.4
EV (\$m)	61.9
EV (\$m) (diluted)	68.7
Options (m)	9.9
(Net Debt) /Cash	7.5
12m Low/High (\$)	0.30/0.89

Source: Aegis

**ABZ has made a new high grade discovery at Guyra, NSW, which is comparable in quality to Binjour's exceptional bauxite. The concealed high grade bauxite layer which lies under ~4.5m of clay, is adjacent to a major rail line and relatively close to ABZ's other large tonnage deposit at Inverell, potentially creating a co-development hub encompassing Inverell, Pindaroi and Guyra. Guyra on its own could deliver at least 20Mt of quality bauxite and the hub eventually should deliver on ABZ's exploration target of 200Mt.**

Key Points

**Guyra has surprised everyone (including us) with its high quality bauxite,** although the team at ABZ must be given credit for successfully identifying areas with high quality bauxite potential. We stressed earlier the importance of excellent exploration and management teams and this has proven to be the case. Being first movers on the East Coast for bauxite exploration has given ABZ numerous advantages such as picking up the most prospective ground, close to infrastructure.

**Of the 63 holes drilled at Guyra, the majority displayed high grade low silica bauxite.** Average bauxite thickness which lies under a ~4.5m clay layer is 4.8m, giving a low strip ratio of ~1.0. The quality of bauxite is best demonstrated by the A/S ratio which averages 16.5, and very low reactive silica of 2.2%. The Guyra bauxite displays all the necessary attributes to make it highly sought after amongst alumina refineries that need sweetener bauxite, thus attracting a premium price.

Hole No	From m	To m	Length m	Yield % wt	Al <sub>2</sub> O <sub>3</sub> avl %	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 %
<b>Average all holes</b>	4.6	9.4	4.8	59%	36.6	2.2	<b>16.5</b>	42.7	2.8	<b>15.3</b>	24.7	3.7	24.0
Strip ratio (waste/ore)	1.0												
<b>Best 25 holes</b>	4.2	11.0	6.6	59%	38.2	1.9	<b>19.8</b>	43.5	2.5	<b>17.6</b>	24.5	3.9	24.3
Strip ratio (waste/ore)	0.6												

Leach conditions to measure available Al<sub>2</sub>O<sub>3</sub>avl & reactive Rx SiO<sub>2</sub> is 1g leached in 10ml of 90gpl NaOH at 143 degrees C for 30 mins. "Avl/Srx" ratio is (Al<sub>2</sub>O<sub>3</sub>avl)/(Rx SiO<sub>2</sub>). Values above 10 are excellent. "A/S" ratio is Al<sub>2</sub>O<sub>3</sub>/SiO<sub>2</sub> Yield is for screening at 0.26mm. If a different beneficiation method is used, yield will be different. Tonnages requiring no upgrade will have 100% yield.

Source: ABZ

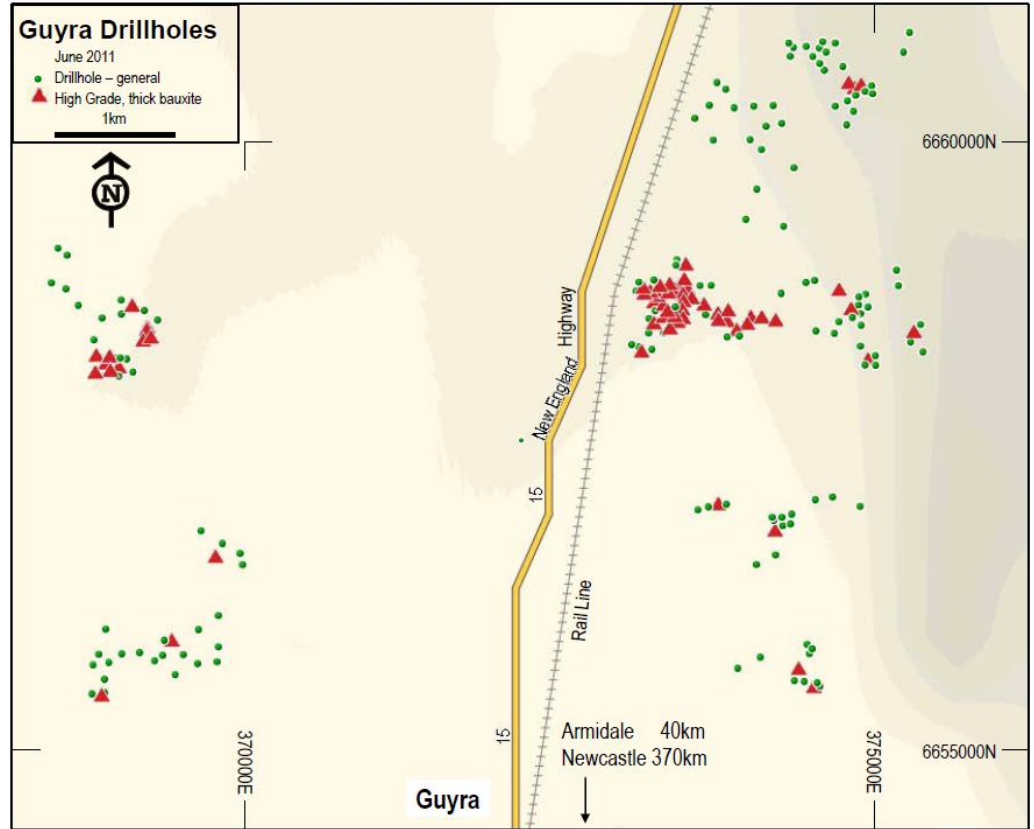
**A JORC resource estimation at Guyra has begun** and we expect some news on this in a few weeks time. We believe a maiden resource target of ~5Mt is possible, and since the deposit looks open in most directions, we expect it to grow substantially over the coming months.

