

AUSTRALIAN BAUXITE – (ABZ)
\$0.48c
Analyst: Peter Kopetz
Quarterly Highlights Summary
SPECULATIVE BUY
Price Target: \$0.73c

Cash: \$4.9m



Source: Aegis

Investment Data	
Share Price (cents)	0.48
Ord Shares (m)	30
Ord Restricted	55.6
Market Cap (\$'m)	41
Enterprise Val. (\$'m)	36.1
Fully Diluted EV (\$'m)	41
Options (m)	10.2
Net (Cash)/Dt (\$'m)	4.9
52 week Low/High (\$)	0.25/0.48

Corporate Structure	
Hudson Resources	64.9%
State One Capital	6.3%
600 Shareholders	28.8%

Management	
Managing Dir.	Ian Levy
Chief Fin Offic.	Francis Choy
Chairman	Peter Meers
Chief Geo.	Jacob Rebek

- **Initial assay results from Binjour look excellent with low silica/reactive silica and high available alumina translating to high A/S ratios of >10 on raw bauxite and >25 on screened bauxite. (ratio = Al_2O_3/SiO_2 . Above 10 is excellent).**
- By 15th July ~430 holes totalling 4,250m were drilled, few weeks ahead of schedule. By the end of 2010, ABZ is expecting to have completed 1000 holes with first pass drill testing on all of its 26 Eastern States tenements. Results are awaited from ~362 holes.
- ABZ confirmed that it will be looking to open talks with potential customers and/or partners in September 2010. Most likely projects for discussion are Binjour, Haden & Hampton in QLD, Inverell & Pindaroi in NSW.
- Drilling results from Pindaroi, Inverell, Binjour, Hampton & Haden are due in current quarter with potential Inverell resource update/increase.
- More drilling underway at Haden's new discovery 'Steam Engine' followed by other areas set out in the timetable.
- Approval was obtained to drill a further 780 holes over the next 3 years at Inverell & Pindaroi. This will enable ABZ to expand the resource at both areas substantially. Initial Inverell 22Mt resource was estimated on 118 holes totalling 1,773m.
- New applications for tenement extensions at Binjour Plateau in QLD (ELA 18722), Trundle, NSW (ELA 4024) & Wingello (EL4038) were lodged.
- Cash position of A\$4.9M, enough to fund drilling to end of 2011 (drilling is shallow and cheap).

Key Investment Points

- Drilling results are expected over the coming weeks from Inverell 162 holes, Pindaroi 18 holes, Binjour 57 holes, Hampton 125 holes and Haden.
- A JORC resource update/upgrade is due as flagged previously. The resource upgrade at Inverell should encompass up to another 10% of mineralised area, potentially doubling current 22Mt resource.
- ABZ has potential stand alone projects in 4 states, QLD, NSW, VIC & Tasmania, with QLD tenements proximity to alumina refineries raising the possibility of fast tracking of development.
- ABZ will begin discussions in September with third parties regarding commercialisation of its bauxite assets. ABZ has a number of options under consideration such as sale of raw bauxite, sale of upgraded bauxite, processing of bauxite.
- ABZ's bauxite is shaping up as of high quality, gibbsitic in nature, with low impurities, leading to processing cost savings as it takes less energy to process. Alumina/aluminium companies are always looking to reduce costs. ABZ's key in finding a home for its bauxite is to demonstrate high quality and consistency of bauxite via an alumina refinery.
- Key risks/issues have been addressed in selecting the best available bauxite tenements (all tenements are 100% owned). The addressed risks are infrastructure and socio-environmental or native title land constraints.
- Drilling at Binjour has returned excellent (better than Inverell) quality bauxite based on early indicative assays and have exceeded expectations. It is reasonable to expect that lab tests will confirm the high quality nature of bauxite at Binjour.
- Management is a key with Managing Director Ian Levy and chief geologist Jacob Rebek who both have vast bauxite experience.

