



AUSTRALIAN BAUXITE LIMITED

ASX: ABZ

QUARTERLY REPORT

Quarterly Activities Statement period ended 30 September 2013

About Australian Bauxite Limited: ASX Code ABZ

Australian Bauxite Limited (ABx) holds the core of the newly discovered Eastern Australian Bauxite Province. Its 43 bauxite tenements in Queensland, NSW and Tasmania covering 7,052 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 or native title land 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.

ABx's bauxite is high quality and can be processed into alumina at low temperature – the type that is in short-supply globally. **Global resources declared to date total 115.6 million tonnes.** At Inverell in northern NSW, a resource of 38.0 million tonnes¹ has been reported from drilling 35% to 40% of the area prospective for bauxite; at the Taralga project in southern NSW, a resource of 37.9 million tonnes² of bauxite has been reported; at Guyra³ a 6.0 million tonnes maiden resource was declared; at the Binjour Plateau in central QLD, a 24.5 million tonnes⁴ resource has been declared; in Tasmania, a 5.7 million tonnes⁵ maiden resource has been declared and at Mundubbera in central QLD, a 3.5 million tonnes⁶ maiden resource has been declared, confirming that ABx has discovered a significant bauxite deposit including some bauxite of outstandingly high quality.

ABx 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.

^{1, 2, 3, 4, 5, 6} See JORC Resource Statement

ABx Pic of the Quarter



Concrete saw to cut 150mm deep channel for bulk sampling – beats beating your head against the wall.

This quarterly report is dated 31 October 2013 and is for the three months to 30 September 2013.

PRINCIPAL POINTS

Corporate

- ABx–Xinfa MoU update
- 657,900 ABZ shares to be issued at 38 cents to Xinfa (escrowed to 31 Dec 2015)
- Cash in hand at 30 September 2013 was \$1.077 million
- Retirement of David Hughes as joint Company Secretary and was replaced by Julian Rockett.

Exploration

Five large pits were excavated and trial-mined at Bald Hill and Fingal Rail (Tasmania) projects and four of those pits were bulk-sampled, channel sampled, assayed in detail and completely rehabilitated during the quarter.

Also during the quarter, most of the bauxite deposits inside the Bald Hill Mining Lease ML 1961 were drilled and an initial discovery area of bauxite was drilled at Fingal Rail, sufficient for the estimation of a maiden resource from these initial areas. These estimates are expected to be completed in the near future and will incorporate some important information from the pit study.

Ground exploration continued to define new and additional bauxite areas.

Tenement status

Tenements are 100% in good standing.

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.

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Tasmanian Bauxite Project: MoU With Xinfu – shares to be issued at 38 cents

Australian Bauxite Limited (“ABx”) and Xinfu Group (“Xinfu”) have agreed not to extend the exclusivity period and their Memorandum of Understanding (“MoU”) so as to await developments in the seaborne bauxite market during early 2014 when the Indonesian government will implement export bans and will increase export taxes from 20% to 50%, which may or may not increase bauxite prices and create demand for new bauxite supplies.

In accordance with the terms of the MoU, ABx will issue 657,900 shares to Xinfu at 38c, which will be held in escrow until 31 December 2015.

The Tasmanian bauxite project development timetable is still on schedule to commence shipments in December 2014, as long as the market for seaborne bauxite strengthens as predicted and exchange rates are not punitive.

ABx can now investigate developing its bauxite projects on a 100% ownership basis and to take advantage of several business opportunities that have arisen in recent months.

ABx is in discussion and will investigate changes in infrastructure that may accelerate the early development of the large Binjour bauxite project located 115km from Bundaberg Port in central Queensland.

