



AUSTRALIAN **BAUXITE** LIMITED

ASX : ABZ

ANNUAL REPORT / 2009

ACN 139 494 885

CORPORATE DIRECTORY

Australian Bauxite Limited

ACN 139 494 885

ABN 14 139 494 885

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Peter J Meers (Chairman)
Ian Levy (Managing Director)
Rado Jacob Rebek
Vincent Tan
Wei Huang

Company Secretaries

David Hughes
Henry Kinstlinger

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ASX Code – ABZ

Australian Bauxite Limited shares are listed on the Australian Securities Exchange

This financial report covers both Australian Bauxite Limited as an individual entity and the consolidated entity consisting of Australian Bauxite Limited and its consolidated entities.

Australian Bauxite Limited is a company limited by shares, incorporated and domiciled in Australia.

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The Inaugural Annual General Meeting of Australian Bauxite Limited will be held at 9.30am on 28 May 2010 at a venue to be advised in the Notice of Meeting that will be sent to shareholders.

CHAIRMAN'S REVIEW 2009

Australian Bauxite Limited (**ABx**) (ASX code: ABZ) is a new exploration company that holds the core of the Eastern Australian Bauxite Province. Its 25 bauxite tenements, covering 6,500 km² in Queensland, NSW and Tasmania were all selected on 3 principles: good quality bauxite, proximity to infrastructure connected to export ports and free of socio-environmental or native title constraints. All tenements are 100% owned and free of obligations for processing and third-party royalties. ABx has a relatively low exploration risk because many of its bauxite deposits have now been discovered but its exploration upside remains high as was demonstrated by the recent discoveries of bauxite in Tasmania which justified a further capital raising mid March so that exploration can be accelerated.

The Company's bauxite can be processed into alumina at low temperature and low cost – the type that is increasingly in short-supply globally. At the Company's first drilling prospect, a maiden resource of 22 million tonnes has been reported from drilling less than 10% of the identified bauxite deposit. Australian Bauxite Limited aspires to identify bauxite resources in excess of 200 million tonnes in one of the world's best bauxite provinces.

Further, in early research and development work, we are working on low cost and energy intensive processes that will permit separation of mineral grains in the bauxite ore matrix to increase the percentage of available alumina. The resultant beneficiated bauxite with low reactive silica and iron contents will be a high quality, world leading bauxite product warranting a premium price.

ABx has the potential to create three state-significant bauxite processing projects, one each in New South Wales, Queensland and Tasmania and has several bauxite deposits that are favourably located for direct shipping of bauxite to export customers. Our business plan is to prove up the largest tonnage of high quality bauxite resources of any comparable Australian company and to market premium-priced bauxite products into both the rapidly growing Asia-Pacific region (especially China) and the large eastern Australian aluminium industry.

Figure 1

Global bauxite industry and the Australian aluminium industry. Demonstrating the Australian Bauxite Limited business strategy.

From a small beginning on the Australian Stock Exchange on 24 December 2009 at 20 cents per share, the Company is already creating shareholder value - and the best is yet to come.

I wish to acknowledge the hard work of a number of people who facilitated the very successful IPO. My thanks go to Piper Alderman principally through Alan Jessup for provision of legal services and corporate tactical advice; to K.S. Black & Co, our auditor and its principal Stuart Cameron for rendering

accounting and taxation services; to Terrence Willsted & Associates for their Independent Technical (Geologist) Report and to State One our sponsoring broker and lead manager and its representatives Alan Hill and Eugene Loy for their assistance in the raising of a substantial part of the subscriptions raised from shareholders in the IPO in 2009 and in the capital raising which was concluded on 19 March 2010.

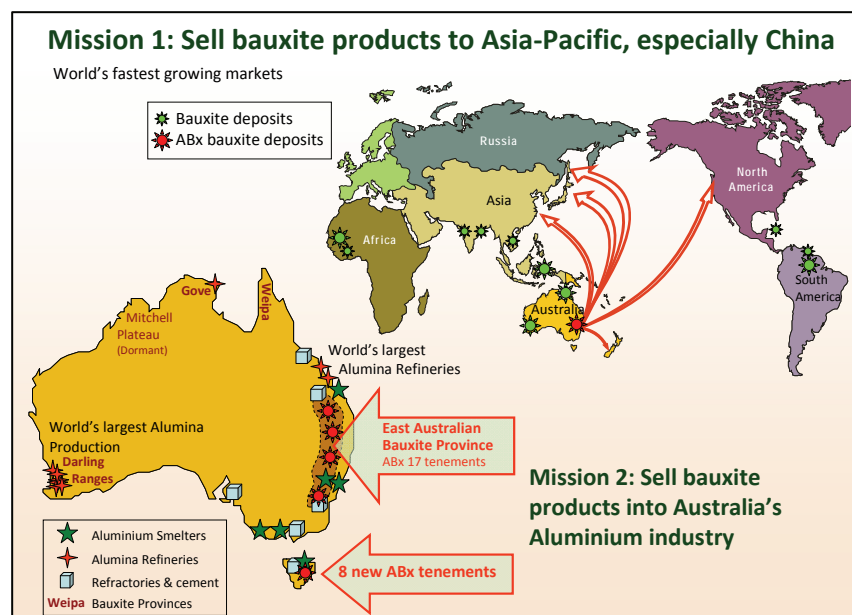
At ABx I offer my thanks and public acknowledgement of the sterling and considerable work done by our CEO, Ian Levy and the tireless contribution by our Company Secretary, Henry Kinstlinger.

Nothing would have happened without the considerable contribution from our geological team and in particular our Chief Geologist Jacob Rebek. Jacob was asked three years ago to re-evaluate the opportunity for a bauxite play in eastern Australia and to check reports of earlier explorers. Jacob's re-assessment of the known bauxite occurrences confirmed high prospectivity for major resources. He also identified several previously unknown bauxite provinces.

Finally I would like to acknowledge the contribution of my co-directors of ABx and in particular Vincent Tan. Without the entrepreneurial muscle and early financial support, ABx would not exist today.

In closing I look forward to what I hope will be a highly successful future for a business making a significant contribution to the Australian economy and to its shareholders.

Peter Meers
Chairman



REVIEW OF OPERATIONS

This Review of Operations covers the period to 31st December 2009 and subsequent material events to 26 March 2010.

Due to the limited reporting period, readers are directed to the Australian Bauxite Limited Prospectus, which contains detailed and substantive background information. ABx also provides regular market updates which can be viewed on the Company's website where readers can also subscribe to an email update service. The web address is www.australianbauxite.com.au. The prospectus is also available on the website.

Recap of Events

On 23rd September 2009 Australian Bauxite Limited (ABx) was incorporated.

On 28 October 2009 ABx issued a prospectus to raise \$4 million through the issue of 20 million shares at an issue price of 20 cents per share.

On 23 November 2009 the Initial Public Offering closed early.

On 21st December 2009 was admitted to the Official List of the Australian Stock Exchange having completed a successful IPO, raising \$4 million. Trading in ABx shares (ASX code ABZ) commenced on 24 December 2009.

On 23rd December 2009 title in all the Queensland ABx Project Tenements was transferred from Hudson Resources Limited to ABx3 Pty Ltd, a wholly owned subsidiary of ABx (see Tenement Schedule, page 51).

On 10 February 2010 ABx announced a 22 million tonnes maiden bauxite resource estimate at Inverell on EL 6997 (see JORC Qualifying Statement, 52).

Resource estimates* after application of cut-off grades* for drilled area are summarised as follows:

Resource Category	Tonnes millions*	Thickness metres	Al ₂ O ₃ %	SiO ₂ %	Fe ₂ O ₃ %	LOI %
Indicated Resources	6Mt	5.1m	38.8%	4.4%	28.1%	22.2%
Inferred Resources	16Mt	5.2m	37.8%	6.5%	27.7%	20.8%
Total Initial Resources	22Mt	5.2m	38.1%	5.9%	27.8%	21.2%

* Cut-off grades applied: 2 metres minimum thickness, 32% minimum Al₂O₃ & 8% maximum SiO₂. Density factor used 1.8 t/m³.

This maiden resource is only from an area of drilling that represents less than 10% of the known extent of bauxite on the exploration licence EL 6997.

The Company's gibbsitic bauxite upgrades to premium grades at high yields with simple screening; a large proportion of the resource is Direct-Shipping Grade (DSO)

Additional bauxite deposits have also been identified on Inverell EL 6997 and on nearby Pindaroi EL 7268, some covering areas larger than the maiden resource area

Initial resource target for Inverell is between 200 and 300 million tonnes but the eventual resource estimate is uncertain at this time because it is subject to future drilling results.

Large bauxite areas have also been identified in the southern QLD tenements – to be drilled in 2010.



Figure 1 - Pechey State Pine Forest on bauxite, EPM 17830 southern QLD

On 9 March 2010 ABx announced it had applied for 8 new bauxite exploration tenements in Tasmania.

On 19 March 2010 ABx announced that it had completed the placement of 10 million fully paid ordinary shares (14.29% of its issued capital) at 35 cents per share to institutional and sophisticated investors, raising \$3.5 million before costs so as to fund exploration of the new Tasmanian bauxite discoveries and to accelerate exploration generally. As at the date of this Annual Report, there are 80 million ABx shares on issue.

Review of Operations continued

ABx Background

After a year of tenement acquisition, the bauxite exploration program started 2 years ago and is still at an early stage.

Key factors of bauxite mining economics are:

- quality of beneficiated product;
- thickness of bauxite layer; and,
- the distance of transport to port (preferably by rail).

Encouraging results have been obtained during exploration from analyses of samples of bauxite from outcrops and exposures in all of the ABx Project Tenements.

A small expert team has been established. Field work can be undertaken in all seasons and travelling time to the tenements is only between 2 and 6 hours.

Exploration is fast moving and each hole can be drilled and sampled in about one hour.

Quality

The ABx objective is to produce a premium quality beneficiated bauxite product for Australian east coast and export markets. Customers will be able to achieve savings through the use of premium quality bauxite feed for their processing plants.

In general terms, analyses of bauxite samples from the ABx targets indicate:

- relatively low reactive silica content (a significant advantage for all types of uses),
- mainly tri-hydrate alumina mineral "THA" or gibbsite - a significant cost and temperature advantage for processing in alumina refineries.

Thickness of bauxite layer

Drill testing of the first set of targets in Inverell EL 6997 indicates that the thickness of the bauxite layer is 5 to 9 metres, with some drill intersections exceeding 9.5 metres.

Surface sampling and geological mapping in several other tenements indicates the presence of an equally thick layer of bauxite.

Targets in which the bauxite layer is relatively thick will be drill tested as a matter of priority as a thick layer means a larger resource potential with a smaller mine footprint required to achieve a commercial tonnage.



Figure 2 – bauxite at Inverell EL6997 in northern NSW

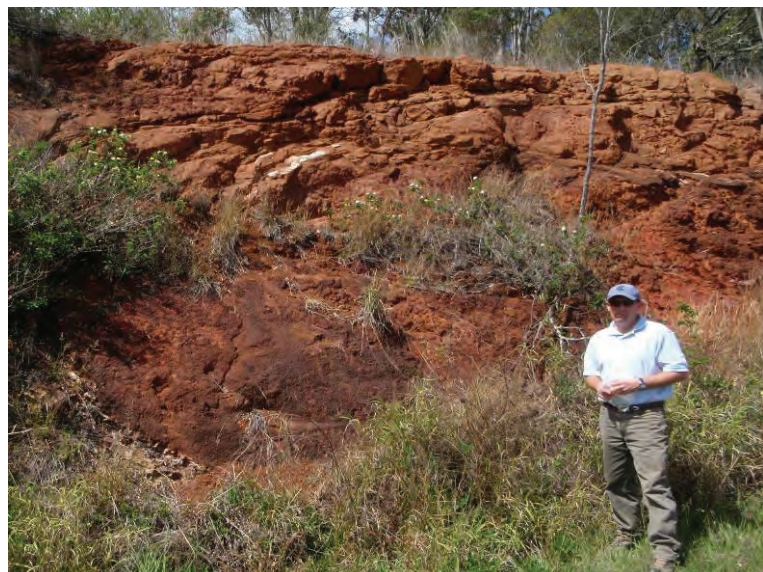


Figure 3 – bauxite at Haden EPM17830 in southern QLD



Figure 4 – Drilling bauxite at Windellama EL7269 in southern NSW

Review of Operations continued

Location

ABx targets are located in regions with existing infrastructure and close to population centres with a skilled workforce and a full range of services. Capital cost of any mine development is likely to be much lower than in remote regions.

Due to the low capital cost, initial production can commence at a relatively low rate, thus reducing financial risk and making it easier to place initial quantities of product into the market. Targets located close to railways and ports with spare capacity (eg. Port Kembla) will be drill tested as a high priority.

ABx Project Tenements

Key factors for the potential economics of bauxite developments are: bauxite quality, volume (thickness) and logistical-infrastructure setting, including proximity to port.

High Quality Bauxite: Generally, initial bauxite samples indicate relatively low reactive silica content and relatively high proportion of tri-hydrate gibbsite ($\text{Al}_2\text{O}_3 \cdot 3\text{H}_2\text{O}$), which is the most valuable alumina ore mineral, being suited to low temperature processing to recover alumina. Iron content is typically moderately elevated but some areas represent low iron bauxite targets.

