



AUSTRALIAN BAUXITE LIMITED

ASX: ABZ

QUARTERLY REPORT

Quarterly Activities Statement period ended 31 December 2013

About Australian Bauxite Limited ASX Code ABZ

Australian Bauxite Limited (ABx) is well advanced to establish its first mine in Tasmania (ML 1961).

ABx holds the core of the newly discovered Eastern Australian Bauxite Province. Its 42 bauxite tenements in Queensland, NSW and Tasmania covering 6,534 km² were rigorously selected on 3 principles:

1. good quality bauxite;
2. proximity to infrastructure connected to export ports; and
3. free of socio-environmental constraints.

All tenements are 100% owned and free of obligations for processing and third-party royalties. ABx has already discovered many bauxite deposits and new discoveries are still being made as knowledge and expertise grows. ABx conducts vigorous reviews of the commercial viability of its projects and tenements, resulting in new acquisitions, but also reductions in area as exploration is conducted.

The company's bauxite is high quality and can be processed into alumina at low temperature - the type that is in short-supply globally.

On the mainland, ABx has declared Mineral Resources in Inverell, northern NSW, at its Taralga project in southern NSW; at Guyra and at the Binjour Plateau in central QLD confirming that ABx has discovered a significant bauxite deposit including some bauxite of outstandingly high quality.

In Tasmania, at Bald Hill, the Company's first bauxite mine is targeted for production in late 2014.

Australian Bauxite Limited aspires to identify large bauxite resources in the Eastern Australian Bauxite Province, which is emerging as one of the world's best bauxite provinces.

ABx has the potential to create significant bauxite developments in three states - Queensland, New South Wales and Tasmania. Its bauxite deposits are favourably located for direct shipping of bauxite to both local and export customers.

ABx endorses best practices on agricultural land, strives to leave land and environment better than we find it. We only operate where welcomed.

This quarterly report is dated 31 January 2014 and is for the three months to 31 December 2013.

PRINCIPAL POINTS

Corporate

- \$1.134 million capital raising completed with 5.4 million shares issued at 21 cents to sophisticated, eligible and professional investors to progress the trial mining, mine establishment and development programs and to provide working capital (ASX: 12/12/13)
- Appointment of Paul Lennon as a director and the retirement of Peter Meers and Wei Huang as directors of the Company (ASX: 28/11/13)
- 2,000 shareholder milestone achieved in January 2014
- Exercise of employee share plan options 420,000 shares at 30 cents (ASX: 2/12/13)
- ABx agreed to a placement of 2,320,791 fully paid ordinary shares at A24.3 cents per share to AAM Alpha Funds PLC - Ausonio Fund for a total US\$500,000 (A\$563,952) in January 2014 (Placement)
- Available cash (including the Placement) is in the order of \$1.9 million (excluding proceeds from the SPP)
- Share Purchase Plan announced 28 January 2014

Exploration

- Field work conducted during the December quarter in Tasmania identified drill targets at Fingal Rail near Campbell Town, DL-130 north of Westbury and on newly granted tenements which will be drill-tested in February-March
- Testing of bulk samples continued and preparations for trial mining have begun
- Tasmanian mine application (ML 1961) approval expected first half of 2014

Tenement status

All tenements are in good standing & 100% owned.

Disclaimer Regarding Forward Looking Statements

This ASX announcement (**Announcement**) contains various forward-looking statements. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements are inherently subject to uncertainties in that they may be affected by a variety of known and unknown risks, variables and factors which could cause actual values or results, performance or achievements to differ materially from the expectations described in such forward-looking statements.

ABx does not give any assurance that the anticipated results, performance or achievements expressed or implied in those forward-looking statements will be achieved.