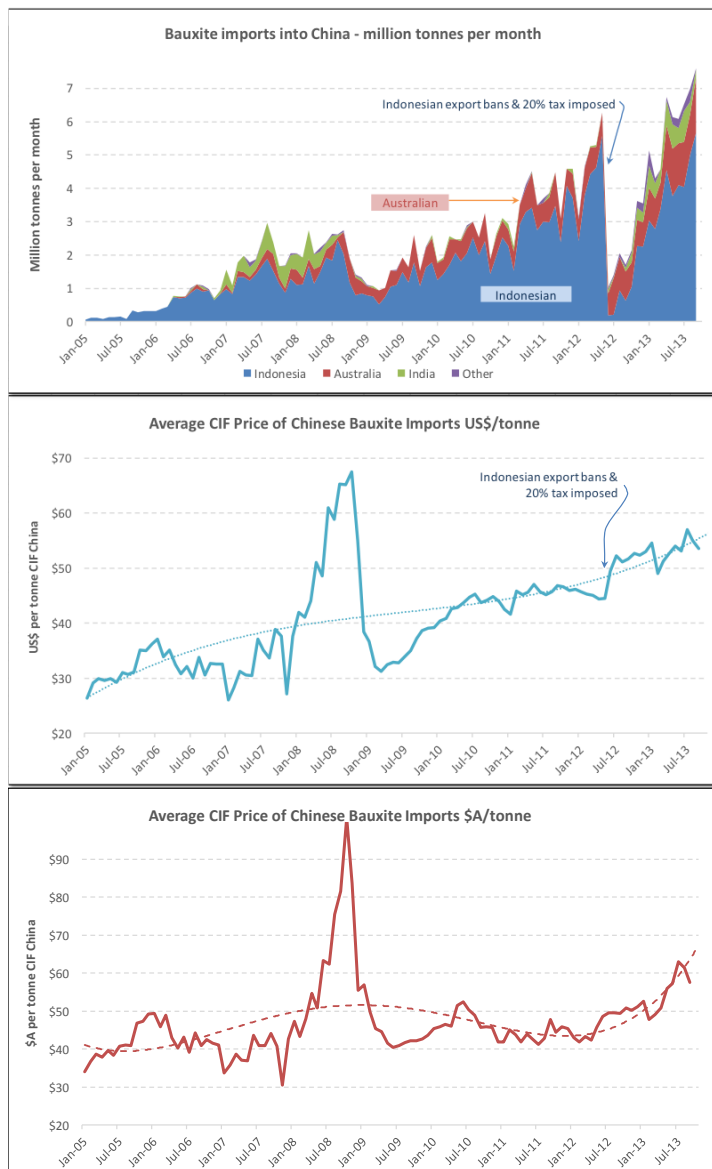


Figure 1: Chinese Monthly Bauxite Imports & Average Prices CIF China to 30 September 2013
Source: Chinese Customs & Bloomberg

Bauxite Market Commentary

ABx plans to produce gibbsite-rich bauxite commencing late 2014, the type that is in greatest demand and shortest supply. Demand for seaborne bauxite is growing due to rising Aluminium production, especially in China which has insufficient domestic bauxite and imports more than 40% of its bauxite, exceeding 55 million tonnes per year, mainly from Indonesia, Australia and India. .

Bauxite prices are rising even whilst aluminium prices have remained flat. The different trajectories for the prices of bauxite and aluminium have developed because many new-technology, more efficient, very large Chinese aluminium smelters have opened in recent years, which has suppressed aluminium prices. Aluminium is now a more competitively priced metal than ever before and its consumption is rising faster than all other metals, making bauxite the fastest growing seaborne bulk-traded mineral commodity.

Indonesian Export Bans and Export Tax Will Increase From 20% to 50% in 2014

Indonesia supplied most of the gibbsite bauxite used by the low-temperature type of alumina refineries in China since 2004. Rising demand and prices for Australian gibbsite bauxite are forecast to strengthen further when Indonesia bans some bauxite exports and increases its export tax on bauxite from 20% to 50% in early 2014.

Record Bauxite Imports into China

Figure 1 shows that Chinese bauxite imports were volatile in 2012 in response to Indonesia's first tranche of export bans and export tax in May 2012. The same may occur in early 2014, creating competitive tensions in the market but should stabilise.

Chinese bauxite imports are now rising strongly, reaching an all-time record of 7.59 million tonnes in September 2013 as Chinese refineries stockpile bauxite ahead of Indonesian bans and increased tax.

Since 2008 bauxite prices have been rising towards US\$60 per tonne, and we believe it is a reasonable expectation they will exceed US\$60 per tonne during 2014 and 2015, as Indonesia's export taxes increase from 20% to 50% are applied.

ABx has forecast additional rises in bauxite prices to above US\$65 per tonne after 2014 because of rising costs of production in Indonesia and India compounded with the additional export taxes and bans at a time when large new aluminium smelters are still being opened, especially in China.

Furthermore, exchange rate movements may increase the net received price for bauxite in Australian dollars over coming years. The bottom price graph in Figure 1 shows the Australian dollar bauxite prices.

