



AUSTRALIAN **BAUXITE** LIMITED
ASX: ABZ

Interim Financial Report for the half-year ended 30 June 2010

AUSTRALIAN **BAUXITE** LIMITED

ACN 139 494 885

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2009 and any public announcements made by Australian Bauxite Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

CORPORATE DIRECTORY

Australian Bauxite Limited

ACN 139 494 885
ABN 14 139 494 885

Registered and Corporate Office

Hudson House
Level 2
131 Macquarie Street
Sydney NSW 2000
Telephone: (02) 9251 7177
Facsimile: (02) 9251 7500
E: corporate@australianbauxite.com.au
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Board of Directors

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

Joint Company Secretary

David L Hughes
Henry Kinstlinger

Share Registry

Computershare Investor Services Pty Limited
Level 3
60 Carrington Street
Sydney NSW 2000
Telephone: 1300 137 328 (within Australia)

Auditor

K. S. Black & Co.
Level 6
350 Kent Street
Sydney NSW 2000
Telephone: (02) 8839 3000

Bankers

Australia & New Zealand Banking Group
Limited
20 Martin Place
Sydney NSW 2000
Telephone: (02) 9227 1818

St George Bank Limited
Corporate & Business Bank
Level 5, 2-14 Meredith St
Bankstown NSW 2200
Telephone: (02) 8760 8100

Lawyer

Piper Alderman
Level 23 Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000
Telephone: (02) 9253 9999

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.

Directors' Report

Your directors present their report together with the consolidated financial report of the consolidated entity, Australian Bauxite Limited (**ABx**) and its controlled entities for the half year ended 30th June 2010 and review report thereon. This report is dated 30 August 2010.

Executive Review

ABx is an emerging bauxite exploration and development company, which listed on the ASX on 21 December 2009, based on the bauxite interests of Hudson Resources Ltd which had been assembled since 2007 by well-known geologist and ABx director, Jacob Rebek. Since listing, ABx's tenement portfolio has increased from 17 to 29 tenements (at August 2010). Since the IPO some 800 holes totalling 8,250m have been drilled. At the date of this report, ABx is at least 4 months ahead of schedule. The rapid progress has created a testing and analysis backlog and results from some 500 holes are pending. ABx plans to complete its first-pass drill testing of all granted tenements by year end whilst its competitors are sidelined by socio-environmental delays so as to become Australia's most advanced independent bauxite company. Drilling results to date have confirmed or exceeded expectations. Initial results from Binjour (central QLD) in particular, displayed outstanding potential with high available alumina and low reactive silica. This material is considered to be ideal for direct shipping (DSO) to foreign or local alumina refineries and the potential for DSO exports from the tenements in southern NSW is also evident. Upgrade of resource estimations on extensions of the large Inverell (NSW) deposit are underway so as to expand upon the initial bauxite resource of 22 Mt from less than 10% of the deposit as reported in February 2010.

Since the IPO, ABx has made two placements raising a total of \$9,575,000 (before costs). ABx is well positioned, with sufficient cash reserves to manage the accelerated exploration and drilling programs planned over all its granted tenements.

Financial Performance

The net consolidated operating loss of ABx for the six months ended 30 June 2010 was \$368,377 (2009: Nil).

Cash holding of ABx at 30 June 2010 was \$4,855,076. ABx will have cash reserves in excess of \$10 million to fund its current exploration and development programs following the August funding raising.

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 |
| Ian Levy | Managing Director |
| Rado Jacob Rebek | Executive Director |
| Vincent Tan | Non-executive Director |
| Wei Huang | Non-executive Director |

Information on 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

Directors' Report (continued)

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

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.

Directors' Report (continued)

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.

Subsequent Events

On 19 July 2010, Company fully redeemed the remaining 23 December 2010 Convertible Note for 5,617,337 shares. Convertible note holder has voluntarily entered into a Restriction Agreement, whereby the shares will be restricted and held in escrow until 23 December 2011.

On 27 August 2010, ABx completed a placement of 13.50 million shares, at \$0.45 per share, raising \$6,075,000 (before costs).