Iron Reduction: In some of ABx's bauxite areas sampled to date, the iron occurs as relatively coarse-grained, discrete iron mineral grains so that removal of iron by simple, cheap physical simple processing methods is possible.

Thickness: Some areas are known to contain thin bauxite layers similar to bauxite being mined at Weipa and in Western Australia (eg. 2 to 3 metres thick). However the first area tested at Inverell has drill-proven thicknesses exceeding 9.5 metres with drill indications that typical thicknesses range from 5 to 7 metres. This is relatively thick, high quality bauxite.

Targets: ABx has an objective to locate in eastern Australia, several deposits or groups of deposits containing 100 to 200 million tonnes of premium export-quality bauxite in several development zones; each zone with established transport links to major export ports.

ABx NSW Tenements

Inverell EL 6997 & Pindaroi EL 7268: Thick bauxite layer with indicative bauxite grades of:

- Raw: 45 – 55% total Al_2O_3
- Screened: 40 – 55% total Al_2O_3
- Screened: 40 – 50% available Al_2O_3
- 1.5 – 9% total SiO_2
- screened 1.0 – 3.5% SiO_2
- approximately 15% of the total SiO_2 is non-reactive.

Premium quality bauxite is being targeted to offset the long transport required.

Guyra EL 7361, Yarrowitch EL 3644 & Merriwa ELA 3626: Outcrops of massive cemented bauxite layers have been found during initial reconnaissance trips. Near to rail lines.

Trundle EL 7360: Outcrops of pisolitic (gravel style) and non-pisolitic bauxite surrounded by areas of no outcrop. Pisolites are pea-sized rounded nodules. Trundle lies inland but close to the major transnational rail line.

Taralga EL 7357, Windellama EL 7269, Bungonia ELA3740, Wingello West EL 7279 & Penrose ELA 3774 Outcrops of pisolitic bauxite underlain by non-pisolitic bauxite in Tertiary Volcanic areas.

Groups of outcrops of pisolitic bauxite underlain by non-pisolitic bauxite in Tertiary Volcanics have been found during initial reconnaissance trips. All within short haulage distance of the rail line to Port Kembla export port.

ABx QLD Tenements

Red Hill EPM 17800 & EPM 17801 Outcrops of massive cemented bauxite layers in a Tertiary Volcanic area similar to those in EL 6997 at Inverell, NSW.

Hampton EPM 17790: Bauxite in thick red soil on a 3 kilometres wide plateau. Whilst close to Brisbane Port, alternative transport options warrant consideration.

Hillgrove EPM 17830 & EPM 17831: Outcrops of a massive cemented bauxite layer.

Binjour EPM 18014: Bauxite in thick lateritic red soil profile developed on a wide plateau. May be transported to Gladstone via an old rail line that could be rehabilitated.



Figure 5 – Inverell EL6997 bauxite sample NE239

Review of Operations continued

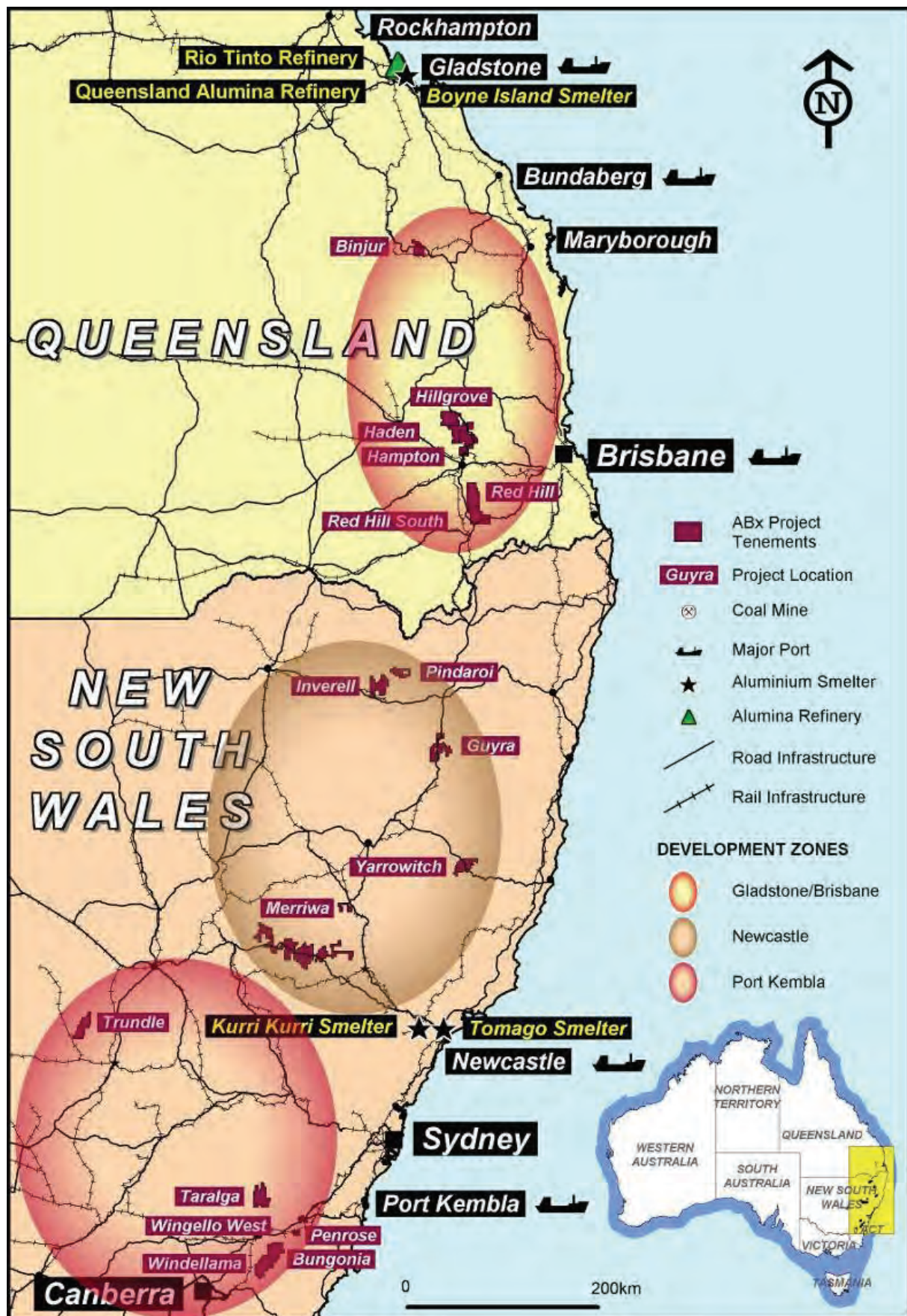


Figure 6 - ABx Mainland Project Tenements

Review of Operations continued

ABx Tasmanian Tenements

ABx has eight (8) new exploration tenement applications in Tasmania as announced on 9 March 2010 totalling 1,508 km². The bauxite-types encountered in Tasmania range in nature from pisolite-capped bauxite through to amorphous tabular bauxite but extend over considerable distances across central Tasmania.

The eight areas were selected on the same 3 principles as other tenements, namely good quality bauxite, proximity to infrastructure connected to export ports and free of socio-environmental or native title constraints. The tenement areas are well located with regards transport infrastructure, export ports, coal mines and an aluminium smelter at Bell Bay as shown in Figure 7.

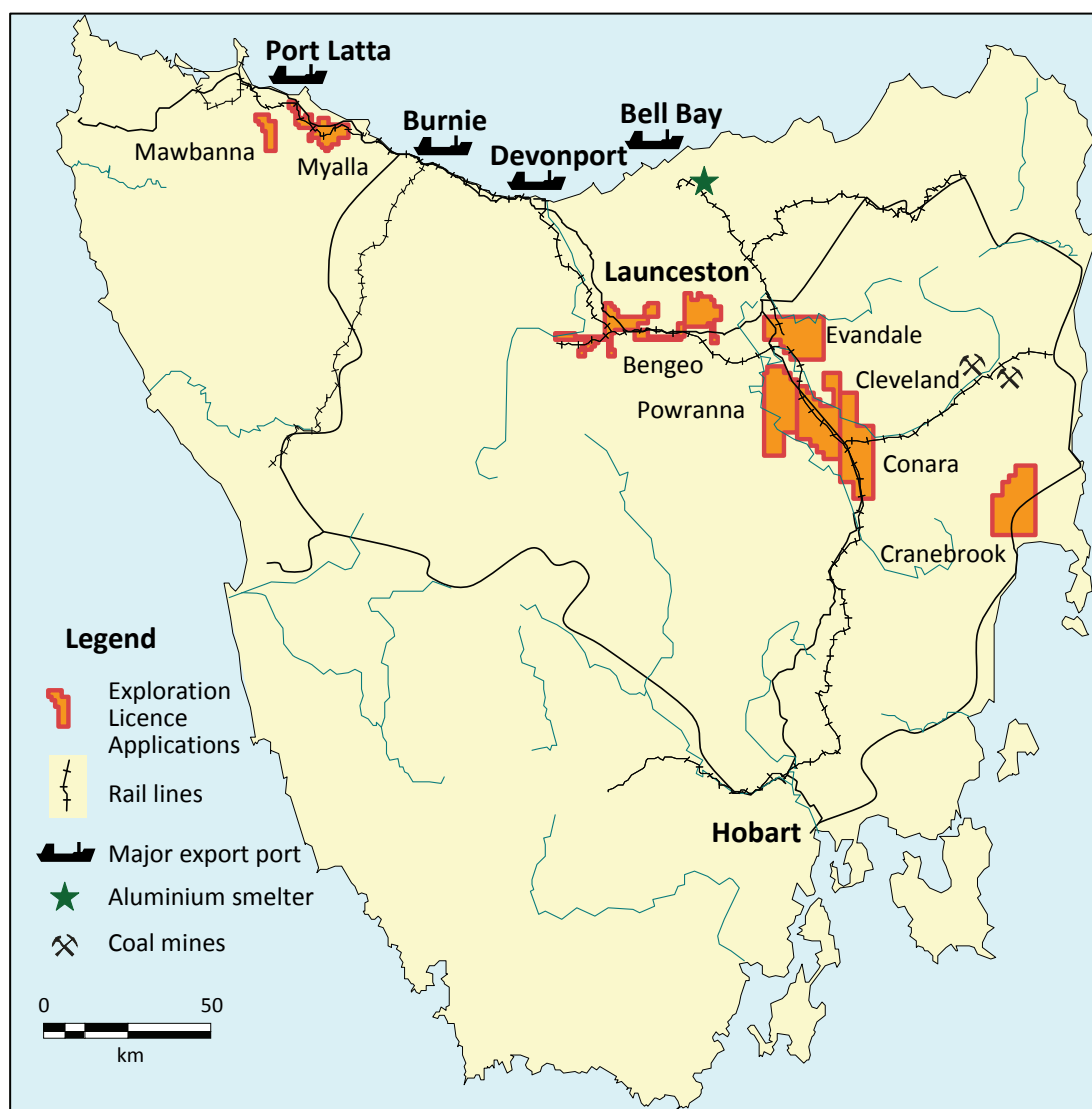


Figure 7 - ABx Tasmanian Project Tenements

ABx announced assay results from the 14 best sites sampled across the tenements shown in Figure 7 and they are summarised as follows:

Area	Area km ²	Al ₂ O ₃ (%)	Avl. Al ₂ O ₃ (%)	SiO ₂ (%)	Rx SiO ₂ (%)	Fe ₂ O ₃ (%)	TiO ₂ (%)	LOI (%)	Sample Sites
Evandale EL 5/2010	196	50.2	35.8	7.4	6.2	19.5	2.3	20.0	3
Powranna-Cleveland-Conara EL 5/2010-EL 6/2010-EL 7/2010	228, 227,250	56.9	52.0	3.6	3.0	7.1	1.2	30.7	3
Cranebrook EL 8/2010	230	-	-	-	-	-	-	-	-
Bengeo EL 9/2010	247	57.1	52.0	2.4	1.8	8.3	1.5	30.2	3
Myalla ELtba/2010	91	53.2	48.5	2.7	2.2	12.1	1.6	29.8	3
Mawbanna ELtba/2010	39	47.3	37.1	6.0	5.2	20.0	1.5	24.8	2

Directors' Report continued

DIRECTORS' REPORT

Your directors present their report together with the financial statements on the consolidated entity (referred to hereafter as the Group) consisting of Australian Bauxite Limited and the entities it controlled at the end of or during the year ended 31 December 2009.

Principal activities

The principal continuing activities of the Group during the course of the financial year were conducting the bauxite exploration and development programs.

Consolidated results

The net loss of the Group from the date of incorporation on 23 September 2009 to 31 December 2009 was \$370,635. The loss arises largely from the share option issuing cost during the year.

Review of operations

Information on the operations and financial position of the Group and its business strategies and prospects are set out in the Review of Operations on pages 3 to 7 of this annual report.

Dividends

The Directors of the Company do not recommend that any amount be paid by way of dividend. The Company has not paid or declared any amount by way of dividend since the commencement of the financial year.