Tasmanian Project

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Also during the quarter, most of the bauxite deposits inside the Bald Hill Mining Lease ML 1961 were drilled and an initial discovery area of bauxite was drilled at Fingal Rail, sufficient for the estimation of a maiden resource from these initial areas. These estimates are expected to be completed in the near future and will incorporate some important information from the pit study.

Excavating Pit Samples



Dry-screening at Raeburn Quarry



Rehabilitation at Bald Hill: ready for farming



Trial Mining Testwork

Trial mining of the overburden, upper bauxite layers, interburden zones and the top of the harder, dense Direct Shipping Bauxite “DSO” involving more than 1,500 tonnes was successfully carried out using a small excavator and three haul trucks. The main bauxite layer was confirmed as being a massive, solid unit of low-silica bauxite which was confirmed to be suitable for surface mining technology using “harvester-styled” cutting machines used widely in iron ore and bauxite mining worldwide.

Bulk Sampling of Test Pit

Four 50 tonne bulk samples were collected from four pits by the excavator and loaded into three 20 tonne trucks and transported to an operating quarry near Launceston for trial dry-screening through a Fintec 542 twin-deck dry screen plant at Stornoway’s Raeburn quarry and screened into four size fractions ranging from +100mm oversize to a fines fraction less than -7.5mm to determine the production yields at each size fraction. Each size fraction was assayed to determine how the bauxite quality varies with screen size.

Production Yields Achieved by Dry-Screening:

The dry-screening tests were run during damp weather conditions which were not ideal but the results were sufficient to establish the following approximate production yields for the +7.5mm fraction:

- | | | |
|----|-------------------------------------|------------------------------|
| 1. | Bald Hill Moderate Grade Pit BHSP1 | 80% yield coarser than 7.5mm |
| 2. | Bald Hill Low-grade Grade Pit BHSP2 | 74% yield coarser than 7.5mm |
| 3. | Bald Hill Marginal Grade Pit BHNP1 | 85% yield coarser than 7.5mm |
| 4. | Fingal Rail Moderate Grade Pit | 84% yield coarser than 7.5mm |

Due to dampness caused by rain, some fines material encrusted the coarse fractions – estimated to be approximately 2% to 6% by mass. Further fine screening of the fines fraction less than 7.5mm suggest that some bauxite was being lost below 7.5mm. Optimum bottom screen sizes may vary between 4 and 7 mm. Typical production yields are expected to exceed 75%.

Comment: production yields appear to have no correlation with laboratory yields on washed drillhole samples because the drilling process pulverises the samples of the hard bauxite layer into a fine mixture of dust and small gravel sized pieces. However, the screened drillhole samples show if there is bauxite present and give a good estimate of its washed grade. Pit sampling determines likely production yields.



Channel Sampling of Pit Walls

Pit walls were mapped and 150 x 150mm channels were cut into the walls using a concrete saw and sampled at 0.5m depth intervals. These samples were screened at various mesh fraction sizes to determine optimum screen sizes for production yields and grades for the material sampled in the pits which was predominantly the lower grade upper layers. The deeper layers are predominantly hard DSO grade bauxite. As there was only one pit tested at Fingal Rail, its results are not representative but are not dissimilar to that at Bald Hill, possibly slightly higher in iron and a more massive bauxite unit.