At the date of this report there are no other matters or circumstances, other than noted above, which have arisen since 30 June 2010 that have significantly affected or may significantly affect:

- the operations, in financial half-year subsequent to 30 June 2010, of the Group;
- the results of those operations; or
- the state of affairs, in financial half-year subsequent to 30 June 2010, of the Group.

Directors' Report (continued)

Review of Operations

Corporate

On 29 January 2010, ABx4 Pty Ltd was incorporated as a wholly owned subsidiary of ABx. Eight explorations licences have been lodged covering an area of 1,500 sq kms.

On 10 February 2010, ABx released details of its maiden resource of gibbsite-rich bauxite at Inverell (EL 6997).

On 19 March 2010, ABx completed a placement of 10 million shares, at \$0.35 per share, to sophisticated investors, raising \$3.5 million (before costs).

On 29 March 2010, ABx5 Pty Ltd was incorporated as a wholly owned subsidiary of ABx. An exploration license was lodged in Victoria over 150 sq kms.

On 1 April 2010, the cash component of the Convertible Note held by Hudson Resources Limited (Hudson) in the amount of \$783,934 was paid.

On 28 May 2010, ABx held its first Annual General Meeting. Shareholders ratified the 10 million share placement and approved a further placement of up to 20 million shares.

Subsequent Events

On 22 July 2010, the balance of the Convertible Note held by Hudson was redeemed. 5,617,337 shares were issued upon conversion and Hudson voluntarily entered into a Restriction Agreement, whereby the Shares are restricted and held in escrow until 23 December 2011.

On 27 August 2010, ABx completed a placement of 13.50 million shares, at \$0.45 per share, to sophisticated investors, raising \$6,075,000 (before costs).

Exploration

Exploration Strategy

ABx applies 3 rigorous criteria to identify:

1. high-quality, large tonnage gibbsitic bauxite deposits,
2. located close to existing infrastructure (especially port & rail), and
3. free of socio-environmental and native title land constraints.

From some 80 bauxite discoveries, ABx only retained the 29 best bauxite project areas available so that ABx now controls the core of the East Australian Bauxite Province.

ABx's tenements are all 100% owned and free of 3rd-party royalties. The tenements are generally located on pastoral/grazing and other land not subject to native title issues. Careful attention to landowner dealings has earned their support, especially where agricultural land values are modest, often due to the infertile bauxite layer.

ABx's bauxite projects are within reasonable distance from the two large alumina refineries at Gladstone QLD, plus access to local energy sources & water, which keep open the prospect of developing own alumina refineries.

All deposits lie on surface and drilling is fast, easy and very cheap, involving RC drill holes down to typically less than 15 metres.

High Bauxite Quality

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 (120°C vs. 350°C). Iron content is typically elevated in NSW & QLD, but contrary to the contained iron in WA which presents some processing challenges due to fine nature, the form is coarse grained and in fact can deliver processing advantages when blended with high silica ore.

Thickness

Some areas are known to contain thin bauxite layers, however Inverell, Pindaroi, Binjour and Hampton have thicknesses of more than 9 metres, with drill indications that typical average thicknesses range from 4.4 to 6.3 metres. This is relatively thick, high quality bauxite. The Tasmanian tenements have yet to be drill-tested. If they can match the thicknesses seen elsewhere, they will prove to be a very significant discovery.

Directors' Report (continued)

Land Access

This major bauxite drilling program is proceeding without interruption and with a 100% approval by landholders of the drill site rehabilitation work done by the ABx field crew. Landholder support has been positive in all areas.

Because ABx is not limited to one or two project areas it is able to avoid land access risks such as native title, local landholder resistance or environmental legislation.

Tenement Status

Tenements are 100% in good standing.

Maiden JORC Resource

On 10 February 2010, ABx announced a 22 million tonnes maiden JORC resource at Inverell, NSW from drill testing only 10% of the identified bauxite deposit.

| 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

Several additional deposits, many times larger than the maiden resource area have also been identified. A resource target for Inverell has been set between 200 and 300 million tonnes.

Tasmanian Applications

On 9 March 2010, ABx announced that it had lodged eight (8) new exploration tenement applications in Tasmania totalling 1,441 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.

