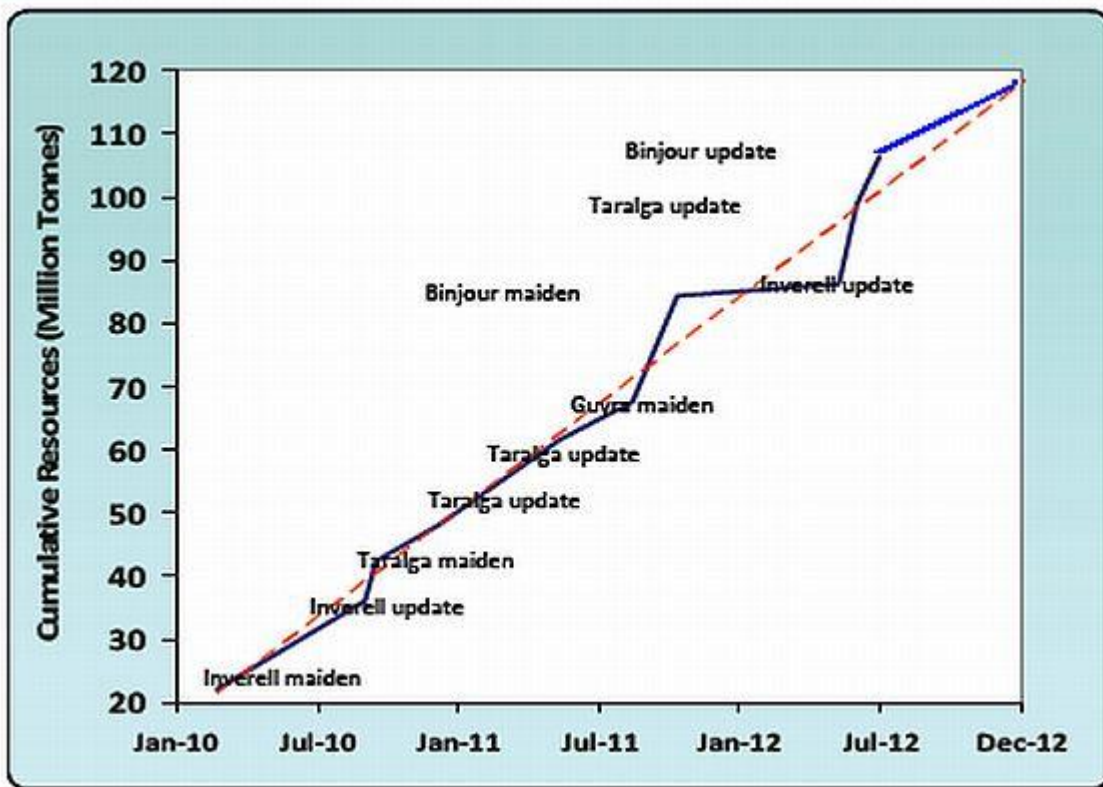
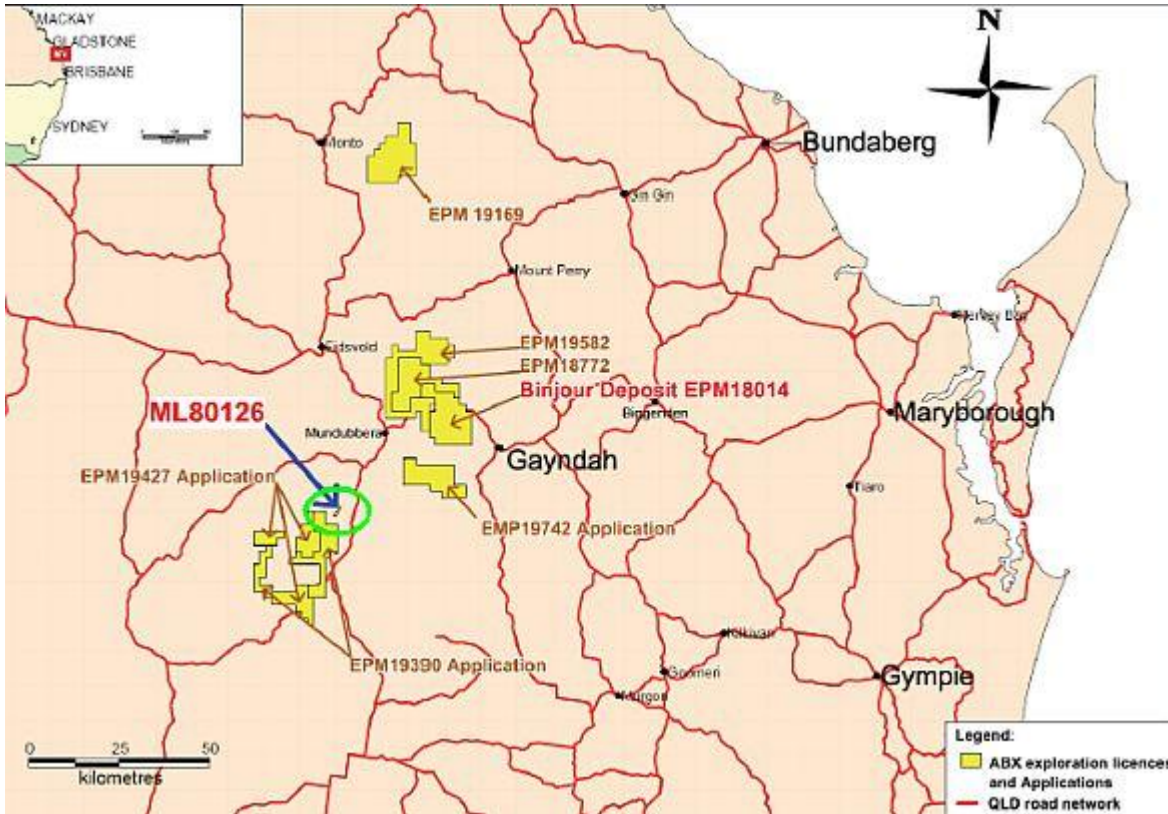