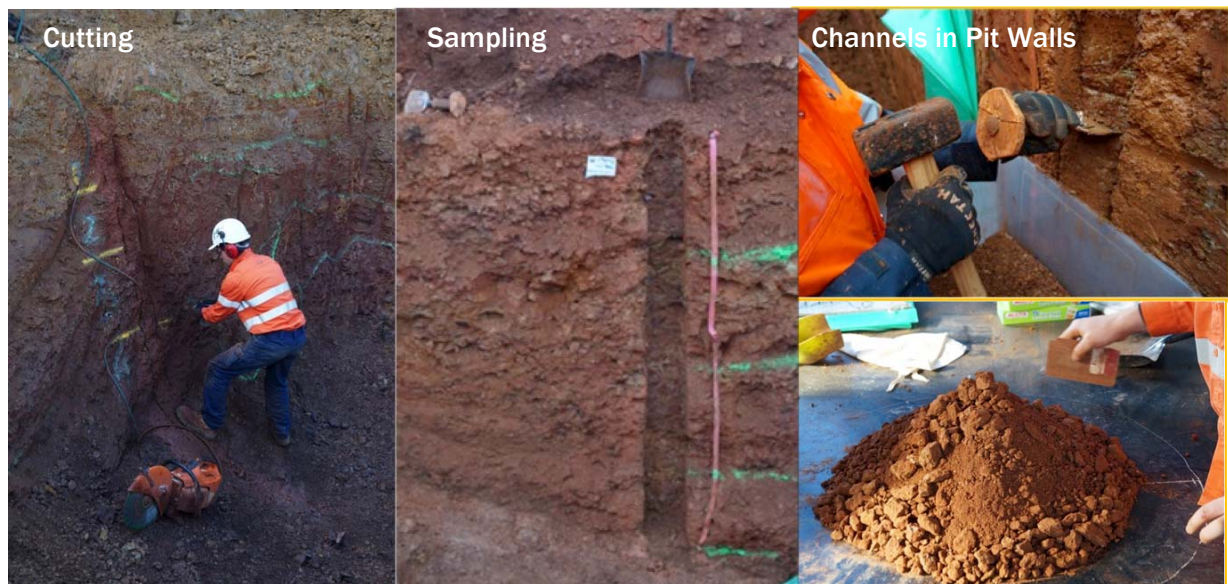
The following possible production grades and yields are indicated for the upper layers that were exposed by the pit testwork program:

Possible Products From Bald Hill	Yield %	Al ₂ O ₃ avl %	Rx SiO ₂ %	avl/rx ratio	Al ₂ O ₃ %	SiO ₂ %	A/S ratio	Fe ₂ O ₃ %	TiO ₂ %	LOI %	Mix %
DSO from main Bald Hill deposit	100%	36.8	3.1	11.9	42.9	3.7	11.5	24.3	3.2	25.1	
DSO+dry-screened, main deposit	80.5%	36.0	2.9	12.3	41.9	3.6	11.7	26.0	3.0	24.8	70%
Raw bauxite from low grade deposit	100%	26.3	3.7	7.0	34.5	4.9	7.0	34.6	4.6	20.4	
Low grade plus screened layer	83.4%	28.1	3.5	8.1	36.0	4.7	7.7	32.3	4.8	21.2	15%
Raw clay-contaminated bauxite	100%	20.3	6.5	3.1	29.8	9.0	3.3	34.4	7.3	16.8	
Clay-rich bauxite dry-screened	75%	28.2	2.8	10.1	33.9	3.3	10.4	31.5	8.1	19.4	15%
Possible average production	80%	33.7	3.0	11.3	39.9	3.7	10.8	27.7	4.0	23.5	

- Trihydrate gibbsite bauxite, free of monohydrate boehmite suitable for low-temperature refineries
- Low reactive silica (3-4% Rx SiO₂) reduces soda consumption & Al₂O₃ losses in desilicification product (DSP)
- Iron minerals are haematite with lesser goethite. Excellent settling rates and no entrained Al₂O₃
- Product moisture levels of 8% to 10% maximum with easy handling characteristics earns premium
- Organic carbon is within the typical range for eastern Australian bauxites
- Shipping all-year round, unaffected by wet seasons or dry seasons.

More assessments are underway to determine the production grade of the deeper DSO bauxite and its likely impact on the average production grade for bauxite shipped. The target grade exceeds 37% available Al₂O₃, 42% total Al₂O₃ and less than 3% reactive SiO₂. The increased selectivity from surface miner technology will further enhance product grades and increase overall mining yields – a surface miner test is being negotiated.

Northern Tasmanian deposits tend to be higher grade again and lower in iron. If mined, these northern deposits can be sources of a sweetening grade bauxite blended at the port stockpile at Bell Bay so as to maintain a reasonably constant product grade.



Summary

The support from the quarry management and production team from Stornoway Quarries is gratefully acknowledged and we congratulate the General Manager Quarrying, Brett Hoyle on being granted a Fellowship of the Institute of Quarrying Australia (IQA) which confirms the high level of operating expertise in Tasmania.