Directors

The following persons were directors of Australian Bauxite Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Peter J Meers	Chairman	Appointed on 23 September 2009
Ian Levy	Managing Director	Appointed on 23 September 2009
Rado Jacob Rebek	Executive Director	Appointed on 23 September 2009
Vincent Tan	Non-Executive Director	Appointed on 23 September 2009
Wei Huang	Non-Executive Director	Appointed on 23 September 2009

Information on directors & management

Directors

Chairman – Peter J Meers BA (Economics) FAIB

Age 58

Peter Meers has broad business experience across a range of industries including consumer, commercial and investment banking, securities trading and origination, mining and exploration and building materials. He is CEO of Tiaro Coal Limited, a subsidiary of Hudson Resources Limited.

Mr. Meers held senior executive positions and portfolio management roles in agribusiness, mining, property and trade finance during a career spanning 25 years with ANZ Bank in Australia and Asia. Past directorships include appointment on company boards in Malaysia, Indonesia and Singapore. Mr Meers is Executive Chairman of Hudson Resources Limited.

Other Current Directorships

Mr Meers is Executive Chairman of Hudson Resources Limited, Executive Director of Tiaro Coal Limited and Non-Executive Director of Hudson Investment Group Limited.

Former directorships in the last three years of listed companies

Hudson Investment Group Limited

Special Responsibilities

Member of the Audit Committee

Managing Director - Ian Levy BSc (Hons) MSc DIC FAusIMM FAIG

Age 57

Ian Levy has thirty years senior management experience with small to large mining companies, including WMC, Pancontinental Mining, Gympie Gold and CEO of Allegiance Mining, involving development of bauxite, gold, coal, base metals, nickel and industrial minerals projects from discovery to marketing. He is non-executive Chairman of Dynasty Metals Australia and a former founding Director of Gloucester Coal. He was a member of the Joint Ore Reserves Committee (JORC) for 11 years including 4 years as Vice Chairman and Federal President, Australian Institute of Geoscientists.

Other Current Directorships

Non Executive Chairman of Dynasty Metals Australia

Former directorships in the last three years of listed companies

Director of Gloucester Coal, Chairman of D'Aguilar Gold

Special Responsibilities

Ex-officio member of sub-committees

Directors' Report continued

Director & Chief Geologist – Rado Jacob Rebek

Age 66

Jacob Rebek is an Australian geologist with forty years experience in exploration. From 1970 to 2003 he worked for CRA and Rio Tinto in various parts of Australia and overseas. His roles included that of Exploration Manager for Papua New Guinea in 1970's, South Australia and Northern Territory from 1981 to 1984, Eastern Australia from 1987 to 1993 and Exploration Director for South America from 1997 to 2000. He led teams which discovered new zinc, copper and gold deposits. Since 2003 he worked for emerging companies, generating new projects. In 2006 he started working for Hudson as Chief Geologist and led the small team which discovered the bauxite deposits.

Other Current Directorships

Mr Rebek is Director of Tiaro Coal Limited

Former directorships in the last three years of listed companies

None

Special Responsibilities

Chief Geologist

Member of the Audit Committee

Non-Executive Director - Vincent Tan BCom and Admin CA

Age 59

Vincent Tan is a chartered accountant and has over the past 35 years worked in a range of industries, including insurance, securities trading, finance and property.

Mr Tan has held senior management positions in a number of public and non-government organisations and has broad experience in corporate structuring.

Other Current Directorships

None

Former Directorships in Last Three Years of Listed Companies

Director of Hudson Investment Group Limited, Director of Hudson Resources and Director of Tiaro Coal Limited

Special Responsibilities

Member of the Audit Committee

Member of the Remuneration Committee

Non-Executive Director - Wei Huang BEcon MCom

Age 36

Wei Huang graduated with a Bachelor of Economics from Macquarie University and a Master of Commerce from University of New South Wales. He is a member of CPA Australia.

He has experience in financial control, new business start ups and development within the mining, construction, financial services, and retail and textile industries both in Australia and overseas.

Mr Huang also has extensive experience in promoting and facilitating two-way investment between China and Australia and is familiar with the business cultures of both China and Australia.

Other Current Directorships

Non-Executive Director of Thomas Bryson International Limited, Non-Executive Director of Hudson Resources Limited. Non-Executive Director of Tiaro Coal Limited.

Former Directorships in Last Three Years of Listed Companies

None

Special Responsibilities

Member of the Audit Committee

Member of the Remuneration Committee

Officers

Joint Company Secretary - David L Hughes

Mr Hughes has held similar positions with other listed companies for over 20 years. He is currently the Company Secretary of the following other ASX listed public companies; Latrobe Magnesium Limited, Hudson Investment Group Limited, Hudson Resources Limited, Imperial Corporation Limited and Tiaro Coal Limited.

Joint Company Secretary - Henry Kinstlinger

Henry Kinstlinger has the past twenty-five years been actively involved in the financial and corporate management of a number of public companies and non-governmental organisations. He is a corporate consultant with broad experience in investor and community relations and corporate and statutory compliance.

Directors' Report continued

Meetings of directors

The number of Directors' Meetings and Directors' Committee Meetings held, and the number of meetings attended, by each of the Directors of the Company during the financial year were:

Director	Directors Meetings		Remuneration Committee		Audit Committee	
	Attended	Held Whilst in Office	Attended	Held Whilst in Office	Attended	Held Whilst in Office
Peter Meers (Chairman)	5	5	-	-	-	-
Ian Levy (Managing Director)	5	5	-	-	-	-
Rado Jacob Rebek	5	5	-	-	-	-
Wei Huang	5	5	1	1	-	-
Vincent Tan	5	5	1	1	-	-

Retirement, election and continuation in office by directors

Mr Wei Huang is the director retiring by rotation in accordance with Article 49.1.3 of the Company's Constitution and being eligible offers himself for re-election.

Likely developments

Information on likely developments in the operations of the Group, known at the date of this report have been covered generally within the report. In the opinion of the Directors providing further information would prejudice the interests of the Group.

Significant changes in state of affairs

The Company raised \$4 million through a successful IPO which closed 3 weeks early oversubscribed.

The Company was admitted to the official list of the Australian Securities Exchange on 21 December 2009. Official quotation of the Company's securities commenced on 24 December, 2009.

Matters subsequent to balance date

- On 10 February 2010 the Company announced a maiden resource of 22 million tonnes of gibbsite rich bauxite on its first target area on EL 6997 at Inverell NSW. The maiden resource is based on drilling of less than 10% of the known bauxite areas of EL6997.
The initial bauxite resource target for Inverell is between 200 and 300 million tonnes.
- On 8 March 2010 the Company announced that it had lodged eight new bauxite exploration licence applications in Tasmania covering an area of 1,508 km² and containing many new discoveries of good grade bauxite in favourable settings.
- On 18 March, 2010 the Company announced that it had finalised a placement of 10 million fully paid ordinary shares of 35 cents per share to institutional and sophisticated investors introduced by State One Stockbroking Limited to raise \$3.5 million before costs.
Including this issue the Company now has 80 million fully paid shares on issue.

At the date of this report there are no other matters or circumstances, other than noted above, which have arisen since 31 December 2009 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 December 2009, of the Group;
- the results of those operations; or,
- the state of affairs, in financial years subsequent to 31 December 2009, of the Group.

Directors' Report continued

REMUNERATION REPORT - Audited

This report outlines the remuneration arrangements in place for Directors and Executives of Australian Bauxite Limited.

Remuneration committee

The Remuneration Committee reviews and approves policy for determining Executive's remuneration and any amendments to that policy.

The Committee makes recommendations to the Board on the remuneration of Executive Directors (including base salary, incentive payments, equity awards and service contracts) and remuneration issues for Non-Executive Directors.

The members of the Remuneration Committee during the period were:

- Wei Huang
- Vincent Tan

The Committee meets as often as required but not less than once per year.

The Committee met once during the period and Committee members attendance record is disclosed in the table of Directors Meetings disclosed on page 10.

Options granted to directors and key management personnel do not have performance conditions. As such the Group does not have a policy for directors and key management personnel removing the "at risk" aspect of options granted to them as part of their remuneration.

Directors' and other Key Management Personnel remuneration

The following persons were Directors of Australian Bauxite Limited during the financial year unless otherwise stated.

- Peter J Meers (Chairman) – appointed a Director on 23 September 2009
- Ian Levy (Managing Director) – appointed a Director on 23 September 2009
- Rado Jacob Rebek (Executive Director) – appointed a Director 23 September 2009
- Vincent Tan (Non-Executive Director) – appointed a Director 23 September 2009
- Wei Huang (Non-Executive Director) – appointed a Director 23 September 2009

The following persons were other key management personnel of Australian Bauxite Limited during the financial year:

- David Hughes (Joint Company Secretary)
- Henry Kinstlinger (Joint Company Secretary)
- Francis Choy (Chief Financial Officer)

Executive's remuneration and other terms of employment are reviewed annually having regard to relevant comparative information and independent expert advice. As well as basic salary, remuneration packages include superannuation. Directors are also able to participate in an Employee Share Option Plan.

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Group's operations.

Consideration is also given to reasonableness, acceptability to shareholders and appropriateness for the current level of operations.

Remuneration of Non-Executive Directors is determined by the Board based on recommendations from the Remuneration Committee and the maximum amount approved by shareholders from time to time.

Performance conditions

The elements of remuneration as detailed within the Remuneration Report are dependent on the satisfaction of the individual's performance and the Group's financial performance.

Directors' Report continued

Remuneration Report continued

The Board undertakes an annual review of its performance and the performance of the Board Committees.

Details of the nature and amount of each element of the remuneration of each Director of Australian Bauxite Limited and each specified executive of the Company and the Group receiving the highest remuneration are set out in the following tables. The remuneration amounts are the same for the Company and the Group.

Directors of Australian Bauxite Limited

2009	Short Term Employee Benefits		Post Employment	Long Term Employee Benefits	Share based payments (options) **	Total
Name	Salary and other fees	Travelling Allowance	Super-annuation	Long Service Leave		
	\$	\$	\$	\$	\$	\$
Peter J Meers *	247,690	10,800	22,292	1,999	49,000	331,781
Ian Levy*	100,000	-	-	-	98,000	198,000
Rado Jacob Rebek *	197,500	6,300	-	-	49,000	252,800
Vincent Tan *	100,000	10,800	-	-	49,000	159,800
Wei Huang	-	7,200	-	-	49,000	56,200
Total	645,190	35,100	22,292	1,999	294,000	998,581

* The amounts reported represent the total remuneration paid by entities in the Hudson Resources Group of companies in relation to managing the affairs of all the entities within the Hudson Resources Group.

** Australian Bauxite Limited issued options to directors and officers under this Employee Share Option Plan. There are no performance conditions related to any of the above payments.

Other Key Management Personnel of Australian Bauxite Limited

2009	Short Term Employee Benefits		Post Employment	Long Term Employee Benefits	Share based payments (options) **	Total
Name	Cash salary and other fees	Travelling Allowance	Super-annuation	Long Service Leave		
	\$	\$	\$	\$	\$	\$
D H Hughes*	24,000	-	-	-	4,900	28,900
H Kinstlinger *	276,450	10,800	-	-	49,000	336,250
F Choy	-	-	-	-	4,900	4,900
	300,450	10,800	-	-	58,800	370,050

* The amounts reported represent the total remuneration paid by entities in the Hudson Resources Group of companies in relation to managing the affairs of all the entities within the Hudson Resources Group.

** Australian Bauxite Limited issued options to directors and officers under this Employee Share Option Plan. There are no performance conditions related to any of the above payments. There is no other element of Directors and Executives remuneration.

Directors' Report continued

Remuneration Report continued

Directors of Australian Bauxite Limited

2008	Short Term Employee Benefits		Post Employment	Long Term Employee Benefits	Total
Name	Salary and other fees	Travelling Allowance	Super-annuation	Long Service Leave	
	\$	\$	\$	\$	\$
Peter J Meers	-	-	-	-	-
Ian Levy	-	-	-	-	-
Rado Jacob Rebek	-	-	-	-	-
Vincent Tan	-	-	-	-	-
Wei Huang	-	-	-	-	-
Total	-	-	-	-	-

There are no performance conditions related to any of the above payments.

Other Key Management Personnel of Australian Bauxite Limited

2008	Short Term Employee Benefits		Post Employment	Long Term Employee Benefits	Total
Name	Salary and other fees	Travelling Allowance	Super-annuation	Long Service Leave	
	\$	\$	\$	\$	\$
D H Hughes	-	-	-	-	-
H Kinstlinger	-	-	-	-	-
F Choy	-	-	-	-	-
	-	-	-	-	-

There are no performance conditions related to any of the above payments.

There is no other element of Directors and Executives remuneration.

Service agreements

The Company has entered into an executive service agreement with Hudson Resources Limited pursuant to which Hudson Resources Limited has agreed to provide its management, registered office, administrative accounting and secretarial services.

The term of the Executive Services Agreement is two years and the fee payable is that amount agreed between the parties from time to time. The terms of the Executive Services Agreement provide that Hudson Resources Limited shall act in accordance with the Directions of the Board.

In addition the Company has agreed with Hudson Resources Limited that the services of Ian Levy as Managing Director will be provided to the Company at an agreed rate of \$200,000 for the calendar year 2010.

Share options granted to Directors and Other Key Management Personnel

7,200,000 employee share options were granted over unissued shares to directors and other key management personnel during the financial year. For details please refer to notes to financial statement on page 44.