Two maidens lift 116 million tonnes

Australian Bauxite continues to grow its bauxite resource with two maiden resource announcements for projects in Queensland and Tasmania. Across the company's rich bauxite projects ongoing exploration success continues to swell the company's resource bank. The 200 million tonnes resource target is now in clear view. The following table show the company's joint ore reserve code (JORC) resource growth updated to include the two maiden resource announcements for Tasmania and Queensland.

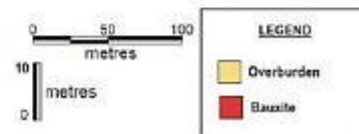
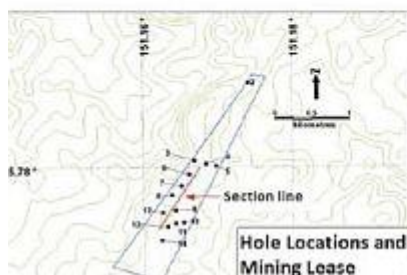
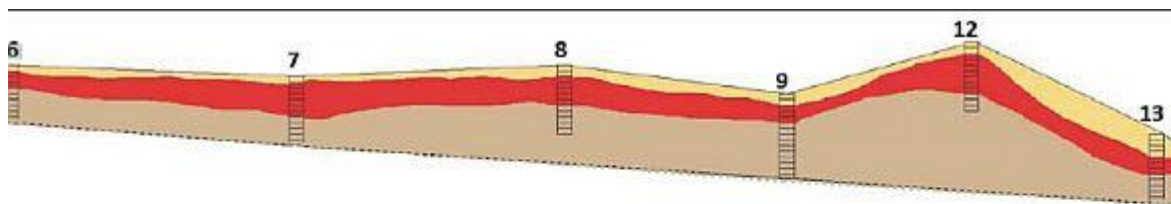


Successful exploration has been the hall mark of the company's recent efforts to develop quality bauxite assets along the east coast of Australia and in Tasmania. In Queensland, the company added a JORC compliant inferred resource of 3.5 million tonnes of rich bauxite. The deposit is hosted in ground covered by a long-term mining lease. The following figure shows the location of ML80126 (highlighted) and the Binjour project.