The pits confirmed that extraction is best done using surface mining (“harvesting”) methods rather than full-depth truck and shovel methods. Cutting lifts of 25cm to 35cm will allow good grade control and produce a product requiring no crushing. Direct shipping bauxite (DSO) zones occur mainly in the lower half of the bauxite deposit and some of the shallow layers will be screened in-pit to recover bauxite. Dry screening of the surface-mined bauxite should extract a coarse bauxite fraction (eg. +22mm & +7.5mm) which requires no further processing and a middlings fraction which may require removal of any adhered clay coatings in the wetter months. Fortunately the Bald Hill area is normally fairly dry.

Other subgrade bauxite reject material can be stockpiled for sale for road construction and other aggregate applications currently used in that part of Tasmania. The Mining Lease application included provision for sale of by-products.

The bauxite is a mixture of high quality gibbsite (trihydrate) bauxite and iron minerals haematite and lesser goethite with excellent settling properties which should enhance the DSP stage of refining.

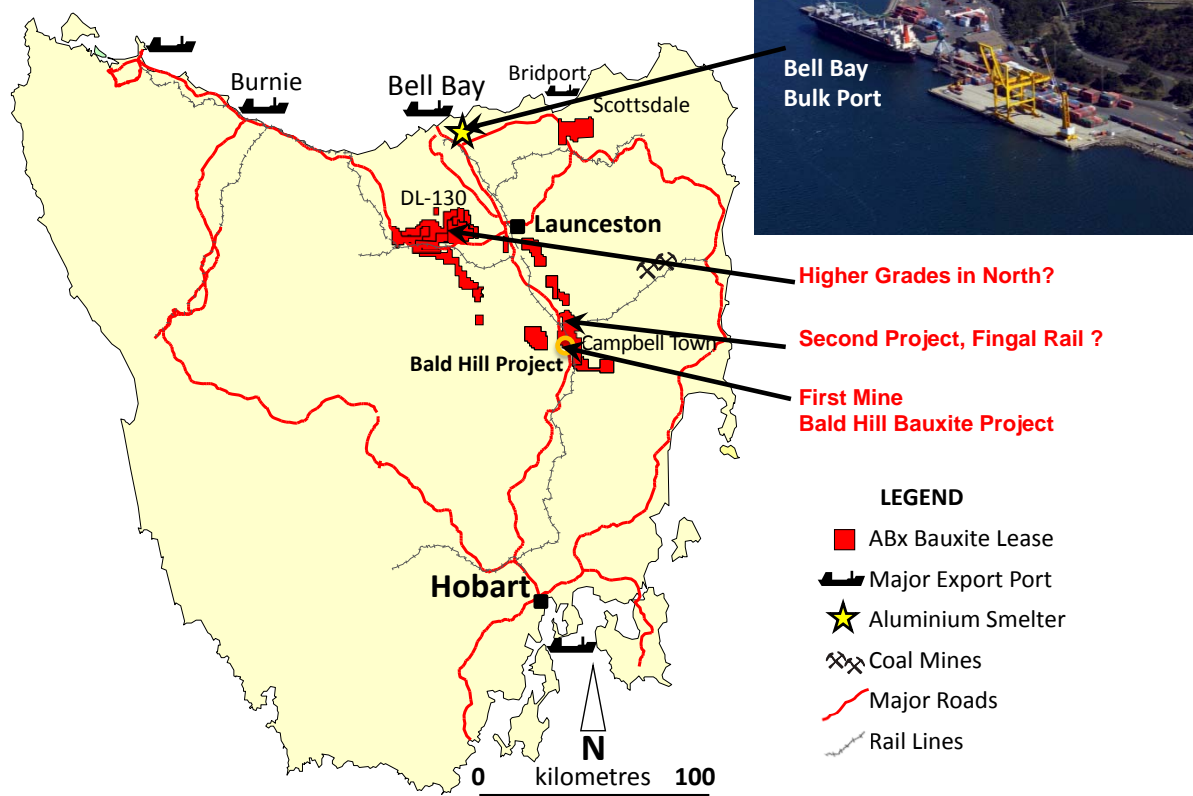
The bauxite performance characteristics for the low-temperature Bayer refining process are considered to be good but a bulk sample should be tested by the designated customer refinery.