End of audited remuneration report.

Directors' Report continued

Loans to Directors and Key Management Personnel

There were no loans made to Directors or Specified Executives of the Company and the Group during the period commencing at the beginning of the financial year and up to the date of this report.

Directors' interests

The relevant interest of each Director in the share capital of the Company as shown in the Register of Directors' Shareholdings as at the date of this report is:

Particulars of Interest in the Issued Capital of the Company's Ordinary Shares and Options at the date of signing the directors' report are:

Directors	Share Capital	Options
Peter J Meers*	50,000,000	1,000,000
Ian Levy ¹	62,500	2,000,000
Rado J Rebek	-	1,000,000
Vincent Tan	-	1,000,000
Wei Huang* ²	50,020,000	1,000,000

* Mr. Meers and Mr. Huang have an indirect interest in 50,000,000 ordinary shares by virtue of their positions as Directors of Hudson Resources Limited, a parent entity.

¹ 62,500 shares were purchased by related entity of Mr. Levy during the year

² 20,000 shares were purchased by Mr. Huang during the year

Shares under option

Unissued ordinary shares of Australian Bauxite Limited under option at the date of this report are as follows:

Class	Date options granted	Expiry Date	Exercise Price	No. of Options
Employee Share Options	15 October 2009	15 October 2012	\$0.30	7,200,000
Performance Options *			\$0.30	1,800,000
IPO - Success Option	24 December 2009	24 December 2012	\$0.30	3,000,000
				<u>12,000,000</u>

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

* Unallocated options under the Employee Share Option Plan, expiry date is three years from date of issue.

Shares Issued on the exercise of options

No options have been exercised and no options expired during the financial year and in the period up to the date of this report.

Directors' and Officers' indemnities and insurance

During the financial year Hudson Resources Limited (ultimate holding company) paid an insurance premium, insuring the Company's Directors, (as named in this report), Company Secretary, Executive officers and employees against liabilities not prohibited from insurance by the *Corporations Act 2001*.

A confidentiality clause in the insurance contract prohibits disclosure of the amount of the premium and the nature of insured liabilities.

Proceedings on behalf of the Company

No person has applied to the Court under Section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in or on behalf of the Company with leave of the Court under Section 237 of the *Corporations Act 2001*.

Directors' Report continued

Auditor's independence declaration

The auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 16.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditor (K.S. Black & Co) for audit and non-audit services provided during the year are set out below.

The board of directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Audit services:				
Amounts paid or payable to auditors for audit and review of the financial report for the entity or any entity in the Group				
- K.S. Black & Co	15,000	-	15,000	-
Taxation and other advisory services:				
Amounts paid or payable to auditors for non audit taxation and advisory services for the entity or any entity in the Group.				
- K.S. Black & Co	15,851	-	15,851	-
	30,851	-	30,851	-

This report is made in accordance with a Resolution of the Directors.



Peter J Meers
Chairman



Ian Levy
Managing Director

Signed at Sydney
30 March 2010

AUDITOR'S INDEPENDENCE DECLARATION

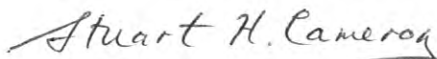
Declaration of independence to the Directors of Australian Bauxite Limited and Controlled Entities

As lead auditor of Australian Bauxite Limited for the year ended 31 December 2009, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Australian Bauxite Limited and the entities it controlled during the period.

KS Black & Co
Chartered Accountants



Stuart H. Cameron
Partner

Sydney, 30/3/10

CORPORATE GOVERNANCE STATEMENT

Australian Bauxite Limited (**the Company**) provides the following statement disclosing the extent to which the Company has followed the best practice recommendations set by the ASX Corporate Governance Council and where the Company has not followed all of the recommendations, those recommendations that have not been followed have been identified and reasons for not following them given.

Overview

The Company and the Board of Directors are committed to achieving and demonstrating the highest standards of corporate governance and aim to comply with the “Principles of Good Corporate Governance and Best Practice recommendations” set by the ASX Corporate Governance Council.

However, given the current size of both the Company’s operations and the Board of Directors, it is not appropriate, cost effective or practical to comply fully with those principles and recommendations.

Consistent with the ASX best practice recommendations, the Company’s corporate government practices have been disclosed in the Prospectus and are regularly reviewed and will be available on the Company’s website.

Compliance with ASX Corporate Governance Council best practice recommendations

This statement provides details of the Company’s adoption of the best practice recommendations.

Principle 1 – Lay solid foundations for management and oversight

Companies should establish and disclose the respective roles and responsibilities of board and management.

Board responsibilities

The Board of directors is accountable to shareholders for the performance of the group. In carrying out its responsibilities, the board undertakes to serve the interest of shareholders honestly, fairly and diligently.

The Board’s responsibilities will be encompassed in a formal charter to be published on the Company’s website. The charter will be reviewed annually to determine whether any changes are necessary or desirable.

The responsibilities of the board include:

- Reporting to shareholders and the market;
- Ensuring adequate risk management processes exist and are complied with;
- Reviewing internal controls and external audit reports;
- Ensuring regulatory compliance;
- Monitoring financial performance, including approval of the annual and half-yearly financial reports and liaison with the Company auditors;
- Reviewing the performance of senior management;
- Monitoring the Board composition, Director selection and Board processes and performance;

- Validating and approving corporate strategy;
- Reviewing the assumptions and rationale underlying the annual plans; and
- Authorising and monitoring major investment and strategic commitments.

Directors’ education

The Company issues a formal letter of appointment for new directors setting out the terms and conditions relevant to that appointment and the expectations of the role of the director.

The Company also provides a formal induction process which provides key information on the nature of the business and its operations

Continuing education is provided via the regular Board updates provided by the divisional chief executives.

Role of Chairman

The chairman is appointed by fellow board members and acts as the link between the board and the CEO.

He acts as the link between the board and the Company, establishing and maintaining an effective working relationship with the CEO. The chairman sets the tone for the board, including the establishment of a common purpose. He is responsible for chairing board meetings and shaping the agenda in relation to goals, strategy, budget and executive performance.

The chairman ensures all board members contribute and reach consensus in making decisions. He also assists in the selection of board committee members.

The chairman provides direction to the board in matters of corporate governance.

Role of Chief Executive Officer

The Board delegates responsibility for implementing the strategic direction and for managing the day to day operations of the Company to the CEO.

There are clear lines of communication established between the Chairman and CEO to ensure that the responsibilities and accountabilities of each are clearly understood.

The CEO has a formal service contract in place setting out duties, responsibilities, and rights, conditions of service and termination entitlements. Performance will be assessed against pre-determined objectives on an annual basis or more frequently if required.

CORPORATE GOVERNANCE STATEMENT continued

The assessment and monitoring of the CEO is the responsibility of the Chairman. The Chairman provides an initial assessment and recommendation to the Board. The matter is then considered by the Board and their views are communicated to the CEO by the Chairman.

Principle 2 – Structure the board to add value

Companies should have a board of an effective composition, size and commitment to efficiently discharge its responsibilities and duties.

Composition of the Board

The Board of Directors is comprised of two executive directors and three non-executive directors, all of whom have a broad range of skills and experience.

There is one director who is the Chairman.

In determining independence the board has regard to the guidelines of directors' independence in the ASX Corporate Governance Council and Best practice Recommendations and other best practice guidelines.

Each director's independent status is regularly assessed by the Board.

The Company does not comply with recommendation 2.1 which provides that a majority of the board be independent directors.

At this stage of the Company's development, the board considers it is neither appropriate nor cost effective for there to be a majority of independent directors.

This matter continues to be under review and as circumstances allow, consideration will be given to the appropriate time to move to adopting the ASX Corporate Governance Guidelines.

The board considers that its composition provides for the timely and efficient decision making required for the Company in its current circumstances.

The board's size and composition is subject to limits imposed by the Company's constitution which provides for a minimum of three directors and a maximum of ten.

The Board proposes to hold 6 scheduled meetings each year together with any ad hoc meetings as may be necessary.

Access to independent professional advice

All directors are required to bring an independent judgement to bear on Board decisions.

To facilitate this, the Board has adopted a procedure which allows each Director the right of access to all relevant Company information and to the Company's Executives. The directors also have access to external resources as required to fully discharge their obligations as Directors of the Company. The use of these resources is co-ordinated through the Chairman of the board.

Nomination Committee

The role of the Nomination Committee is undertaken by the full Board.

The Board will review its composition on an annual basis to ensure that the Board has the appropriate mix of expertise and experience. When a vacancy exists, for whatever reasons, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board will select appropriate candidates with relevant qualifications, skills and experience. External advisors may be used to assist in such a process. The Board will then appoint the most suitable candidate who must stand for election at the next general meeting of shareholders.

For directors retiring by rotation the Board assesses that Director before recommending re-election.

The Australian Stock Exchange Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" recommends the appointment of a Nomination Committee for prospective Board appointments. The Board considers the Company and the Board are currently not of sufficient size to justify the establishment of a Separate Nomination Committee.

Board performance evaluation

The Company has processes in place to review the performance of the board and its committees and individual directors. Each year the board of directors will give consideration to broad corporate governance matters, including the relevance of existing committees and to reviewing its own and individual directors' performance. The Chairman is responsible for monitoring the contribution of individual directors and consulting with them in any areas of improvement.

Principle 3 – Promote Ethical and Responsible Decision making

Companies should actively promote ethical and responsible decision making.

Code of conduct

The Board acknowledges the need for continued maintenance of the highest standards of Corporate Governance Practices and ethical conduct by all Directors and employees of the consolidated entity.

The Company has established a code of conduct applicable to all Directors and employees. The requirement to comply with the code is mandatory and is communicated to all employees. The code sets out standards of conduct, behaviour and professionalism.

The shareholder communications strategy, the securities trading policy, the continuous disclosure policy collectively form a solid ethical foundation for the Company's ethical practices.

CORPORATE GOVERNANCE STATEMENT continued

Policy on dealing in Company securities

The Company has a policy on how and when the Directors and employees may deal in the Company's securities. The purpose of this policy is to ensure that the Directors and employees deal in the Company's securities in a manner which properly reflects their fiduciary duty, and that they do not transact in those securities whilst in possession of price sensitive information.

This policy requires all Directors and employees to seek approval from the Chairman or the Managing Director prior to dealing in the Company's securities.

The Company has introduced compliance standards and procedures to ensure that the policy is properly implemented.

In addition there is also an internal review mechanism to assess compliance and effectiveness.

Details of both the Company's Code of Conduct and Share Trading Policy have been disclosed in the Prospectus and will be posted on the Company's website.

Principle 4 – Safeguard Integrity in Financial Reporting

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

Audit committee

The audit committee consists of the full Board. The structure of the audit committee does not comply with recommendation 4.2 which recommends that the audit committee consists of only Non-Executive Directors and the committee should have an independent Chairperson who is not the Chairperson of the Board.

The Board considers that given its current size and structure it is neither appropriate nor cost effective for the establishment of a separate audit committee.

The committee will meet twice a year. The audit committee has adopted a formal charter which set out the responsibilities of the audit committee.

Details of the Formal Charter have been disclosed in the Prospectus and will be posted on the Company's website.

These responsibilities include:

- Reviewing the annual and half year financial reports to ensure compliance with Australian Accounting Standards and generally accepted accounting principles;
- Monitoring corporate risk management practices;
- Review and approval of the Group's accounting policies and procedures;
- Reviewing the external audit plans;
- Reviewing the nomination, performance and independence of the external auditors; and
- Organising, reviewing and reporting on any special reviews or investigations deemed necessary by the Board.

External auditors

The full Board is responsible for the appointment, removal and remuneration of the external auditors, and reviewing the terms of their engagement, and the scope and quality of the audit. In fulfilling its responsibilities, the Board will receive regular reports from management and the external auditors at least once a year, or more frequently if necessary. The external auditors have a clear line of direct communication at any time to the Chairman of the Board.

K.S. Black & Co has consented to act and have been appointed auditors.

The Australian accounting bodies' statement on professional independence requires mandatory rotation of audit partners for listed companies every five years.

K.S. Black & Co confirms that they conform with the requirements of the statement.

K.S. Black & Co are required to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report.

Principle 5 – Make timely and balanced disclosure

The Company promotes timely and balanced disclosure of any material matters concerning the Company.

The Company has disclosed its policy on information disclosure in the Prospectus. It focuses on continuous disclosure of any information concerning the Company and its controlled entities that a reasonable person would expect to have a material effect on the price of the Company's securities.

The Company Secretary in consultation with the Chairman, is responsible for communications with the ASX. He is also responsible for ensuring compliance with the continuous disclosure requirements of the ASX Listing Rules, and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the general public.

Principle 6 – Respect the rights of shareholders

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

Communication with shareholders

The Board recognises and respects the rights of our shareholders as the beneficial owners of the Company. In order to facilitate the effective exercise of those rights, the Company follows a communications strategy that aims to empower shareholders by:

- communicating effectively with them;
- providing easy access to balanced and understandable information about the Company; and
- encouraging and facilitating shareholder participation in general meetings.

The Company will achieve this through the following avenues:

CORPORATE GOVERNANCE STATEMENT continued

Regular mailings

The Company provides shareholders with copies of all announcements made to the ASX by mail on request. Copies are also available via an electronic link to the ASX web site, ensuring that all shareholders are kept informed about the Company.