The new resource is within 60 kilometres of the company's major Binjour bauxite deposit. What is exciting about the deposit is the excellent quality of the gibberish type of bauxite. The company has indicated that this type of bauxite is in high demand. As an already granted mining lease, the Toondoon deposit will likely be less affected by Queensland's approval and permitting requirements.

The 4.9 metre thick seam is graded at 40.2% aluminium oxide and lay only 1.5 metres below the surface. The mining lease hosts the gibbsite-rich bauxite in seams of between one and seven metres in thickness. It is expected that the site contains some five million tonnes of bauxite ore beneath a shallow overburden. The following figure shows a schematic of the ML80126 deposit and drill locations.



A total of 14 holes totalling 186 metres were drilled across the Toondoon site to allow the company to declare a maiden inferred resource. Of the total resource, the direct shipping ore (DSO) makes up approximately 50% of the deposit.

A scoping study on the Toondoon deposit is now underway with a view to validating the extraction of DSO in the near-term. **Successful mining of DSO will see bauxite production from the region commence a number of years ahead of schedule.**

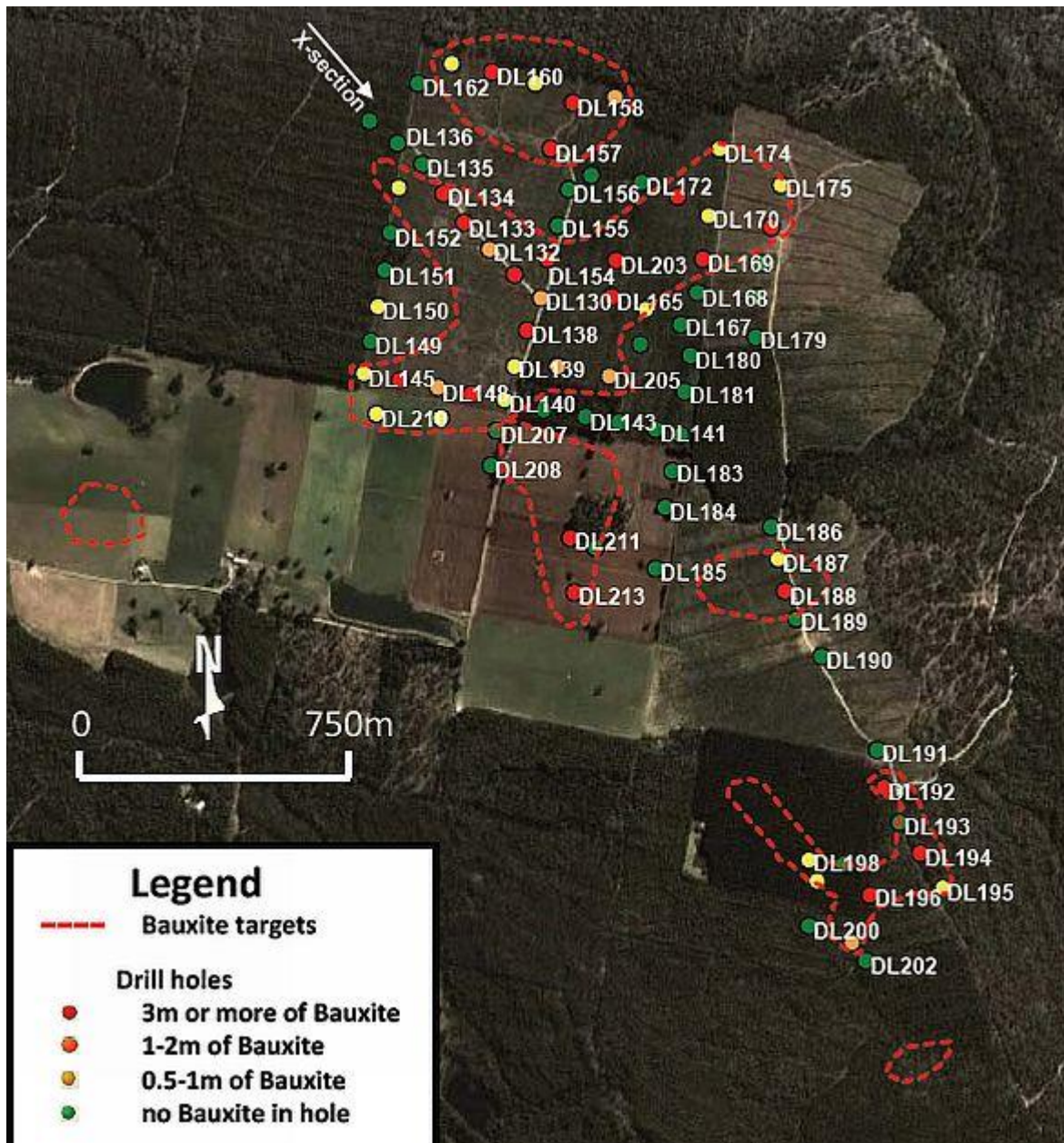
The advantage of DSO is faster cash flow and lower development costs, leading to more funds to advance future development.

