



Australian Bauxite

Sep 27th 2012

Australian Bauxite's CEO Ian Levy speaks to Proactive Investors on road to production

Australian Bauxite's (ASX: ABZ) chief executive office Ian Levy spoke exclusively with Proactive Investors.

PROACTIVE INVESTORS

Just touching on the global aluminium market, how is it currently faring in regards to supply and demand, and what are the drivers in potentially pushing the price higher which would be a benefit to ABx?

IAN LEVY

Bauxite prices continue to steadily firm - for a logical reason.

What needs to be made clear is that there are different factors which affect the price of bauxite and the aluminium price. Bauxite is first processed into alumina and then into aluminium so there is an indirect link between bauxite and aluminium. The bauxite price is mainly related to:

1. China's alumina (Al₂O₃) demand which is related to China's aluminium demand; and,
2. Indonesia's bauxite supply constraints (scarcity factors & new export taxes)

The price of aluminium metal is a global market, related to many driving factors, including:

1. Fabrication & consumption demand for the ~6,000 major uses for aluminium; (45% consumption, 45% infrastructure (eg powerlines) & 10% electronic)
2. Electricity prices and power subsidies;
3. Relative cost of substitutes such as plastics, copper and zinc;
4. New smelting technology which lowers costs and increases production; and,
5. China's Al metal requirements and closure of southern China's older smelters.

The global aluminium market is currently in a state of oversupply, however, this is not likely to continue in the long term, with the closure of older, less efficient smelters.

While the price of aluminium will benefit ABx, the main benefits to ABx are derived from China's increased alumina demand and Indonesia's lessened supply of bauxite to external markets.

PROACTIVE INVESTORS

Indonesia has long been a global supplier of bauxite. Do you expect this to continue or is there a chance for companies such as ABx to benefit?

IAN LEVY

Indonesia has begun cutting- back on exports of bauxite and as of 2014, tighter cut-backs and a 50% export tax will be enforced in order to focus on the development of it's domestic bauxite feed to new alumina plants (under construction).

Since 9 May 2012, Indonesia began discouraging export through application of reduced export permits and new taxes,

Price: A\$0.32

Market Cap: A\$33.94M

1 Year Share Price Graph



Share Information

Code: ABZ

Listing: ASX

Sector: Aerospace

Website: www.australianbauxite.com.au

Company Synopsis:

Australian Bauxite (ASX:ABZ) is an exploration company that holds the core of the Eastern Australian Bauxite Province with 29 tenements in Queensland, New South Wales, Victoria and Tasmania covering over 7,000 km².

Author:

Proactive Investors +61 2 9299 5001

action@proactiveinvestors.com.au



currently at levels of 25%. China relies upon bauxite, preferably from the Asia Pacific region, for their modern alumina refineries which require a constant flow of bauxite and are uneconomical to switch on and off according to supply levels.

Fairly recently China has made concessions to Indonesia's intentions to develop their domestic market by entering into joint ventures to build alumina refineries in Indonesia. This would effectively reduce the amount of bauxite available to global markets from Indonesia.

So going forward we believe that Indonesia will be far less likely to feature as a major global supplier of bauxite and that there is strong demand for other sources of bauxite for China's alumina refineries. Australia as a whole is well equipped to benefit from this demand and ABx with its unique bauxite qualities is well placed to benefit from and assist in fulfilling this demand.

PROACTIVE INVESTORS

The ABx milestone of 100 million tonnes JORC Resources has already been passed what is the next resource / reserve goal?

IAN LEVY

Having reached our milestone of 100 million tonnes of JORC resources a good six months in advance, our next milestone is to reach 150 million tonnes of JORC Resources by end 2013/14 and 200 million tonnes by end 2014/15.

We of course have milestones relating to our individual projects which are not resource/reserve goal focused but steps to production, such as obtaining mining leases, bankable feasibility studies, scoping feasibility studies, regulatory approval.

PROACTIVE INVESTORS

With ABx already holding over 40 bauxite tenements in Australia covering almost 9000sqkms is the company strategy to continue to increase resources in the short term or look for a path to development and production?

IAN LEVY

Our near-term mission is to start production as the global supply of bauxite leads to stronger prices. While we shall continue to increase our resources as we continue exploration, we are also in the process of developing mines and moving out of the pure exploration phase.

As outlined in my presentation to Proactive Investors we are concurrently working on three major projects, all at various stages of development. Drilling success has been achieved at one of our Tasmanian deposits, with 6 metres of bauxite recently discovered and we have commenced a scoping feasibility study ahead of schedule.

We commenced our application for our Goulburn-Taralga project for a mining lease early this year and are expecting to announce the results of our pre-feasibility study, of which Marubeni Corporate are a 33% joint venture partner, imminently. We also expect to move to pre-feasibility study stage for our Binjour project in 2013.

PROACTIVE INVESTORS

With projects covering several states in Australia, which project does ABx forecast could be the first to export ore to Asian markets?

IAN LEVY

We are now anticipating that Tasmania and Goulburn in southern NSW could be the first projects exporting ore to the Asian markets.

Please keep in mind that the average time to set up a mine takes 12 years, in our case we are fast-tracking this to 4 years. So we're moving very quickly with our path to production because of the 2014 deadline.



PROACTIVE INVESTORS

When could investors look to see the first cash flows for ore exports from Tasmania, and will ABx use these funds to bring additional projects on line or are there other plans for the allocation of cash?

IAN LEVY

We would expect to see cash flows for ore exports from our first to market project flowing through to ABx five months after shipment to our first customer which we expect to start at the end of 2014.

We have mentioned the very large potential of our Binjour project and how a reasonable capital investment and government action on infrastructure would be required to move this project along.

So while we anticipate benefitting to our very loyal shareholders via a higher share price, we will need to invest in projects so that our shareholders can reap even better benefits.

PROACTIVE INVESTORS

Thank-you Ian.

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