Shareholders also have the option of receiving a hard copy of the Annual Report each year.

Email update service

An email update service has been established and is available to the general public as well as shareholders at the Company's website or upon request.

General meetings

All shareholders are invited to attend the Annual General Meetings which are to be held at the Company's Head Office in Sydney. The full Board and senior executives will be present and available to answer questions from the floor, as are the External Auditor and a representative from the Company's legal advisors.

Principle 7 – Recognise and Manage Risks

Companies should establish a sound system of risk oversight and management and internal control.

The Board oversees the establishment, implementation and review of the Company's Risk Management System. To ensure it meets its responsibilities, the Board has implemented appropriate systems for identifying, assessing, monitoring and managing material risk throughout the organisation.

Management is required to provide monthly status reports to the Board which identify potential areas of business risk arising from changes in the financial and economic circumstances of its operating environment.

The Board regularly assess the Company's performance in light of risks identified by such reports.

Management are also required to design implement and review the Company's risk management and internal control system. The Board reviews the effectiveness of the implementation of the Company's risk management and internal control system on a regular basis.

The Board does not employ an internal auditor, although as part of the Company's strategy to implement an integrated framework of control, the Board requested the external auditors review internal control procedures. Recommendations once presented are considered by the Board.

Principle 8 – Remunerate fairly and responsibly

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

The Board has established a remuneration committee consisting of Vincent Tan and Wei Huang.

The Committee has adopted a formal charter.

The main responsibilities of the Remuneration Committee will include: -

- review and approve the Group's policy for determining executive remuneration and any amendments to that policy;
- review the on-going appropriateness and relevance of the policy;
- consider and make recommendations to the Board on the remuneration of executive Directors (including base salary, incentive payments, equity awards and service contracts);
- review and approve the design of all equity based plans;
- review and approve the total proposed payments under each plan; and
- review and approve the remuneration levels for non-executive Directors.
- The committee will meet as often as required but not less than once per year.

Executive directors and executive remuneration

The remuneration committee reviews and approves the policy for determining executive's remuneration and any amendments to that policy.

Executive remuneration and other terms of employment are reviewed annually having regard to relevant comparative information and independent expert advice.

Remuneration packages include basic salary, superannuation and the rights of participation in the Company's Share Option Plan and Employee Share Purchase Plan.

Remuneration packages are set at levels that are intended to attract and retain executives capable of effectively managing the Company's operation.

Consideration is also given to reasonableness, acceptability to shareholders and appropriateness for the current level of operations.

Non-executive directors

Remuneration of Non-Executive Directors will be determined by the Board based on relevant comparative independent expert advice and the maximum amount approved by shareholders from time to time.

Directors have the right to participate in the Company's Share Option Plan and Employee Share Purchase Plan.

The Company does not comply with recommendation 8.1 in relation to the composition of the Remuneration Committee in that it does not consist of at least 3 members.

The board considers that at this stage of the Company's development it is neither appropriate nor cost effective to adopt the ASX Corporate Governance Guidelines.

This matter continues to be under review. A copy of the charter adopted by the Remuneration Committee will be posted on the Company's Website.

CORPORATE GOVERNANCE STATEMENT continued

Environmental regulations

The Group is subject to significant environmental regulation in respect of its exploration activities as follows:

The Company's operations in the State of Queensland involve drilling operations. These operations are governed by the Queensland Government Environmental Protection Act (1994) as reprinted February 2007.

The Company's operations in the State of NSW involve exploration activities. These operations are governed by the Environment Planning and Assessment Act 1979.

The Company operates within the resources sector and conducts its business activities with respect for the environment while continuing to meet the expectations of the shareholders, employees and suppliers.

The Company aims to ensure that the highest standard of environmental care is achieved, and that it complies with all relevant environmental legislation. The Directors are mindful of the regulatory regime in relation to the impact of the Company's activities on the environment.

To the best of the directors' knowledge, the Group has adequate systems in place to ensure compliance with the requirements of all environmental legislation described above and are not aware of any breach of those requirements during the financial year and up to the date of the Directors' Report.

ABx Environmental Code of Practice for Bauxite Mineral Exploration, adopted 1 March 2010

ABx is committed to conducting its exploration programs by following industry best practice in accordance with published government guidelines and codes.

The following policy is specific to bauxite exploration on the ABx east Australian bauxite province.

Access to Land

Prior to the commencement of any work, ABx makes contact with landholders/leaseholders and discusses the general aims and types of work likely to be conducted.

Discussion with landowners, leaseholders and Native Title Claimants is ongoing. It commences prior to any work being conducted and continues throughout the program and beyond the cessation of exploration work.

ABx establishes conditions of access with landholders and where practicable, signs a written access agreement that sets out conditions and includes a schedule of agreed compensation payments.

ABx endeavours to provide landholders with ample warning prior to commencing any work and landholders are kept informed upon commencement, during and upon completion of an exploration program.

Type of Land

The type of land is determined and its inhabitants are assessed to identify areas of particular environmental concern including identification of sensitive areas or areas prone to erosion, water catchment, heritage sites, and areas home to vulnerable and endangered species.

Land use is taken into consideration and land under cultivation is not disturbed without the express consent of the landholder.

Mineral Exploration Programs

Access

ABx utilises existing tracks for access where possible.

Climatic conditions are considered when assessing areas to avoid access during extreme conditions such as during bush fire risk during hot, windy conditions and damage to tracks after heavy rain.

Surface disturbances are kept to a minimum.

Drilling

Drilling programs include rehabilitation and where possible holes are positioned in areas requiring little or no clearing.

Small, manoeuvrable drill rigs are used to minimise the need for track clearing and to reduce ground compaction.

Where required, topsoil is removed and stored separately so that it can be replaced during rehabilitation of the site.

Ground sheets are used where required to avoid oil/fuel spills contaminating the soil.

Rehabilitation

Drill sites are rehabilitated as soon as practicable and drill holes are filled and capped where necessary.

Landholders are asked to confirm at the end of each program that exploration has been conducted to their satisfaction and that sites have been rehabilitated.

Statement of Comprehensive Income

for the 4 months ended 31 December 2009

	Notes	Consolidated		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
Revenue	4	8,130	-	8,130	-
		8,130	-	8,130	-
Administrative expenses		(19,616)	-	(19,616)	-
Consulting and professional expenses		(6,260)	-	(6,260)	-
Finance costs		(89)	-	(59)	-
Share based payment expenses	5	(352,800)	-	(352,800)	-
Profit/(Loss) before income tax expense	5	(370,635)	-	(370,605)	-
Income tax expense	6(a)	-	-	-	-
Profit/(Loss) for the year		(370,635)	-	(370,605)	-
Other Comprehensive Income					
Other comprehensive income for the year net of tax		-	-	-	-
Total comprehensive income for the year		-	-	-	-
Total comprehensive income attributable to members of the consolidated entity		(370,635)	-	(370,605)	-
		Cents	Cents		
Basic earnings/(loss) per share	22	(0.53)	-		
Diluted earnings/(loss) per share	22	(0.45)	-		

The above Statement should be read in conjunction with the accompanying notes.

Statement of Financial Position

as at 31 December 2009

	Notes	Consolidated		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
Current assets					
Cash and cash equivalents	7	3,517,895	-	3,516,425	-
Trade and other receivables	8	38,406	-	38,406	-
Total current assets		3,556,301	-	3,554,831	-
Non-current assets					
Trade and other receivables	8	-	-	2,401,497	-
Mining tenements	9	2,400,000	-	-	-
Other financial assets	10	-	-	3	-
Total non-current assets		2,400,000	-	2,401,500	-
Total assets		5,956,301	-	5,956,331	-
Current liabilities					
Trade and other payables	11	27,186	-	27,186	-
Employee benefits	12	-	-	-	-
Total current liabilities		27,186	-	27,186	-
Non-current liabilities					
Employee benefits provision	13	-	-	-	-
Other liabilities	14	2,400,000	-	2,400,000	-
Total non-current liabilities		2,400,000	-	2,400,000	-
Total liabilities		2,427,186	-	2,427,186	-
Net assets		3,529,115	-	3,529,145	-
Equity					
Issued capital	15	3,399,950	-	3,399,950	-
Reserves		499,800	-	499,800	-
Accumulated losses		(370,635)	-	(370,605)	-
Total equity		3,529,115	-	3,529,145	-

The above Statement should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

for the 4 months ended 31 December 2009

Consolidated	Notes	Issued Capital	Options Reserve	Accumulated Losses	Total Equity
		\$	\$	\$	\$
Balance at 1 January 2009		-	-	-	-
Contributions of equity, net of transaction costs		3,399,950	-	-	3,399,950
Options issued	15(b)	-	499,800	-	499,800
Loss for the year		-	-	(370,635)	(370,635)
Balance at 31 December 2009		3,399,950	499,800	(370,635)	3,529,115
Balance at 1 January 2008		-	-	-	-
Contributions of equity net, of transaction costs		-	-	-	-
Profit for the year		-	-	-	-
Balance at 31 December 2008		-	-	-	-

Parent	Notes	Issued Capital	Options Reserve	Accumulated Losses	Total Equity
		\$	\$	\$	\$
Balance at 1 January 2009		-	-	-	-
Contributions of equity, net of transaction costs		3,399,950	-	-	3,399,950
Options issued	15(b)	-	499,800	-	499,800
Loss for the year		-	-	(370,605)	(370,605)
Balance at 31 December 2009		3,399,950	499,800	(370,605)	3,529,145
Balance at 1 January 2008		-	-	-	-
Contributions of equity, net of transaction costs		-	-	-	-
Profit for the year		-	-	-	-
Balance at 31 December 2008		-	-	-	-

The above Statement should be read in conjunction with the accompanying notes.

Statement of Cash Flows

for the 4 months ended 31 December 2009

	Notes	Consolidated		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
Cash flows from operating activities					
Receipts from customers		-	-	-	-
Payments to suppliers and employees		(37,184)	-	(38,654)	-
Interest paid		-	-	-	-
Interest received		8,130	-	8,130	-
Net cash (outflow) inflow from operating activities	17	(29,054)	-	(30,524)	-
Cash flows from investing activities					
Proceeds from sale of mining tenements		-	-	-	-
Payments for investments in subsidiaries		-	-	-	-
Net cash (outflow) from investing activities		-	-	-	-
Cash flows from financing activities					
Proceeds from issues of shares and other equity securities		4,000,000	-	4,000,000	-
Share issuing costs		(453,051)	-	(453,051)	-
Net cash inflow from financing activities		3,546,949	-	3,546,949	-
Net increase in cash held		3,517,895	-	3,516,425	-
Cash and cash equivalents at the beginning of the year		-	-	-	-
Cash and cash equivalents at the end of the year	7(a)	3,517,895	-	3,516,425	-

The above Statement should be read in conjunction with the accompanying notes

Notes to the Financial Statements

for the 4 months ended 31 December 2009

1 Corporate Information

The financial report of Australian Bauxite Limited for the year ended 31 December 2009 was authorised for issue in accordance with a resolution of the Directors on 30 March 2010 and covers Australian Bauxite Limited as an individual parent entity as well as the consolidated entity consisting of Australian Bauxite Limited and its subsidiaries as required by the *Corporations Act 2001*.

The financial report is presented in the Australian currency.

Australian Bauxite Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

The Company was incorporated as an unlisted public company on 23 September 2009 and successfully listed on the ASX on 24 December 2009.

2 Summary of Significant Accounting Policies

a. Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporation Act 2001*.

Statement of Compliance

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report of Australian Bauxite Limited complies with International Financial Reporting Standards ('IFRS').

Critical accounting estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Options valuation

Refer to Note 25 for estimates and assumptions used to calculate the valuation of options.

Critical judgements

Management have made the following judgements when applying the Group's accounting policies:

Capitalisation of exploration costs

The Group follows the guidance of AASB 6 Exploration for and Evaluation of Mineral Resources when determining if exploration costs incurred can be capitalised. This determination requires significant judgement. In making this judgement, the Group evaluates if any one of the following conditions is met:

- The exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
- Exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas of interest are continuing.

If one of the above conditions is met then the Group has made the judgement to capitalise the associated exploration expenses.

Historical cost convention

These financial statements have been prepared under the historical cost convention except where noted in these accounting policies.

Notes to the Financial Statements
for the 4 months ended 31 December 2009 continued

2. Summary of Accounting Policies continued

b. Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Australian Bauxite Limited (the "parent entity") as at 31 December 2009 and the results of all subsidiaries for the year then ended. Australian Bauxite Limited and its subsidiaries together are referred to in this financial report as the Group.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between consolidated entity companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

c. Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments. Reporting to management by segments is on this basis.

d. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major business activities as follows:

Interest Revenue

Interest revenue is recognised as it accrues taking into account the effective yield on the financial asset.