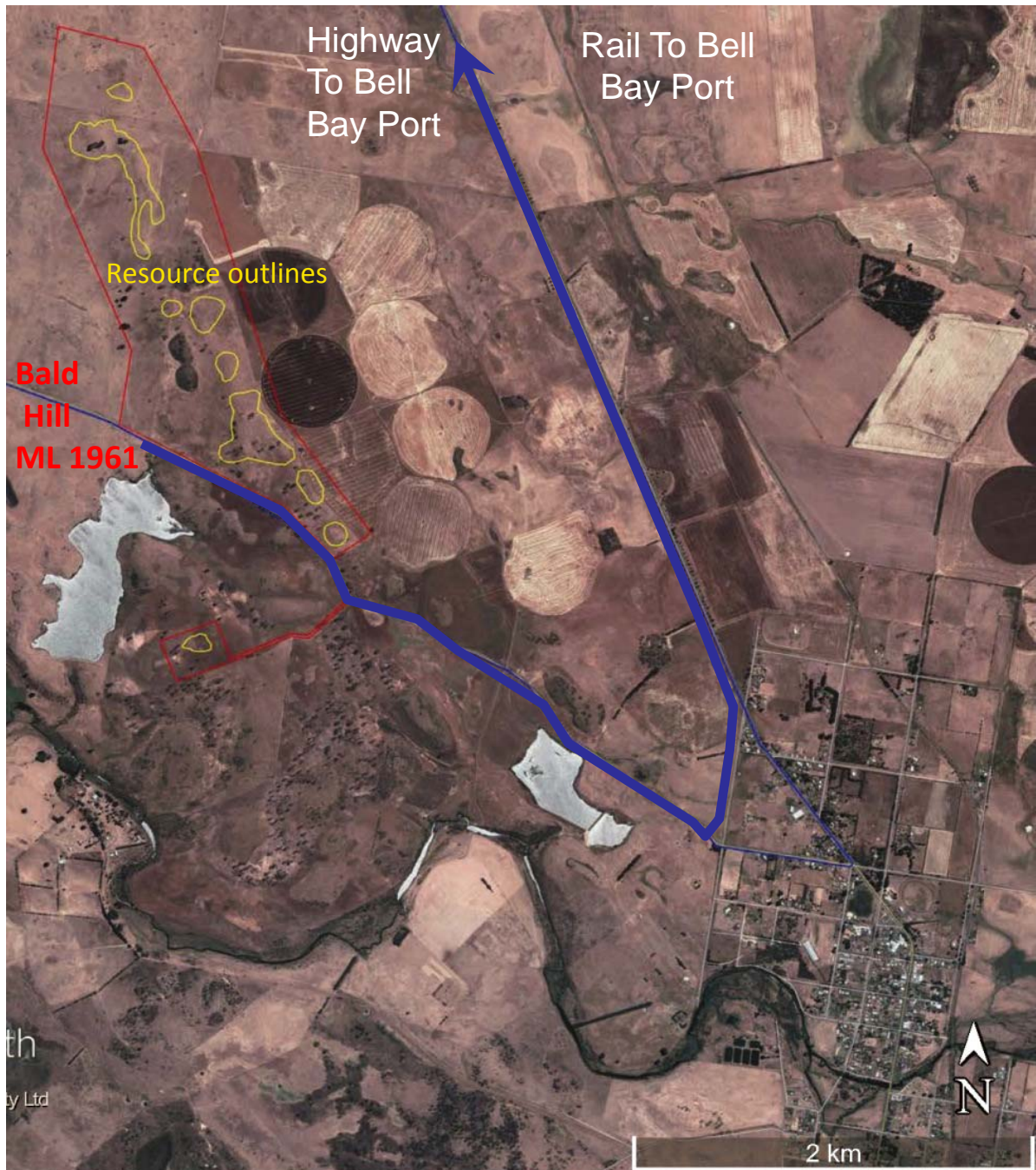


Surface miner cutting bauxite in Brazil