**The location of Guyra is not ideal in terms of distance from port (Newcastle)** but it is situated adjacent to the Guyra-Armidale standard gauge rail line which connects to the Port of Newcastle from Werris Creek on a heavy duty rail line. The Guyra rail line is in good order although it is not currently utilised. The key to this project is negotiating a similar freight rate to local coal operators as transportation costs will form a large component of the overall operating costs. With a distance of ~350km from Newcastle ABZ can save ~\$5m pa if costs are closer to 3.5c per km/t than 5c on exporting 1Mt.

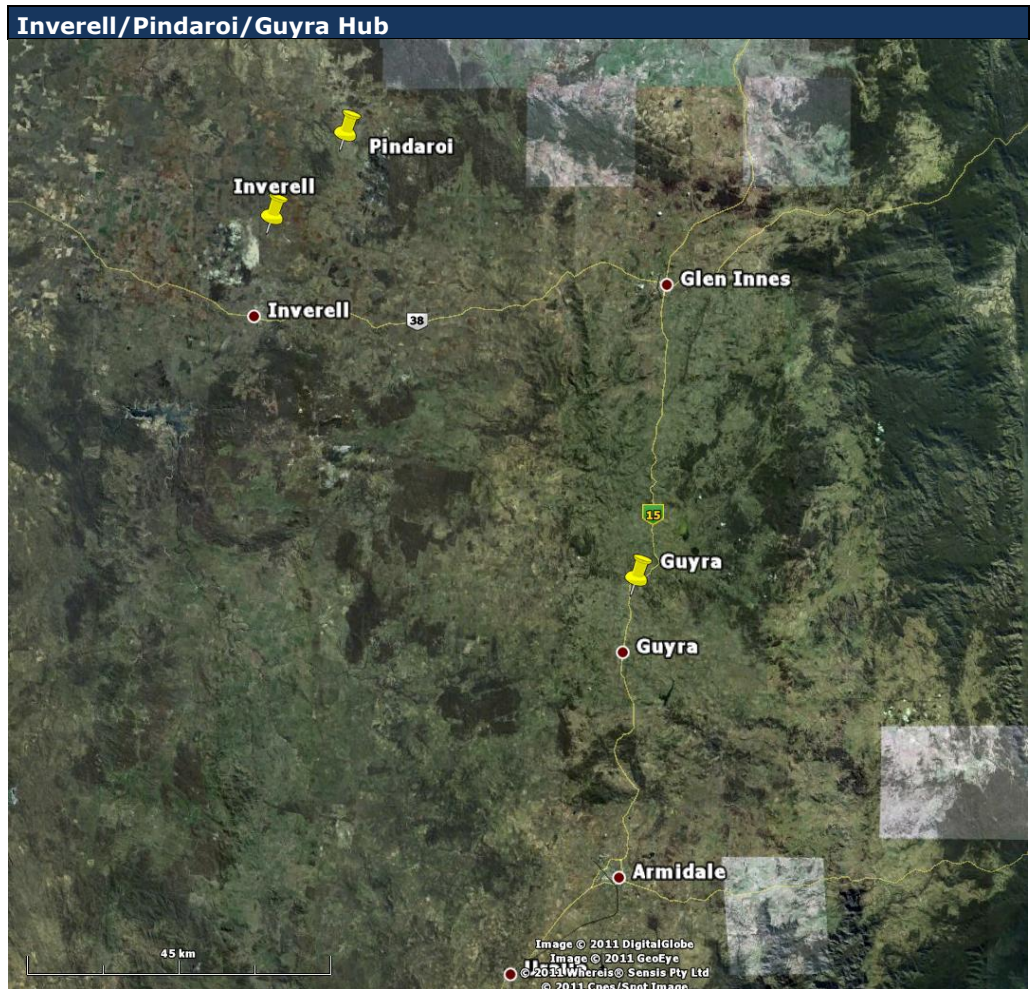
ABZ has submitted a Review of Environmental Factors (REF) with the Department of Industry & Investment to coincide with future drilling campaigns at Guyra.