AUSTRALIAN BAUXITE LIMITED

ACN 139 494 885

Level 2 Hudson House 131 Macquarie Street Sydney NSW 2000
P: +61 2 9251 7177 F: +61 2 9251 7500

Bauxite Market Commentary

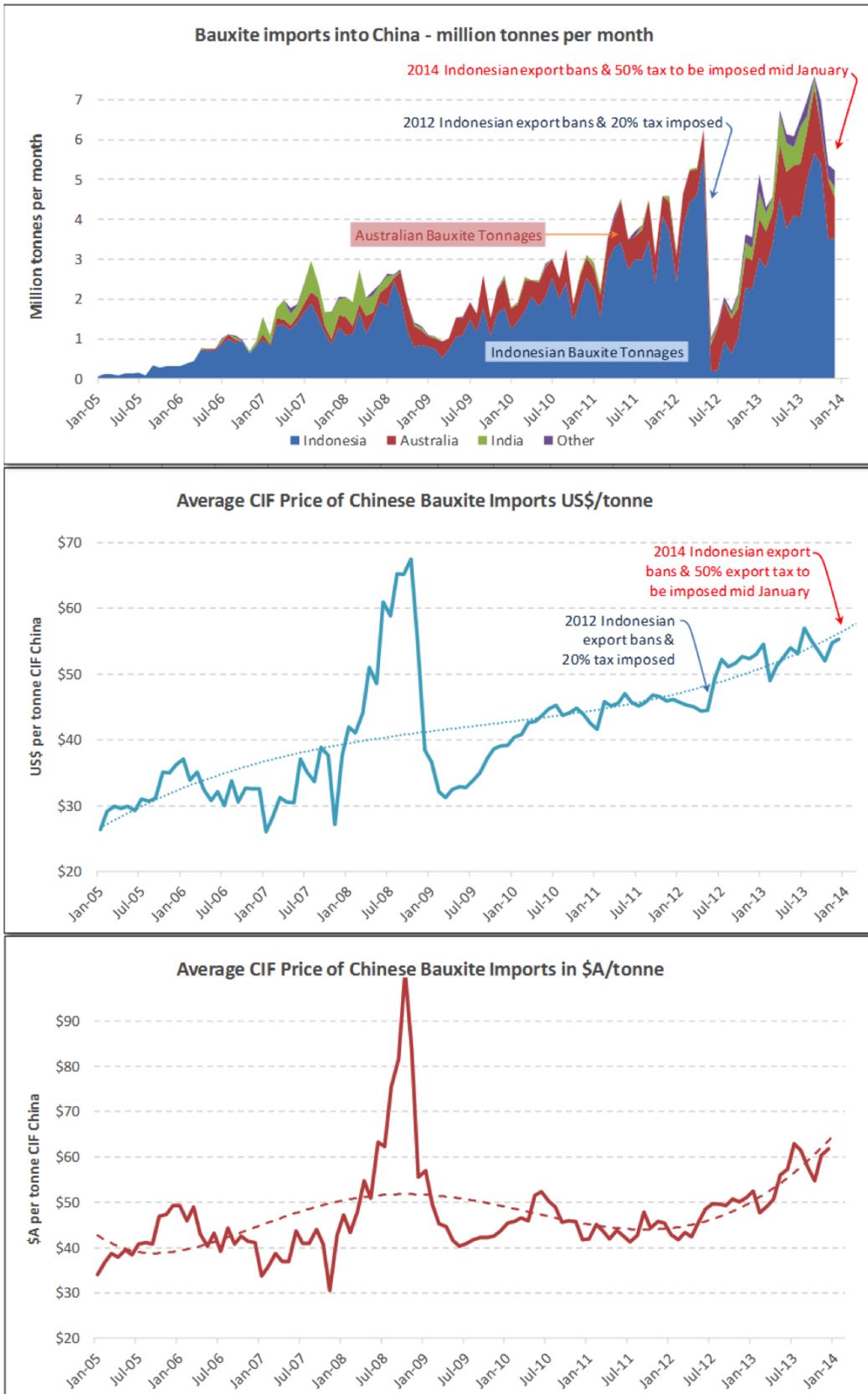


Figure 1: Bauxite Tonnages & Prices CIF China to 31 December 2013



Comments: As predicted, bauxite tonnages imported from Indonesia by Chinese alumina refineries are slowing ahead of the 12 January 2014 deadline when Indonesia imposed tightened export bans and increased export taxes from 20% to 50%.