Other Income

Income from other sources is recognised when proceeds or the fee in respect of other products or service provided is receivable.

e. Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Notes to the Financial Statements
for the 4 months ended 31 December 2009 continued

2. Summary of Accounting Policies continued

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

The Company and its wholly owned entities are part of a tax-consolidated group under Australian taxation law. Australian Bauxite Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

The amounts receivable/payable under tax funding arrangements are due upon notification by the entity which is issued soon after the end of each financial year. Interim funding notices may also be issued by the head entity to its wholly owned subsidiary. These amounts are recognised as current intercompany receivables or payables.

f. Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

g. Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

h. Cash and cash equivalents

For the purpose of the statement of cash flows, cash includes cash on hand and in at call deposits with banks or financial institutions, investment in money market instruments maturing within less than two months, net of bank overdrafts.

i. Trade and other receivables

Trade receivables are recognised initially at original invoice amounts and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 60 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that entities in the Group will not be able to collect all amounts due according to the original terms of receivables.

Notes to the Financial Statements
for the 4 months ended 31 December 2009 continued

2. Summary of Accounting Policies continued

j. Financial Instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- (a) the amount at which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments;
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- (d) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

i. Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after reporting date. (All other loans and receivables are classified as non-current assets.)

iii. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after reporting date. (All other investments are classified as current assets.)

If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

Notes to the Financial Statements
for the 4 months ended 31 December 2009 continued

2. Summary of Accounting Policies continued

iv. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be disposed of within 12 months after reporting date. (All other financial assets are classified as current assets.)

v. Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

k. Tenement exploration, valuation and development costs.

Costs incurred in the exploration for, and evaluation of, tenements for suitable resources are carried forward as assets provided that one of the following conditions is met:

- the carrying values are expected to be justified through successful development and exploitation of the area of interest; or
- exploration activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of recoverable mineral resources, and active and significant operations in relation to the area are continuing.

Expenses failing to meet at least one of the aforementioned conditions expensed as incurred.

Costs associated with the commercial development of resources are deferred to future periods, provided they are, beyond any reasonable doubt, expected to be recoverable. These costs are amortised from the commencement of commercial production of the product to which they relate on a straight-line basis over the period of the expected benefit. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

l. Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

m. Restoration and rehabilitation provisions

Both for close down and restoration and for environmental clean up costs from exploration programs, if any, a provision will be made in the accounting period when the related disturbance occurs, based on the net present value of estimated future costs.

Notes to the Financial Statements
for the 4 months ended 31 December 2009 continued

2. Summary of Accounting Policies continued

n. Employee benefits

(i) Wages, salaries, sick leave and annual leave

Liabilities for wages and salaries, including non-monetary benefits, sick leave and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

o. Contributed Equity

Ordinary shares are classified as equity.

p. Share based payments

Ownership-based remuneration is provided to employees via an employee share option plan.

Share-based compensation is recognised as an expense in respect of the services received, measured on a fair value basis.

The fair value of the options at grant date is independently determined using a Black Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

q. Earnings per share (EPS)

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for costs of servicing equity (other than dividends), the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

r. New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The group has decided against early adoption of these standards. A discussion of those relevant requirements and their impact on the group are as follows:

- AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1,2,4,5,7,101,107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107] and AASB 2008-11: Amendments to Australian Accounting Standard – Business Combinations Among Not-for-Profit Entities [AASB 3] (applicable for annual reporting periods commencing from 1 July 2009).

Notes to the Financial Statements
for the 4 months ended 31 December 2009 continued

2. Summary of Accounting Policies continued

These standards are applicable prospectively and will therefore only affect relevant transactions and consolidations occurring after the date of application. As such, the Group is unable to determine any potential impact on the financial statements.

The following changes to accounting requirements are included below:

- acquisition costs incurred in a business combination will no longer be included as part of the cost of the business combination, but will be expensed (unless the cost relates to issuing debt or equity securities);
- contingent considerations will be measured at fair value at the acquisition date and may only be provisionally accounted for up to 12 months after the acquisition date. Any subsequent changes in the fair value of contingent considerations does not affect the cost of the business combination or goodwill;
- in a step acquisition where control is obtained, previous ownership interests are to be remeasured at their fair value and the resulting gain/loss is recognised in the income statement/equity as applicable;
- there shall be no gain or loss from transactions affecting a parent's ownership interest in a subsidiary with all transactions required to be accounted for as equity transactions (this will not represent a change to the Group's policy);
- dividends declared out of pre-acquisition profits will no longer be deducted from the cost of an investment but will be recognised as income;
- impairment of investments in subsidiaries, joint ventures and associates shall be considered when a dividend is paid by the respective investee;
- where there is, in substance, no change to group interests, parent entities inserted above existing groups shall measure the cost of their investments at the carrying amount of their share of the equity items shown in the balance sheet of the original parent at the date of reorganisation; and
- entities now have an accounting policy choice when measuring non-controlling interests. Non-controlling interests can be measured at either the proportionate share of net assets acquired or at the fair value of the non-controlling interest.

3 FINANCIAL RISK MANAGEMENT

a. General Objectives, Policies and Processes

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Groups' risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Group where such impacts may be material. The Board receives reports from the Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Group's finance function also reviews the risk management policies and processes and report their findings to the Audit Committee.

The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the group's competitiveness and flexibility. Further details regarding these policies are set out below:

Notes to the Financial Statements
for the 4 months ended 31 December 2009 continued

3. Financial Risk Management continued

b. Credit risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Group incurring a financial loss. This usually occurs when debtors or counterparties to derivative contracts fail to settle their obligations owing to the Group.

The maximum exposure to credit risk at balance date is as follows:

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Cash and cash equivalents	3,517,895	-	3,516,425	-
Trade receivables	38,406	-	38,406	-
	3,556,301	-	3,554,831	-

c. Liquidity Risk

Liquidity risk is the risk that the Group may encounter difficulties raising funds to meet commitments associated with financial instruments that is, borrowing repayments. There is no bank borrowing at the balance date. It is the policy of the Board of Directors that treasury reviews and maintains adequate committed credit facilities and the ability to close-out market positions.

Notes to the Financial Statements
for the 4 months ended 31 December 2009 continued

3. Financial Risk Management continued

Maturity Analysis	Carrying Amount	Contractual Cash Flows	< 6 mths	6 - 12 mths	1 - 3 years	> 3 years
Consolidated - 2009						
Financial Liabilities						
Current						
Trade and other payables	27,186	27,186	27,186	-	-	-
Non-Current						
Other Liabilities *	2,400,000	783,934	-	-	783,934	-
Total financial liabilities at amortised cost	2,427,186	811,120	27,186	-	783,934	-

* Australian Bauxite Limited is required to pay the cash component to the extent of \$783,934 in 2010.

Consolidated - 2008						
Financial Liabilities						
Current						
Trade and other payables	-	-	-	-	-	-
Total financial liabilities at amortised cost	-	-	-	-	-	-

Parent Entity - 2009						
Financial Liabilities						
Current						
Trade and other payables	27,186	27,186	27,186	-	-	-
Non-Current						
Other Liabilities *	2,400,000	783,934	-	-	783,934	-
Total financial liabilities at amortised cost	2,427,186	811,120	27,186	-	783,934	-

* Australian Bauxite Limited is required to pay the cash component to the extent of \$783,934 in 2010.

Parent Entity - 2008						
Financial Liabilities						
Current						
Trade and other payables	-	-	-	-	-	-
Total financial liabilities at amortised cost	-	-	-	-	-	-

d. Interest Rate Risk

The Group is constantly monitoring its exposure to trends and fluctuations in interest rates in order to manage interest rate risk. There is no bank borrowing at the balance date, therefore there is no material exposure to interest rate risk.

Sensitivity Analysis

There is no bank borrowing at the balance date.

The following tables demonstrate the sensitivity to a reasonably possible changes in interest rates, with all other variables held constant, of the Group's profit after tax (through the impact on fluctuation on deposit interest rate). There is no impact on the Group's equity.

Notes to the Financial Statements
for the 4 months ended 31 December 2009 continued

3. Financial Risk Management continued

	Carrying Amount AUD	+1% of AUD Profit/ (Loss)	-1% of AUD Profit/ (Loss)
	\$'000	\$'000	\$'000
Consolidated - 2009			
Cash and cash equivalents	3,517,895	35,178	(35,178)
Tax charge of 30%	-	(10,553)	10,553
After tax increase/(decrease)	<u>3,517,895</u>	<u>24,625</u>	<u>(24,625)</u>

The above analysis assumes all other variables remain constant.

	\$'000	\$'000	\$'000
Parent Entity - 2009			
Cash and cash equivalents	3,517,895	35,178	(35,178)
Tax charge of 30%	-	(10,553)	10,553
After tax increase/(decrease)	<u>3,517,895</u>	<u>24,625</u>	<u>(24,625)</u>

e. Currency Risk

In 2009, the consolidated entity and parent entity were not exposed to foreign currency risk (2008: Nil)

f. Capital Risk Management

The Group considers its capital to comprise its ordinary share capital and reserves. in managing its capital, the group's primary objectives are to pay dividends and maintain liquidity. these objectives dictate any adjustments to capital structure. Rather than set policies, advice is taken from professional advisors as to how to achieve these objectives. There has been no change in either these objectives, nor what is considered capital in the year.

Consolidated		Parent Entity	
4 months ended	4 months ended	4 months ended	4 months ended
31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008
\$	\$	\$	\$

4 REVENUE

Other Revenue				
Interest income	8,130	-	8,130	-
	<u>8,130</u>	<u>-</u>	<u>8,130</u>	<u>-</u>

5 EXPENSES

Profit/(loss) before income tax includes the following specific expenses:

Share based payments (note 25)	352,800	-	352,800	-
	<u>352,800</u>	<u>-</u>	<u>352,800</u>	<u>-</u>

Notes to the Financial Statements
for the 4 months ended 31 December 2009 continued

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
6 INCOME TAX				
(a) Income tax expense				
Current tax expense	-	-	-	-
Deferred tax expense	-	-	-	-
Total income tax expense	-	-	-	-
Deferred tax expense				
Increase/(decrease) in deferred tax expense	-	-	-	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit/(loss) from continuing operations before income tax expense	(370,635)	-	(370,605)	-
Income tax expense (benefit) calculated @ 30% (2008:30%)	(111,190)	-	(111,182)	-
Temporary differences not brought to account	(27,183)	-	(27,183)	-
Tax losses not brought to account	138,373	-	138,365	-
Income tax expense/(benefit) at effective tax rate of 30% (2008: 30%)	-	-	-	-
(c) Amounts recognised directly in equity				
Aggregate current and deferred tax arising during the reporting period and not recognised in profit and loss but directly debited or credited to equity:				
<i>Current income tax</i>				
Current income tax on transaction costs of issuing equity instruments	135,915	-	135,915	-
(d) Unrecognised deferred tax assets and liabilities				
Deferred tax assets and liabilities have not been recognised in the balance sheet for the following items:				
Prior year unrecognised tax losses now ineligible due to change in tax consolidation group	-	-	-	-
Other deductible temporary differences	90,610	-	90,610	-
Deferred tax asset in respect of exploration activities not brought to account	(199,055)	-	(199,025)	-
Deferred tax liability in respect of exploration activities not recognised to the extent of unrecognised deferred tax asset	-	-	-	-
Potential benefit/(expense) at 30% (2008: 30%)	(108,445)	-	(108,415)	-
	(32,534)	-	(32,525)	-
(e) Deferred tax assets				
Deferred tax assets comprise temporary differences attributable to:				
Share issue expenses	453,051	-	453,051	-
	453,051	-	453,051	-

Notes to the Financial Statements
for the 4 months ended 31 December 2009 continued

6. Income Tax continued

	2009	2008	2009	2008
	\$	\$	\$	\$
(f) Deferred tax liabilities				
Deferred tax liabilities comprise temporary differences attributable to:				
Amounts recognised in profit and loss				
Capitalised exploration costs	-	-	-	-

7 CASH AND CASH EQUIVALENTS

Cash at bank and in hand	3,517,895	-	3,516,425	-
(a) Reconciliation to cash at the end of the year				
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:				
Cash and cash equivalents	3,517,895	-	3,516,425	-
Balances per Statement of Cash Flows	3,517,895	-	3,516,425	-

(b) **Interest rate risk exposure**

The Group's and the parent entity's exposure to interest rate risk is discussed in Note 3.

8 TRADE AND OTHER RECEIVABLES

CURRENT

Related party receivables	1	-	1	-
Other receivables	38,405	-	38,405	-
	38,406	-	38,406	-

NON - CURRENT

Controlled entities receivables	-	-	2,401,497	-
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(a) **Impaired receivables and receivables past due.**

None of the current or non-current receivables are impaired or past due but not impaired.

(b) **Other receivables.**

These amounts relate to receivables for GST paid.

(c) **Interest rate risk**

Information about the Group's and the parent entity's exposure to interest rate risk in relation to trade and other receivables is provided in Note 3.

(d) **Fair value and credit risk.**

Current trade and other receivables

Due to the short term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

Notes to the Financial Statements
for the 4 months ended 31 December 2009 continued

8. TRADE AND OTHER RECEIVABLES continued

Non-current trade and other receivables

The fair values and carrying values of non-current receivables are as follows:

	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$	\$	\$	\$
Group				
Related party receivables	1	1	-	-
Parent Entity				
Controlled entities receivables	2,401,497	2,401,497	-	-

The above related party receivables and controlled entities receivables have no terms of repayment and is not interest bearing.