Victorian Application

Bauxite prospective areas in Victoria identified - West Gippsland exploration application lodged over 152 sq kms.

On 12 April 2010, ABx commenced its 2010 drilling programme - a first pass reconnaissance-drilling program over all its granted tenements.

INVERELL EL 6997

10km N of Inverell, northern NSW

Holes drilled: 162

Holes with bauxite: 115 (71% hit rate)

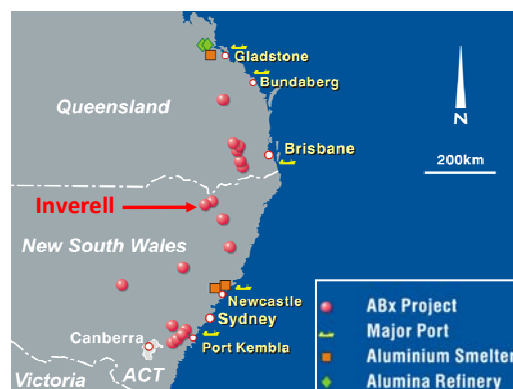
Average bauxite thickness: 4.8 metres (up to 9.4 metres)

Total drilling completed at Inverell in 2009 and 2010 is 280 drill-holes totalling 3,400 metres.

A thick bauxite intercept of 9.4 metres has been encountered in the 2010 drilling campaign – a similar result to the 9.5 metres maximum thickness encountered in the 2009 drill campaign at the southern end of the tenement.

Drilling in the initial resource area encountered a remarkably uniform bauxite layer typically 3.5 to 9 metres thick with less than 1 metre of overburden. Most of this very thick deposit lies at surface with no overburden.

Bauxite grades to date from initial holes sent for early analysis:



Directors' Report (continued)

| Hole | From m | To m | Metres m | Sieved at 0.26mm | | | | | | | Recovery % +0.26mm | |
|-------|-----------|---------|-------------|------------------|-----------|-------|---------|--------|------|---------|-----------------------|-------|
| | | | | Al2O3avl % | Rx SiO2 % | aA/Sx | Al2O3 % | SiO2 % | A/S | Fe2O3 % | | LOI % |
| NR202 | 0 | 5 | 5 | 39.8 | 2.4 | 17.2 | 44.8 | 3.5 | 13.2 | 23.6 | 24.6 | 47 |
| NR215 | 0 | 9 | 9 | 34.2 | 4.9 | 9.0 | 39.7 | 6.9 | 7.8 | 28.5 | 20.1 | 47 |
| NR221 | 0 | 6 | 6 | 30.1 | 2.4 | 19.9 | 37.0 | 4.0 | 15.0 | 34.5 | 19.6 | 59 |
| NR225 | 0 | 7 | 7 | 35.5 | 3.8 | 16.3 | 41.0 | 4.4 | 14.0 | 27.8 | 22.7 | 66 |
| NR232 | 0 | 8 | 8 | 36.6 | 1.7 | 24.2 | 40.5 | 2.3 | 19.1 | 29.1 | 23.6 | 63 |
| NR321 | 0 | 5 | 5 | 32.6 | 2.9 | 11.3 | 36.9 | 4.1 | 8.9 | 31.1 | 23.2 | 58 |
| NR337 | 0 | 5 | 5 | 32.4 | 2.2 | 17.6 | 36.5 | 3.2 | 12.4 | 33.0 | 22.5 | 59 |
| NR342 | 3 | 6 | 3 | 30.3 | 3.9 | 7.9 | 35.1 | 4.7 | 7.5 | 32.6 | 22.0 | 71 |
| NR338 | 0 | 4 | 4 | 24.6 | 2.7 | 10.9 | 29.1 | 4.0 | 7.5 | 43.3 | 19.8 | 50 |

* Leach conditions to measure available Avl Al₂O₃ & reactive SiO₂ rx were 1g leached in 10ml of 90gpl NaOH at 143 degrees C for 30 mins.