Drilling Summary Highlights

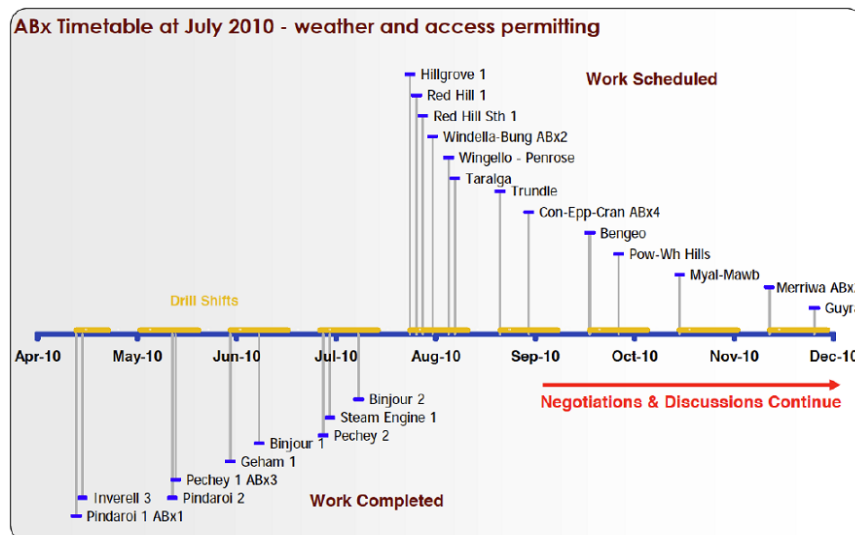
	Holes Completed	Maximum Thickness (m)	Average Thickness (m)	Comments	Potential
Inverell (NSW)	162 (280)	9.4 (9.5)	4.8-5.4	Results at Inverell are showing increasing consistency and extensiveness. A major resource drilling program is considered the likely next step. A resource estimation for an additional 10% of the deposit is expected	Large tonnage project worthy on its own merits
Pindaroi (NSW)	18	12	5.5	Results thus far are in line if not better than expectations. Pindaroi is shaping up to be a large ton resource. Next likely step is second pass infill drilling to assess continuity of thickness and grades	Large tonnage
Binjour (QLD)	57	13	5.3	The drilling results have exceeded expectations due to the thickness of bauxite mineralisation. Indicative assay results are very promising and shaping up to be much better than Inverell in terms of reactive silica, available alumina and A/S ratios. A second pass drill program is currently underway to test a second plateau	Large tonnage project worthy of early development
Hampton (QLD)	125	13	5.6	There are 2 deposits at Hampton, Geham & Pechey (which has 2 bauxite layers). Both deposits at Hampton combined may contain a large tonnage of bauxite. Results are awaited and assessment will commence in August	Large tonnage
Haden (QLD)	0	10	3.0-5.0	A new deposit (Steam Engine) has been discovered in Haden, 15kms to the northwest of Pechey/Geham deposits in Hampton. Drilling currently underway. Steam Engine demonstrates that Haden tenement could host abundant bauxite	Large tonnage

Source: State One & ABZ

Inverell vs. Binjour Comparison

	Raw							Screening (1st process)							
	Total	Available	Raw	Reactive	A/S			Total	Available	Raw	Reactive	A/S		Screen Size	
	Al ₂ O ₃	Al ₂ O ₃	SiO ₂	SiO ₂	Ratio*	Fe ₂ O ₃	LOI	Al ₂ O ₃	Al ₂ O ₃	SiO ₂	SiO ₂	Fe ₂ O ₃	Ratio*		LOI
Inverell	38.1	29.9	5.9	4.7	6.5	27.8	21.2	42.5	36.9	2.8	2.6	23.5	15.1	31.6	1.2mm
Hole BJ006	40.9	36.3	3.7	3.0	11.1	31.9	18.8	41.4	38.7	1.5	1.2	29.6	27.6	23.6	0.26mm
Hole BJ033	50.8	46.6	2.8	2.4	18.1	15.2	27.5	53.1	50.5	1.3	1.2	13.1	40.8	29.2	0.26mm
Binjour Ave.	45.85	41.3	3.3	2.6	14.1	23.55	23.2	47.3	42.6	1.4	1.3	21.4	33.8	26.4	0.26mm

Source: State One & ABZ * Al₂O₃/SiO₂



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The author of this document holds a small interest in ABZ.