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
9 MINING TENEMENTS				
Interest in mining tenements	2,400,000	-	-	-
	2,400,000	-	-	-
10 OTHER FINANCIAL ASSETS				
Investment in controlled entries (Note16)	-	-	3	-
11 TRADE AND OTHER PAYABLES				
Current				
Trade payables	25,006	-	25,006	-
Related party payables	2,180	-	2,180	-
	27,186	-	27,186	-
12 EMPLOYEE BENEFITS				
Annual leave	-	-	-	-
13 EMPLOYEE BENEFITS PROVISION				
Long service leave	-	-	-	-
14 OTHER LIABILITIES				
6% 3 years convertible notes	2,400,000	-	2,400,000	-

This represented the consideration for the acquisition of the interest in the exploration tenements from Hudson Resources Limited.

Notes to the Financial Statements
for the 4 months ended 31 December 2009 continued

15 CONTRIBUTED EQUITY

	Consolidated Entity and Parent		Consolidated Entity	
	2009	2008	2009	2008
	Number	Number		
	of Shares	of Shares	\$	\$
Ordinary shares				
Issued and fully paid	70,000,000	-	3,399,950	-

(a) Movements in ordinary share capital during 2009:

Consolidated

Date	Details	No. of shares	Issue price	
			\$	
October 2009	Incorporation	50,000,000		1
December 2009	Share Issues - IPO	20,000,000	0.20	4,000,000
December 2009	Share issuing costs			(600,051)
31 December 2009	Balance	70,000,000		3,399,950

(b) Performance Options

The fair value of options granted is determined using the Black-Scholes formula. The model inputs were: the share price of \$0.20, the exercise price of \$0.30, expected volatility of 50.0%, expected dividends of \$Nil and a risk-free interest rate of 3.75%.

(c) Terms and Conditions

Each ordinary share participates equally in the voting rights of the Company. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

(d) Options

There were 10, 200,000 options outstanding at the end of the financial year. Information relating to the Group's options issued for services rendered is set out in note 25.

A further 1,800,000 options have been approved for granting relevant to the Company's Employee Share Option Plan but have not been allocated.

16 INVESTMENTS IN CONTROLLED ENTITIES

Name of Entity	Class of Shares	Equity Holding		Country of Incorporation
		2009	2008	
		%	%	
ABx 1 Pty Ltd	Ordinary	100	-	Australia
ABx 2 Pty Ltd	Ordinary	100	-	Australia
ABx 3 Pty Ltd	Ordinary	100	-	Australia

Notes to the Financial Statements
for the 4 months ended 31 December 2009 continued

17 RECONCILIATION OF PROFIT/(LOSS) TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Profit/(Loss) for the year	(370,635)	-	(370,605)	-
Share based payments expense	352,800	-	352,800	-
Change in operating assets and liabilities:				
(Increase)/Decrease in trade and other receivables	(38,404)	-	(39,904)	-
(Increase)/Decrease in other current assets	-	-	-	-
Decrease/(Increase) in other operating assets	-	-	-	-
Increase/(Decrease) in trade and other creditors and provisions	27,185		27,185	-
(Increase) in deferred tax assets	-	-	-	-
Increase in deferred tax liabilities	-	-	-	-
Net cash inflow/(outflow) from operating activities	(29,054)	-	(30,524)	-

Significant Non-Cash Transactions

Hudson Resources Limited transferred an interest in mining tenements to Australian Bauxite Limited for \$2,400,000. The investment was funded through a 6% 3 years convertible note.

18 SEGMENT INFORMATION

The Group operates one business being the mineral, exploration, development and geological surveys of resources in Australia.

19 COMMITMENTS

There are no material commitments as at the date of the report other than minimum exploration expenditure commitments and lease payments on the Company's exploration tenements totalling approximately \$950,000 per annum.

Service agreements

The Company has entered into an executive service agreement with Hudson Resources Limited pursuant to which Hudson Resources Limited pursuant to which Hudson Resources Limited has agreed to provide its management, registered office, administrative accounting and secretarial services.

The term of the Executive Services Agreement is two years and the fee payable is that amount agreed between the parties from time to time. The terms of the Executive Services Agreement provide that Hudson Resources Limited shall act in accordance with the Directions of the Board.

In addition the Company has agreed with Hudson Resources Limited that the services of Ian Levy as Managing Director will be provided to the Company at an agreed rate of \$200,000 for the calendar year 2010.

20 CONTINGENT LIABILITIES

There are no material contingent liabilities as at the date of this report.

21 EVENTS SUBSEQUENT TO BALANCE DATE

- On 18 March, 2010 the Company announced that it had finalised a placement of 10 million fully paid ordinary shares of 35 cents per share to institutional and sophisticated investors introduced by State One Stockbroking Limited to raise \$3.5 million before costs. Including this issue the Company now has 80 million fully paid shares on issue.

Notes to the Financial Statements

for the 4 months ended 31 December 2009 continued

2. On 8 March 2010 the Company announced that it had lodged eight new bauxite exploration licence applications in Tasmania covering an area of 1,508 km² and containing many new discoveries of good grade bauxite in favourable settings.
3. On 10 February 2010 the Company announced a maiden resource of 22 million tonnes of gibbsite rich bauxite on its first target area on EL 6997 at Inverell NSW. The maiden resource is based on drilling of less than 10% of the known bauxite areas of EL6997.
The initial bauxite resource target for Inverell is between 200 and 300 million tonnes.

At the date of this report there are no other matters or circumstances, other than noted above, which have arisen since 31 December 2009 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 December 2009, of the Group;
- the results of those operations; or
- the state of affairs, in financial years subsequent to 31 December 2009, of the Group.

22 EARNINGS PER SHARE

	Consolidated	
	2009	2008
	Cents	Cents
Basic earnings/(loss) per share	(0.50)	0.0
Fully diluted earnings/(loss) per share	(0.45)	0.0
	2009	2008
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share:	70,000,000	-
Adjustments for calculation of diluted earnings per share:		
Options	12,000,000	-
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	82,000,000	-
	2009	2008
	\$	\$
Profit/(loss) from continuing operations used in calculating basic and fully diluted earnings per share	(370,635)	-

23 KEY MANAGEMENT PERSONNEL DISCLOSURES

a Directors

The following persons were Directors of Australian Bauxite Limited during the financial year unless otherwise stated:

- | | | | |
|--------------------|------------------------|---|--|
| • Peter J Meers | Chairman | - | appointed as director on 23 September 2009 |
| • Ian Levy | Managing Director | - | appointed as director on 23 September 2009 |
| • Rado Jacob Rebek | Executive Director | - | appointed as director on 23 September 2009 |
| • Vincent Tan | Non-Executive Director | - | appointed as director on 23 September 2009 |
| • Wei Huang | Non-Executive Director | - | appointed as director on 23 September 2009 |

b Other Key Management Personnel

The following persons were other key management personnel of Australian Bauxite Limited during the financial year:

- | | |
|---------------------|-------------------------|
| • David Hughes | Joint Company Secretary |
| • Henry Kinstlinger | Joint Company Secretary |
| • Francis Choy | Chief Financial Officer |

Notes to the Financial Statements
for the 4 months ended 31 December 2009 continued

c Compensation of Key Management Personnel

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Directors				
Short term employee benefits	680,290	-	56,900	-
Post employment benefits	22,292	-	-	-
Long term benefits	1,999	-	-	-
Termination benefits	-	-	-	-
Share based payments	294,000	-	294,000	-
	998,581	-	350,900	-
Other Key Management Personnel				
Short term employee benefits	311,250	-	60,000	-
Post employment benefits	-	-	-	-
Long term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share based payments	58,800	-	58,800	-
	370,050	-	118,800	-

Directors of Australian Bauxite Limited

2009	Short Term Employee Benefits		Post Employment	Long Term Employee Benefits	Share based payments (options) **	Total
	Salary and other fees	Travelling Allowance	Super-annuation	Long Service Leave		
Name	\$	\$	\$	\$	\$	\$
Peter J Meers *	247,690	10,800	22,292	1,999	49,000	331,781
Ian Levy*	100,000	-	-	-	98,000	198,000
Rado Jacob Rebek *	197,500	6,300	-	-	49,000	252,800
Vincent Tan *	100,000	10,800	-	-	49,000	159,800
Wei Huang	-	7,200	-	-	49,000	56,200
Total	645,190	35,100	22,292	1,999	294,000	998,581

* The amounts reported represent the total remuneration paid by entities in the Hudson Resources Group of companies in relation to managing the affairs of all the entities within the Hudson Resources Group.

** Australian Bauxite Limited issued options to directors and officers under this Employee Share Option Plan. There are no performance conditions related to any of the above payments.

Notes to the Financial Statements
for the 4 months ended 31 December 2009 continued

Other Key Management Personnel of Australian Bauxite Limited

2009	Short Term Employee Benefits		Post Employment	Long Term Employee Benefits		
Name	Cash salary and other fees	Travelling Allowance	Super-annuation	Long Service Leave	Share based payments (options) **	Total
	\$	\$	\$	\$	\$	\$
D H Hughes*	24,000	-	-	-	4,900	28,900
H Kinstlinger *	276,450	10,800	-	-	49,000	336,250
F Choy	-	-	-	-	4,900	4,900
	300,450	10,800	-	-	58,800	370,050

* The amounts reported represent the total remuneration paid by entities in the Hudson Resources Group of companies in relation to managing the affairs of all the entities within the Hudson Resources Group.

** Australian Bauxite Limited issued options to directors and officers under this Employee Share Option Plan. There are no performance conditions related to any of the above payments. There is no other element of Directors and Executives remuneration.

d Employee Share Option Plan

Australian Bauxite has adopted an Employee Share Option Plan, (ESOP) for its employees. A person is an employee of Australian Bauxite if that person is an Executive Director, Non-executive Director or considered by the Board to be employed by Australian Bauxite or a related party of Australian Bauxite.

The purpose of the ESOP is to provide an opportunity for all eligible employees of Australian Bauxite to participate in the growth and development of Australian Bauxite through participation in the equity of Australian Bauxite.

Australian Bauxite believes it is important to provide incentives to employees in the form of options which provide the opportunity to participate in the share capital of Australian Bauxite. Australian Bauxite expects to apply the proceeds of exercise of the Options to working capital needs, asset or business acquisitions and general corporate purposes. All options to be issued must be consistent with any applicable Listing Rules and having regard to regulatory constraints under the Corporations Act 2001, ASIC policy or any other law applicable to Australian Bauxite.

e Shareholdings and Option Holdings of Key Management Personnel

Shares held in Australian Bauxite Limited - 2009

	Balance at beginning of year	Changes during the year	Balance at end of year
Directors			
Peter J Meers*	-	50,000,000	50,000,000
Ian Levy ¹	-	62,500	62,500
Rado Jacob Rebek	-	-	-
Vincent Tan	-	-	-
Wei Huang ^{*2}	-	50,020,000	50,020,000
Other Key Management Personnel			
H Kinstlinger	-	-	-
D L Hughes	-	-	-
F Choy	-	-	-

* Mr Meers and Mr. Huang have an indirect interest in 50,000,000 ordinary shares by virtue of their position as Directors of Hudson Resources Limited, a parent entity.

¹ 62,500 shares were purchased by related parties of Mr Levy during the year.

² 20,000 shares were purchased by Mr Huang during the year.

Options held in Australian Bauxite Limited - 2009

Notes to the Financial Statements
for the 4 months ended 31 December 2009 continued

Directors	Nature	Balance at beginning of year	Changes during the year	Balance at end of year*
Peter J Meers	Employee Share Option Plan	-	1,000,000	1,000,000
Ian Levy	Employee Share Option Plan	-	2,000,000	2,000,000
Rado Jacob Rebek	Employee Share Option Plan	-	1,000,000	1,000,000
Vincent Tan	Employee Share Option Plan	-	1,000,000	1,000,000
Wei Huang	Employee Share Option Plan	-	1,000,000	1,000,000

Other Key Management Personnel

H Kinstlinger	Employee Share Option Plan	-	1,000,000	1,000,000
D L Hughes	Employee Share Option Plan	-	100,000	100,000
F Choy	Employee Share Option Plan	-	100,000	100,000

* All options at year end are vested and exercisable

24 REMUNERATION OF AUDITORS

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Audit services:				
Amounts paid or payable to auditors for audit and review of the financial report for the entity or any entity in the Group				
-K.S. Black & Co	15,000	-	15,000	-
Taxation and other advisory services:				
Amounts paid or payable to auditors for non audit taxation and advisory services for the entity or any entity in the Group				
-K.S. Black & Co	15,851		15,851	-
	30,851	-	30,851	-

Notes to the Financial Statements
for the 4 months ended 31 December 2009 continued

25 SHARE BASED PAYMENTS

	Number of instruments	Vesting conditions	Life of Options
Employee share options were granted to Directors, officers and consultants exercisable at any time prior to expiry	7,200,000	Vested and exercisable	15 October 2012
Initial Public Offer - success options	3,000,000	Vested and exercisable	24 December 2012

The number and weighted average exercise price of share options is as follows:

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	Number	Number	Number	Number
Vested and exercisable at 1 January 2009	-	-	-	-
Granted during the year	10,200,000	-	10,200,000	-
Vested and exercisable at 31 December 2009	10,200,000	-	10,200,000	-
<i>Option expenses</i>				
Share options granted	10,200,000	-	10,200,000	-
Expense recognised as costs ¹	352,800	-	352,800	-
Deducted from equity ²	147,000	-	147,000	-
Fair Value per option at grant time	4.9 cents	-	4.9 cents	-

1. The fair value of options granted above is determined using the Black-Scholes formula. The model inputs were: the share price of \$0.20, the exercise price of \$0.30, expected volatility of 50%, expected dividends of \$Nil and a risk-free interest rate of 3.75%. There is no service or performance criteria in relation to the options.