"aA/Sx" ratio is (Available Al₂O₃)/(Reactive SiO₂). "A/S" ratio is (Total Al₂O₃)/(Total SiO₂). Values above 10 are excellent

These results come mainly from a portion of the central part of the main Inverell deposit and are consistent with the results used for estimation of the 22 million tonne Maiden Resource which was based on 118 drill holes drilled in 2009 in a portion of the southern part of that main Inverell deposit. The combined areas drilled to date represent less than 15% of known bauxite deposits in the Inverell tenement.

Results at Inverell are confirming that the main deposits have the shape and high degree of consistency that was originally interpreted for these deposits. Barring any unexpected surprises in the assay results, which are still awaited, the Inverell deposits are relatively consistent and very extensive.

Inverell is now moving into a resource estimation stage. A resource estimation upgrade work commenced in late July for the newly drilled parts of the deposit.

On 24 June 2010, the Department of Industry and Investment approved a 780 hole drilling program at Inverell, following submission of a Review of Environmental Factors. The approval is for 3 years.

A major resource-drilling program is considered the likely next step for this substantial bauxite resource area.

PINDAROI EL 7268

15km NE of Inverell, northern NSW

Holes drilled: 18

Holes with bauxite: 12 (67% hit rate)

Average bauxite thickness: 5.9 metres (up to 12 metres)

Pindaroi is situated 5 km from the Inverell deposit and has potential for very large tonnages with average bauxite thickness of 5.9m. The thickest bauxite intercept of 12 metres is quite remarkable and the fact that this is the same maximum thickness that was estimated from detailed mapping is considered encouraging.

Bauxite grades to date from initial holes sent for early analysis:



Directors' Report (continued)

| Hole | From m | To m | Metres m | Sieved at 0.26mm | | | | | | | | Recovery % |
|-------|-----------|---------|-------------|------------------|-----------|-------|---------|--------|-----|---------|-------|------------|
| | | | | Al2O3avl % | Rx SiO2 % | aA/Sx | Al2O3 % | SiO2 % | A/S | Fe2O3 % | LOI % | +0.26mm |
| PR005 | 0 | 5 | 5 | 26.6 | 7.3 | 3.7 | 36.1 | 8.6 | 4.2 | 29.4 | 21.0 | 72 |
| PR013 | 0 | 10 | 10 | 30.9 | 5.4 | 6.9 | 38.8 | 6.4 | 7.0 | 27.4 | 21.9 | 67 |
| PR015 | 0 | 5 | 5 | 36.3 | 5.1 | 8.2 | 42.8 | 5.7 | 8.4 | 23.4 | 23.5 | 61 |

* Leach conditions to measure available Avl Al₂O₃ & reactive SiO₂ rx were 1g leached in 10ml of 90gpl NaOH at 143 degrees C for 30 mins.

"aA/Sx" ratio is (Available Al₂O₃)/(Reactive SiO₂). "A/S" ratio is (Total Al₂O₃)/(Total SiO₂). Values above 10 are excellent

The results from this preliminary first-pass drilling have confirmed the observation that extensive surface areas of bauxite extended to depth. However, because this was the first drill testing of Pindaroi, it is too early to predict the future developments at Pindaroi and the next likely step is second-pass infill drilling to assess continuity of thickness and grades which will be carried out during 2011.

BINJOUR EPM 18014
170km SW of Bundaberg QLD

Holes drilled: 115

Holes with bauxite: 90 (78% hit rate)

Average bauxite thickness: 6.3 metres (up to 15 metres)

During exploration, an area of several square kilometres was discovered on the Binjour plateau that has a good quality bauxite layer concealed beneath a soft, free-digging overburden layer.

An encouraging thickness of a concealed bauxite layer up to 15 metres thick was encountered and two stages of drilling were completed in July.