While Toondoon advances, some 1,900 kilometres away down in Tasmania, the story is repeating its self at DL-130. A maiden resource of 5.7 million tonnes of gibbsite-rich bauxite has been declared in the northern midlands of Tasmania. The following figure shows the location of the company's sites in Tasmania with the resource area highlighted.

<ABZ_ Tasmania>

The 3.8 metre JORC compliant inferred resource is graded at 44.1% aluminium oxide and lay only 1.5 metres below the surface. To develop the deposit the company will be required to seek the appropriate approvals and permits. To this end, the company has indicated that the approval process is well advanced.

A total of 377 holes totalling 2,652 metres were drilled across the site to allow the company to declare a maiden inferred resource. Of the total resource, DSO comprises approximately 50% of the deposit. The following figure shows an aerial image of the site showing drill locations and the deposit outline.



As with the Toondoon deposit, the company would focus first on the DSO zones to speed-up access to production and the benefits that flow from faster cheaper production. The company has already commenced scoping study activities and the approvals and permitting process, to allow the granting of a mining licence over the tenements. With DSO production successfully underway, the company would expand mining to include the remainder of the deposit. Ore would progress through the beneficiation process prior to sale. The tenements are close to the necessary infrastructure, including a deep water port to ship product. Rio Tinto operates the Bell Bay aluminium smelter. The smelter currently produces around 185,000 tonnes of aluminium in 2012. Rio's Bell Bay smelter would require approximately 1.7 million tonnes of bauxite at its current capacity.

We note with considerable interest the company's opening of a data room to interested parties. Interested third parties will, subject to confidentiality agreements

be able to review the company's current suite of bauxite opportunities. The company has indicated that six international groups are currently in the data room to investigate opportunities to participate at tenement, project, subsidiary and company level. We will monitor announcements concerning third party participation very closely.

At 31 December 2012, the company had cash of A\$2.0 million and budgeted expenditure for the current quarter of A\$430,000. Of the expenditure amount A\$300,000 is earmarked for exploration. We consider the company has adequate cash resources to meet all its current obligations.

With a growing bauxite resource, and the path to 200 million tonnes now appearing readily achievable, the company is focusing on a pathway to production. We expect the news flow will remain positive in the months ahead, as the company continues to expand the in ground value of its bauxite projects.

With the above in mind we will maintain our hold recommendation on Australian Bauxite.

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Snapshot ABZ

Australian Bauxite Limited

Latest closing price: \$0.275

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

\$29.5m

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