Prices for Indonesian, Australian & Indian bauxite remained at near record levels during November and overall average bauxite prices continue to follow the rising trend line. Indian bauxite (most similar to ABx's bauxite) increased by US\$6/t to average US\$61.34 in December. "Other bauxite" that fills supply shortages rose to a staggering US\$76.99/t.

The weakening exchange rate lead to the average A\$ price firming to A\$61.82/t CIF China. This is slightly above ABx's predicted prices and bodes well.

Indonesian Bans and Increased Export Taxes Introduced: Indonesia did in fact implement its second tranche of bauxite export bans on 12 January 2014 and increased its bauxite export taxes from 20% to 50%. Bauxite market reports will probably be volatile in the short-term and easily misunderstood. Chinese imports from Indonesia will slow or stop for a period and Chinese refineries will operate from stockpiled bauxite for several months whilst negotiating new deals in Indonesia. It is important that investors realise what is happening – the drop in tonnages imported from Indonesia is not a sign of reduced demand but of "negotiating tactics" as the Chinese try to force a compromise with Indonesia.

Our prediction has always been that common sense will prevail by May-June and China will get supplies, albeit less tonnages than they really want and at a 15% to 20% higher price.

This is what happened in 2012 when the first Indonesian bans and taxes were introduced in May 2012 and the average bauxite price rose by 22% - see price graphs above.

Gibbsite Bauxite Demand Will Tighten

Indian bauxite has become a premium priced bauxite, exceeding the prices for Australian bauxite. Like Indonesian bauxite (and ABx bauxite), Indian bauxite is low-temperature, gibbsite bauxite (often called THA or trihydrate bauxite). Low-temperature refineries use gibbsite bauxite to fully-achieve the cost benefits of the low-temperature refining process.

The mineral gibbsite is alumina trihydrate which dissolves at 140 degrees C in low-temperature alumina refineries (the lowest cost refineries) whilst the mineral boehmite is alumina monohydrate which dissolves at 240 degrees C. Chinese domestic bauxite comprises the more refractory alumina mineral diaspore which dissolves at 290 to 350 degrees C in Chinese high-temperature refineries.

However, many of China's largest alumina refineries are low-temperature types of refineries which have until now relied almost solely on imports of low-temperature gibbsite bauxite from Indonesia.

In 2013, China imported 72 million tonnes of bauxite, of which 49 million tonnes or 68% came from Indonesia. These cheap supplies from Indonesia are about to change, as of 12 January 2014.

Australian Bauxite Limited plans to ship low temperature, gibbsite bauxite commencing in December 2014, initially from its Tasmanian mines.