It should be a busy second half of the year for ABZ with potential news flows on:

- Further JORC resource updates at Taralga, Inverell and maiden JORC at Binjour
- Drilling results from numerous prospects
- Prefeasibility Study findings for Taralga
- Corporate announcements regarding potential partners/funding for projects at Taralga, Inverell and or Binjour



Source: ABZ



Source: Google Earth

**ABZ vs Peers Comparison**

Code	Project	Resources (Mt's)	Ave. Thickness	Total Al <sub>2</sub> O <sub>3</sub> (%)	SiO <sub>2</sub> (%)	A/S Ratio	Avl Al <sub>2</sub> O <sub>3</sub> (%)	SiO <sub>2</sub> Rx (%)	A/S Ratio	Fe <sub>2</sub> O <sub>3</sub> (%)	LOI (%)	Yield (%)	Size (mm)
BAU	Juturna	8.2*		40.2			29.9	3.9	7.7				
BAU	Vallonia	1.5*		36.6			28.0	3.9	7.2				
BAU	Aurora	11.4*	2.2m	42.7			31.9	3.4	9.4				
BAU	Rusina	3.7*	1.7m	40.3			29.1	5.3	5.5				
IRM	C. Bindoon	17.5		38.3			31.6	6.6	4.8		17.2		
IRM	C. Wandoo	44.2		43			30.4	3.1	9.8		19.9		
IRM	New Norcia	19		41.7			29.8	5.7	5.2		19.5		
IRM	Area 459 (His)	8.7		42.7			29.1	3.9	7.5		19.4		
CBX	Pisolite Hills	87.3		53.1	12.4	4.3	41.5	7.5	5.5	6.8	25.2	65.9	1.2
ABZ	Binjour	Drilling	5.3m	45.1	2.2	20.6	41.1	1.9	21.6	23	25.5		0.26
ABZ	Hampton	Drilling	5.9m	40.8	5.6	7.3	33.7	4.6	7.3	27.1	21		
ABZ	Pindaroi	Drilling	5.9m	39.2	6.9	5.7	31.3	5.9	5.3	26.7	22.1		
ABZ	Guyra	Drilling	4.8m	42.7	2.8	15.3	36.6	2.2	16.5	24.7	24	59	0.26
ABZ	Inverell			37.1	5.4	6.9	36.6	4.2	9.2	25.7	21.4	67.5	0.26
ABZ	Taralga (DSO)		4.3m	40.5	4.3	9.4	35	2.3	15.5	27.6	22.6	54	0.26
ABZ	Taralga (Pisolite)		3.4m	36	4.6	7.9	20.6	1.5	14.2	42.9	12.2	69	0.26
ABZ	Taralga (Quartz)		2.7m	36.8	20	1.8	30.8	2.1	14.5	19.7	19	54	0.26
ABZ	Taralga (Qtz/Pisol)	3	3.4m	32.9	19.3	1.7	19.8	2.6	7.6	31.4	12.5	59	0.26

Table 1: ABZ vs. Peers comparison (ABZ 30% cut-off Al<sub>2</sub>O<sub>3</sub>)  
 \*30% ownership

Source: State One

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