2. The fair value of options granted above is determined using the Black-Scholes formula. The model inputs were: the share price of \$0.20, the exercise price of \$0.30, expected volatility of 50%, expected dividends of \$Nil and a risk-free interest rate of 3.75%. There is no service or performance criteria in relation to the options.

2009			Balance at	Granted	Forfeited	Exercised	Expired	Balance at	Vested and
Grant date	Exercise date	Exercise price \$	beginning of year	during the year	during the year	during the year	during the year	end of year	Exercisable at end of year
15/10/2009	15/10/2012	0.30	-	7,200,000	-	-	-	7,200,000	7,200,000
24/12/2009	24/12/2012	0.30	-	3,000,000	-	-	-	3,000,000	3,000,000
Total			-	10,200,000	-	-	-	10,200,000	10,200,000

Weighted average exercise price 30.0 cents

2008			Balance at	Granted	Forfeited	Exercised	Expired	Balance at	Vested and
Grant date	Exercise date	Exercise price \$	beginning of year	during the year	during the year	during the year	during the year	end of year	Exercisable at end of year
		-	-	-	-	-	-	-	-
Total			-	-	-	-	-	-	-

26 RELATED PARTY TRANSACTIONS

Notes to the Financial Statements
for the 4 months ended 31 December 2009 continued

(a) Parent Entities

The parent entity within the Group is Australian Bauxite Limited. The ultimate Australian parent entity is Hudson Resources Limited which at 31 December 2009 owns 71.43 % (2008: - %).

(b) Subsidiaries

Interests in subsidiaries are disclosed in note 16.

(c) Key Management Personnel Compensation

Key management personnel compensation information is disclosed in note 23.

(d) Transactions with Related Parties

The following transactions occurred with related parties during the year ended 31 December 2009:

Investment in tenements

Consolidated and parent entity

Hudson Resources Limited transferred bauxite tenements to the Australian Bauxite Group for \$2,400,000 (2008: Nil)

Convertible Note

Consolidated and parent entity

Australian Bauxite Limited issued to Hudson Resources Limited a three year 6% convertible note with a face value of \$2,400,000. (2008: Nil)

(e) Outstanding Balance

Amounts owed to related parties - current payables

Nil

(f) Guarantees

No guarantees were given or received from related parties during the year.

(g) Terms and conditions

All transaction were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms or repayment of loans between the parties and that no interest is charged on outstanding balances.

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and
 - (b) give a true and fair view of the financial position as at 31 December 2009 and of the performance for the year ended on that date of the Company and the consolidated entity.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. The remuneration disclosures included on pages 11 to 13 of the directors' report (as part of audited Remuneration Report), for the year ended 31 December 2009, comply with section 300A of the *Corporations Act 2001*.
4. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Peter J Meers
Chairman

Signed at Sydney
30 March 2010



Ian Levy
Managing Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUSTRALIAN BAUXITE LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Australian Bauxite Limited (the company) and Australian Bauxite Limited and Controlled Entities (the consolidated entity) which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accompanying policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Director's Responsibility for the Financial Report

The Directors of Australian Bauxite Limited are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report comprising the financial statement and notes, complies with IFRS.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Australian Bauxite Limited would be in the same terms if it had been given to the directors at the time that this auditor's report was made.



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AUSTRALIAN BAUXITE LIMITED (Cont'd)

Auditor's Opinion

In our opinion:

- (a) the financial report of Australian Bauxite Limited and Australian Bauxite Limited and Controlled Entities is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2009 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

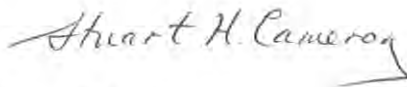
Report of the Remuneration Report

We have audited the Remuneration Report included in the Directors report for the year ended 31 December 2009. The Directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Australian Bauxite Limited for the year ended 31 December 2009, complies with section 300A of the Corporations Act 2001.

KS Black & Co
Chartered Accountants



Stuart H. Cameron
Partner

Sydney, 30/3/10

Shareholder Information continued

SHAREHOLDER INFORMATION

AS AT 31 MARCH 2010

Substantial holders

Those shareholders who have lodged notice under the Corporations Act 2001 advising substantial shareholding under the Corporations Act 2001 are as follows:

Date	Shareholder	No. of Shares	% held
3 March, 2008	Hudson Resources Limited	50,000,000	62.5%

Distribution of Equity Securities

Range	Total holders	Units	% of Issued Capital
1 - 1,000	4	202	0.00
1,001 - 10,000	345	2,990,293	3.74
10,001 - 50,000	194	5,393,271	6.74
50,001 - 100,000	48	3,876,447	4.85
100,001 - 500,000	37	8,166,819	10.21
500,001 - 1,000,000	9	5,414,150	6.77
1,000,001 - 9,999,999,999	3	54,158,818	67.70
Rounding			-0.01
Total	640	80,000,000	100.00

Unmarketable Parcels

	Minimum parcel size	Holders	Units
Minimum \$500 parcel at \$ 0.3750 per unit	1334	4	202

Top Holders Snapshot - Ungrouped

Rank	Name	Units	% of Units
1.	HUDSON RESOURCES LIMITED	50,000,000	62.50
2.	NATIONAL NOMINEES LIMITED	2,808,818	3.51
3.	WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED	1,350,000	1.69
4.	STATE ONE STOCKBROKING LTD <SOS HOUSE AHX A/C>	688,955	0.86
5.	YARRAANDOO PTY LTD <YARRAANDOO SUPER FUND A/C>	650,000	0.81
6.	STATE ONE STOCKBROKING LTD	620,000	0.78
7.	MR PETER CLIFFORD CHASE + MRS LESLEY CHRISTINE CHASE <CHASE ENT PL PROV FUND A/C>	600,000	0.75
8.	STATE ONE HOLDINGS PTY LTD	600,000	0.75
9.	STATE ONE EQUITIES PTY LTD	585,000	0.73
10.	WSF PTY LTD <ADH S/F A/C>	581,000	0.73
11.	BOLDBOW PTY LTD	560,000	0.70
12.	EQUITY TRUSTEES LIMITED <SGH MICRO CAP FUND A/C>	525,000	0.66
13.	BOND STREET CUSTODIANS LTD <MACQ AUST MICROCAP FUND A/C>	500,000	0.63
14.	DAVMIN PTY LTD	500,000	0.63
15.	PETO PTY LTD <THE 1953 SUPER FUND A/C>	500,000	0.63
16.	STATE ONE NOMINEES PTY LTD <SETTLEMENT A/C>	425,000	0.53
17.	MR YANKEL KONCEPOLSKI	365,000	0.46
18.	CODE NOMINEES PTY LTD <22371 A/C>	315,000	0.39
19.	AILEENDONAN INVESTMENTS PTY LTD	300,000	0.38
20.	HEMISPHERE INVESTMENT PARTNERS PTY LTD	285,000	0.36
Totals: Top 20 holders of ISSUED CAPITAL - ORD ESCROW		62,758,773	78.45
Total Remaining Holders Balance		17,241,227	21.55

Unquoted Securities (other than options issued under an Employee Share Option Plan)

Shareholder Information continued

Class	Exercise Price	Expiry Date	No. of Securities	No. of Holders	Name where holder holds 20% or more	% held
Success Options	\$0.30	24 December 2012	3,000,000	10	Sing Capital Pty Ltd	33.3%
Convertible Note	\$0.30	23 December 2012	8,000,000	1	Hudson Resources Limited	100%

Voting rights

There are no restrictions on voting rights. On a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote. Where a member holds shares which are not fully paid, the number of votes to which that member is entitled on a poll in respect of those part paid shares shall be that fraction of one vote which the amount paid up bears to the total issued price thereof. Option holders have no voting rights until the options are exercised.

List of escrowed Securities

Australian Bauxite Limited provides the following information with respect to the securities subject to escrow.

The escrow period in each case is 24 months from the date of Official Quotation of the Company's securities on the ASX.

All Options are exercisable at 30 cents within 3 years from the date of issue.

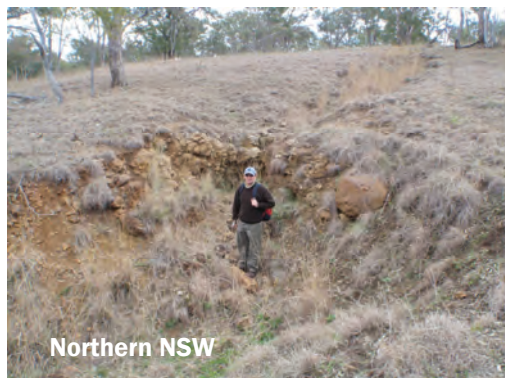
The Convertible note matures 3 years from the date of issue and has a face value of \$2.4 million convertible to shares at an issue price of 30 cents per share.

Entity	No of Securities Restricted	Security
Hudson Resources Limited	50,000,000	Fully paid ordinary shares
Hudson Resources Limited	1	Convertible Note
Peter Meers	1,000,000	ESOP options
Justevian Pty Ltd atf Justevian Superannuation Fund	2,000,000	ESOP options
Vincent Tan	1,000,000	ESOP options
Rado Jacob Rebek	1,000,000	ESOP options
Wei Huang	1,000,000	ESOP options
Eugene Loy	250,000	Success Options
State One Stockbroking Ltd	237,500	Success Options
Alan David Hill	237,500	Success Options
State One Holdings Pty Ltd <incentive a/c>	25,000	Success Options
Union Pacific Pty Ltd	250,000	Success Options
Anything Communication Pty Ltd	350,000	Success Options
Terry Carson	150,000	Success Options
Andrew White	250,000	Success Options
John Glen atf Meridian Employees Super Fund	250,000	Success Options
Sing Capital Pty Ltd	1,000,000	Success Options

TENEMENT SCHEDULE

All tenements are 100% owned by ABx through its 100% owned subsidiaries as follows:

Tenement No	Project	Units, Blocks	Size Sq km
New South Wales			
ABx1 Pty Ltd			
EL 6997	Inverell	99	297
EL 7268	Pindaroi	46	138
EL 7361	Guyra	100	300
EL 7344	Yarrowitch	93	279
ELA 3626	Merriwa	424	1,272
ABx2 Pty Ltd			
EL 7269	Windellama	90	270
EL 7279	Wingello West	7	21
EL 7357	Taralga	100	300
EL 7360	Trundle	84	252
ELA 3740	Bungonia	92	276
ELA 3774	Penrose	11	33
NSW Subtotal		1,146	3,438
Queensland			
ABx3 Pty Ltd			
EPM 17790	Hampton	112	336
EPM 17800	Red Hill	100	300
EPM 17801	Red Hill South	100	300
EPM 17830	Haden	88	264
EPM 17831	Hillgrove	89	267
EPM 18014	Binjour	50	150
QLD Subtotal		539	1,617
Tasmania			
ABx4 Pty Ltd			
EL 4/2010	Evandale	-	196
EL 5/2010	Powranna	-	228
EL 6/2010	Cleveland	-	227
EL 7/2010	Conara	-	250
EL 8/2010	Cranebrook	-	230
EL 9/2010	Bengeo	-	247
EL tba/2010	Myalla	-	91
EL tba/2010	Mawbanna	-	39
Tas Subtotal			1,508
TOTAL			6,563



Statement under ASX Listing Rule 4.10.19

From the date of admission of the Company's shares on the ASX (21 December 2009) to the date of this Annual Report, the Company has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. Expenditures have been in line with Prospectus estimates.

JORC CODE COMPLIANT PUBLIC REPORTS

The Company advises that this Annual Report contains summaries of Exploration Results and Mineral Resources as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC Code").

The following table references the location of the Code-compliant Public Reports or Public Reporting on which the summaries are based. These references can be viewed on the ASX website and the Company will provide these reports, free of charge, to any person who requests it.

Issue Date	Title of Notice as lodged with ASX
09/03/2010	Tasmanian Tenement Applications
10/02/2010	22 Million Tonnes Maiden Bauxite Resource
29/01/2010	Quarterly Activities Report
13/01/2010	UPDATE - Queensland Tenement Transfer Completed
21/12/2009	Update on tenement transfers
17/12/2009	Supplementary Prospectus
29/10/2009	ABZ - Prospectus

Qualifying statements

The information in this announcement and Appendix A that relate to Resource Estimates are based on information compiled by Ian Levy who is a member of Australian Institute of Mining and Metallurgy. Mr. Levy is a qualified geologist and is a director of Australian Bauxite Limited.

Mr. Levy has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is 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. Levy has consented in writing to the inclusion in the announcement and Appendix A of the matters based on information in the form and context in which it appears.

The information in this report that relate to exploration programs are based on information compiled by Jacob Rebek who is a member of Australian Institute of Mining and Metallurgy. Mr. Rebek is a qualified geologist and is a director of Australian Bauxite Limited.

Mr. Rebek has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is 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 has consented in writing to the inclusion in the announcement and Appendix A of the matters based on information in the form and context in which it appears.