Tasmanian Project

Locations and Infrastructure in Tasmania

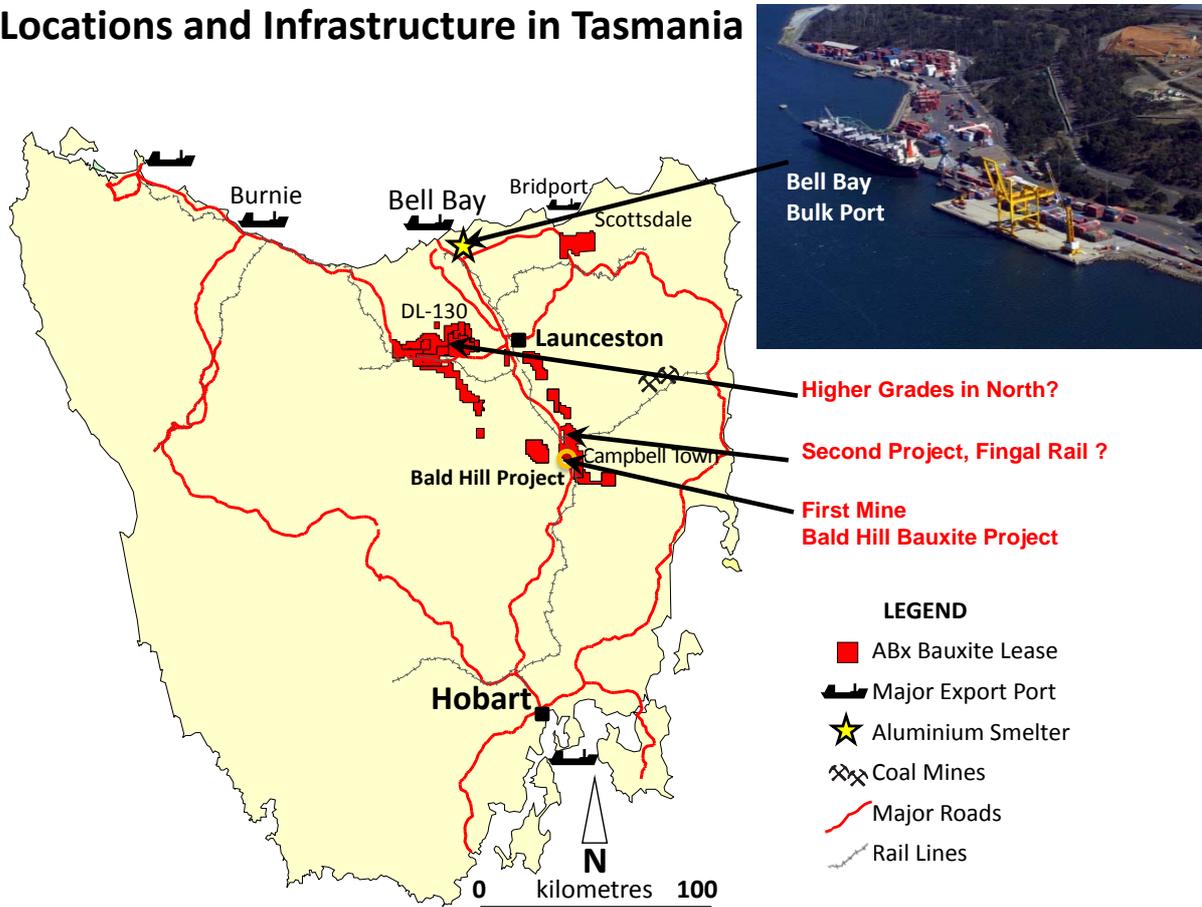


Figure 2: Locations in Tasmania

Bald Hill Bauxite Project: Mining Lease ML 1961

The Tasmanian government has recently advised it is prepared to grant Mining Lease ML1961 for the first Tasmanian bauxite mine at the Bald Hill Bauxite Project near Campbell Town (see map above), subject to payment of an environmental security bond and finalisation of the full land access agreements with landholders. This will be done once the company is assured that strong bauxite market prices will prevail after the Indonesian bauxite supply situation is clarified in coming months.

The company has received all expert reports required and final comments from the Tasmanian Environmental Protection Agency in response to the penultimate draft of the company's Development Plan and Environmental Management Plan (DPEMP). It is intended to place the final DPEMP report on public display in late February and March.

Should objections be raised, there is a satisfactory timetable for mediation and if needed, arbitration. However, the company has been impressed by the community and government support to date in Tasmania and expects a positive community response to this project which is the commencement of a new industry for Tasmania at an ideal site.



Bald Hill Testwork

Fine-tuning and testwork will continue at Bald Hill right up until the scheduled timetable for commencement of construction in the second half of 2014. The bulk pit testwork and screening studies carried out in July-August-September are still being progressed and several high-quality products are being produced.

The bulk excavation and screening work demonstrated as follows:

1. The hard bauxite layer appears ideally suited to surface mining techniques which allow the ore to be mined by hardened cutting wheels, in thin horizontal slices of about 25 centimetres, producing a clean crushed product;
2. The thin clay layer (or layers in places) that can contaminate bauxite when mined using traditional truck-and-shovel methods, is easily identified and can be selectively discarded back into mined-out pits. This is the main reason why surface mining methods are the preferred strategy for the Bald Hill Bauxite Project;
3. Dry-screening can produce yields of coarse clean bauxite as high as 75% to 85%;
4. Clean-up of some dry-screened bauxite produces a better grade of bauxite; and,
5. Rehabilitation is low-cost and highly effective in the Tasmanian climate.