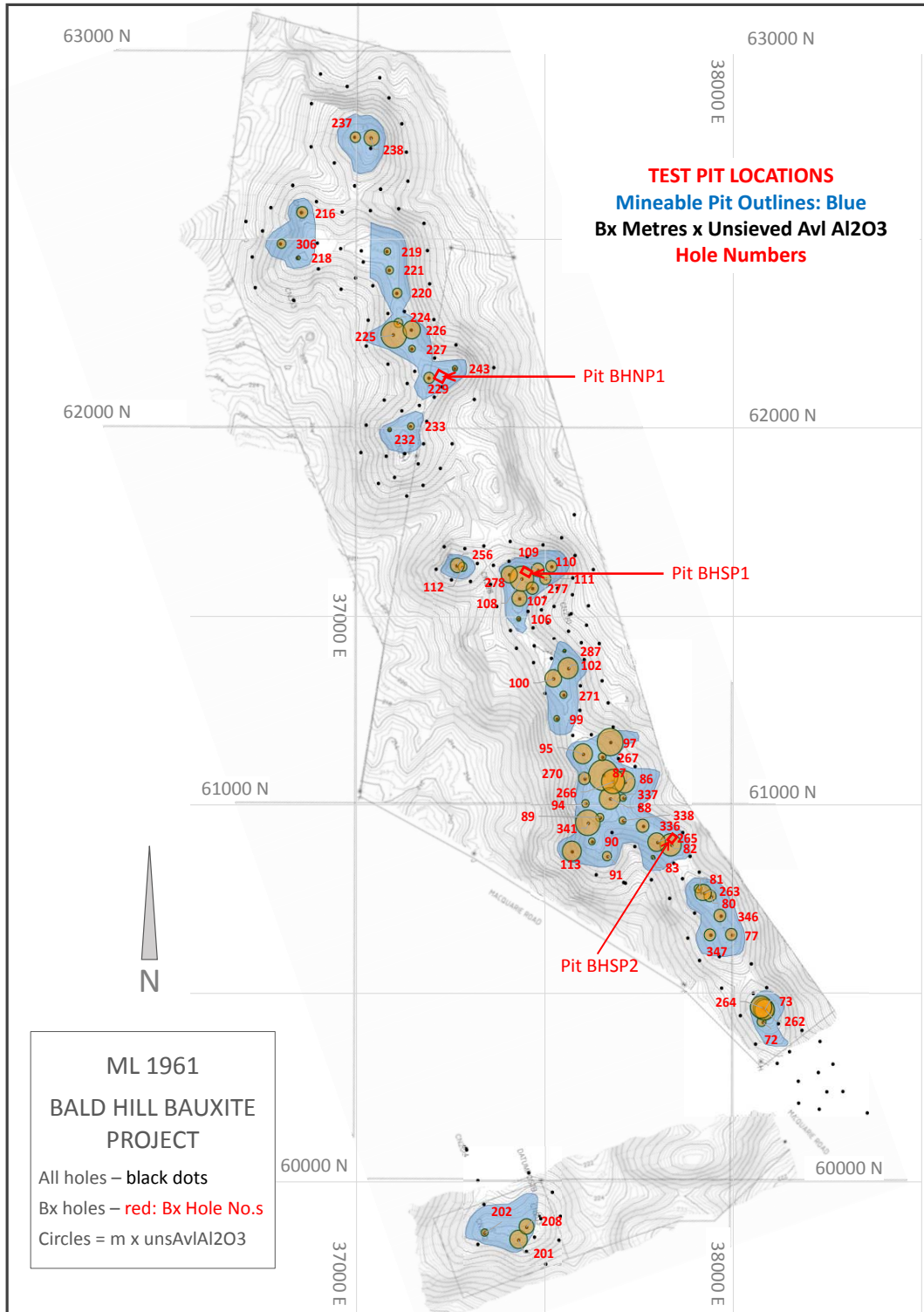
Locations and Infrastructure in Tasmania