Trial Surface Mining Campaign

Quotes are being refined for a trial-mining exercise at the Bald Hill Bauxite Project and at Fingal Rail prospect in March-April, using either a Wirtgen surface mining machine or a Vermeer surface mining machine. Images of these two machines in action are shown overleaf.

Fingal Rail Mining Lease Definition

Fingal Rail bauxite target has grown each time it is drilled. Work plans have been designed and approved for drilling sufficient perimeter holes to allow the definition of a mining lease outline for Fingal Rail by mid year. However, there are extensions to the Fingal Rail target that may lead to the definition of a second Fingal Rail mining lease during second half of 2015.

New Tenements Granted South of Campbell Town

Mineral Resources Tasmania has granted the company's exploration lease applications in the Campbell Town – Ross and exploration work programs have been submitted for approval so that reconnaissance and drilling can be done during 2014-15.

Drilling to Commence at DL-130

Bauxite prospect DL-130 contains the highest grades of bauxite encountered in Tasmania and is much closer to the Bell Bay Port. Drilling is scheduled to commence late February and negotiations are ongoing with the Receivers of Gunns Limited to get a wider access to this extensive target which may become the third bauxite mining area in Tasmania.

The DL-130 project may contain the "sweetener bauxite" that would allow blending of bauxite from various sources to achieve a high grade product to suit specific customers.



Figure 3: Vermeer Surface Miner: Close-Up of Cutter Wheels



Figure 4: Wirtgen Surface Miner



Tenement information required under LR 5.3.3.

Tenement No.	Location
New South Wales	
EL 6997	Inverell
EL 7361	Guyra
EL 7596	Merriwa - 1
EL 7597	Merriwa - 2
EL 7598	Merriwa - 3
EL 7950	Merriwa Extension
EL 7858	Stannifer
EL 8097	Coolah
EL 8130	Old Mill
EL 7269	Windellama
EL 7279	Wingello West
ELA 4038	Wingello Extended
EL 7357	Taralga
EL 7681	Taralga Extension
EL 7912	Taralga 3rd Ext
EL 7986	Walla Mines
EL 7546	Penrose
Queensland	
EPM 17790	Hampton
EPM 17830	Haden
EPM 17831	Hillgrove
EPM 18014	Binjour
EPM 18772	Binjour Extension
EPM 19582	Binjour 2nd Ext
EPM 19742	Binjour 3rd Ext (Binjour South)
EPM 19169	Tellebang
ML 80126	Toondoon ML
EPMA 25146	Toondoon EPM
EPM 19390 *	Brovinia
Tasmania	
EL 4/2010	Evandale
EL 6/2010	Cleveland
EL 7/2010	Conara
EL 9/2010	Deloraine
EL 37/2010	Westbury
EL 3/2012	Ross
EL 12/2012	Scottsdale
EL 16/2012	Reedy Marsh
ELA 4/2013	Tunross West 1
ELA 5/2013	Tunross West 2
MLA 1961P/M	Bald Hill Bauxite

Tenement No.	Location
Disposed of in Quarter	
EL 7824	Guyra
EL 7268	Pindaroi
EL 7872	Glencoe
EL 7601	Bungonia
EL 7857	Taralga

Note:

All tenements 100% owned and not subject to farm-in or Farm-out agreements.

* Granted during the quarter



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Figure 5: ABx Project Tenements and Major Infrastructure

Qualifying statement

The information in this announcement that relate to Exploration Information and Mineral Resources are based on information compiled by Jacob Rebek and Ian Levy who are members of The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Mr Rebek and Mr Levy are qualified geologists and are directors of Australian Bauxite Limited.

Mr Rebek and Mr Levy have sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of exploration Results, Mineral Resources and Ore Resources. Mr Rebek and Mr Levy have consented to the inclusion in this announcement of the Exploration Information in the form and context in which it appears.