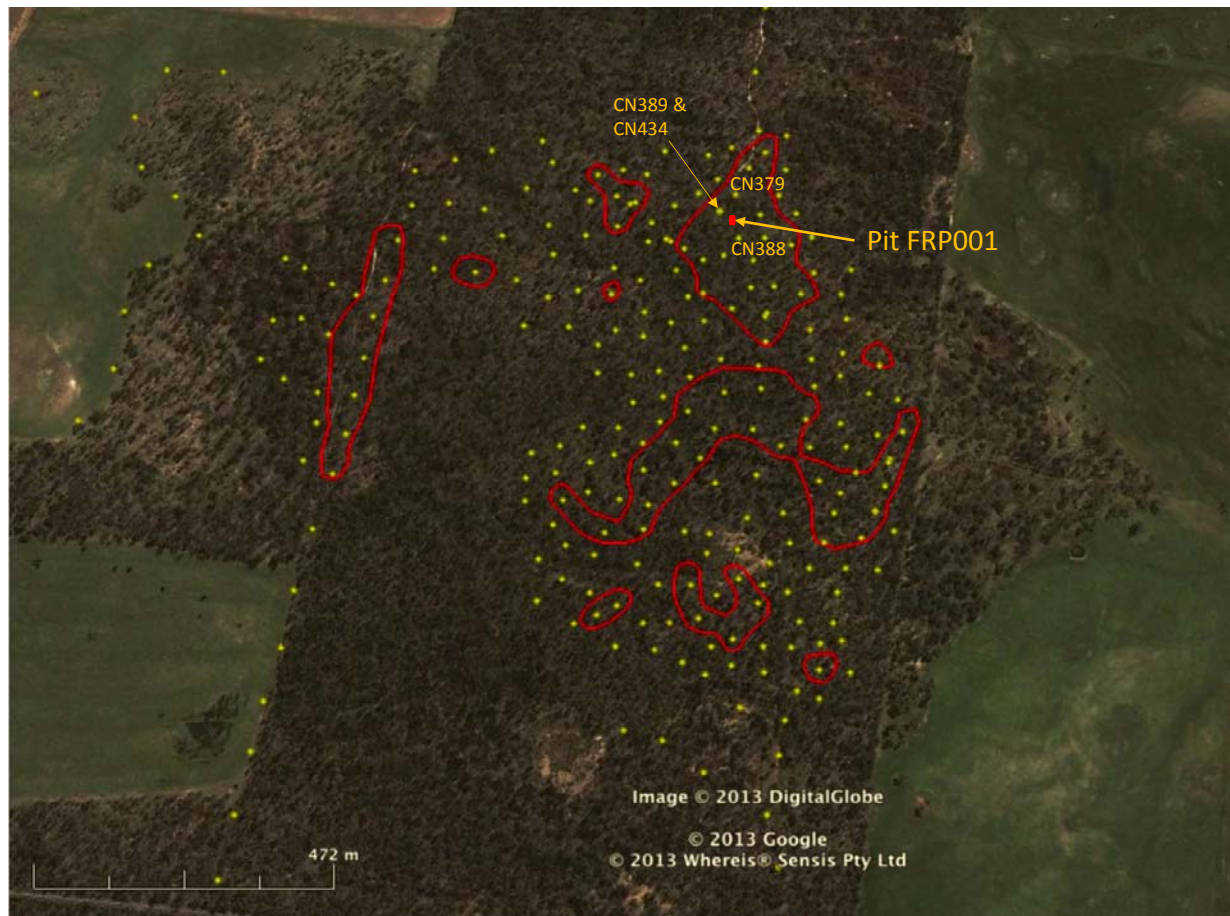
Aerial Photo of Bald Hill Mining Lease ML1961 and transport routes

Test Pit Locations at Bald Hill Bauxite Project ML 1961



Note: abandoned pit BHSP3 at 60941N, 37786E, 225RL not shown.

Pits BHSP1 & BHSP2 are near “high grade” holes; Pit BHNP1 is near “low-grade” holes.



Test Pit FRP001 Location at Fingal Rail
(red outlines: zones of thick, strong bauxite)

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.

JORC Compliant Resource Statements

The following are Joint Ore Reserve Code (“JORC”)-compliant Public Reports released to the ASX declaring the JORC resources referred to. These can be viewed on the ASX website and the Company will provide these reports, free of charge on request.

- ¹ 08/05/2012 ASX Inverell JORC Resource Update, 38.0 Million Tonnes
- ² 30/05/2012 ASX Taralga Bauxite Resource Increased 50% to 37.9 Million Tonnes
- ³ 15/08/2011 ASX Maiden Guyra Resource, 6.0 Million Tonnes
- ⁴ 29/07/2012 ASX Binjour Maiden Resource, 24.5 Million Tonnes
- ⁵ 08/11/2012 ASX Maiden Tasmania JORC Resource, 5.7 Million Tonnes
- ⁶ 03/12/2012 ASX Maiden QLD Mining Lease JORC Resource, 3.5 Million Tonnes

Direct Shipping Bauxite or “Direct Shipping “Ore”

All references in this report to direct shipping bauxite or direct shipping ore (DSO) refers to the company’s exploration objective of defining or identifying DSO grade mineralisation.

True Width

The true-width of the deposit is not known and will be determined by further resource definition drilling.

Definitions

DSO bauxite: Bauxite that can be exported directly with minimal processing.

Averaging method: Aggregated average grades in the table are length-yield-weighted averages of each metre’s yields & grades.



ABx Project Tenements and Major Infrastructure