Bauxite grades to date from initial holes sent for early analysis:

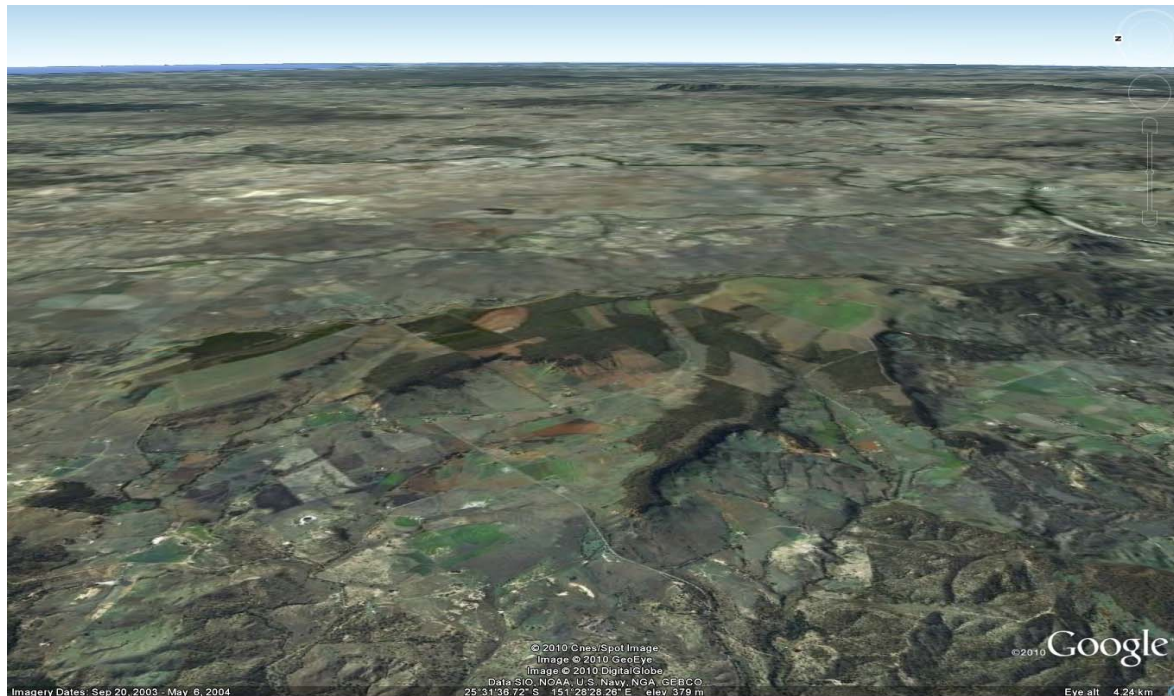
| Hole | From m | To m | Metres m | Sieved at 0.26mm | | | | | | | Recovery % | |
|-------|-----------|---------|-------------|------------------|-----------|-------|---------|--------|------|---------|------------|---------|
| | | | | Al2O3avl % | Rx SiO2 % | aA/Sx | Al2O3 % | SiO2 % | A/S | Fe2O3 % | LOI % | +0.26mm |
| BJ033 | 10 | 19 | 9 | 50.5 | 1.2 | 50.5 | 53.1 | 1.3 | 47.9 | 13.1 | 29.2 | 60 |
| BJ006 | 7 | 12 | 5 | 38.7 | 1.2 | 38.0 | 41.4 | 1.5 | 31.2 | 29.6 | 23.6 | 71 |
| BJ057 | 6 | 11 | 5 | 32.7 | 4.0 | 9.1 | 39.1 | 4.5 | 9.7 | 30.4 | 22.2 | 71 |
| BJ009 | 9 | 12 | 3 | 23.0 | 5.0 | 5.2 | 30.0 | 5.9 | 5.6 | 42.3 | 17.9 | 62 |
| BJ015 | 11 | 13 | 2 | 28.9 | 6.9 | 4.4 | 38.4 | 7.8 | 5.1 | 26.7 | 21.2 | 56 |

* Leach conditions to measure available Avl Al₂O₃ & reactive SiO₂ rx were 1g leached in 10ml of 90gpl NaOH at 143 degrees C for 30 mins.

"aA/Sx" ratio is (Available Al₂O₃)/(Reactive SiO₂). "A/S" ratio is (Total Al₂O₃)/(Total SiO₂). Values above 10 are excellent

Directors' Report (continued)

Early assays indicate high qualities with high available alumina and very low reactive silica. An average bauxite thickness of 6.3m also indicates potential for a large tonnage deposit. Holes BJ 033, 006 and 057 are from that area which will be investigated in subsequent drilling. Several hundred laboratory results are pending from other holes.



Bauxite at Binjour is unexpectedly extensive over a wide and diverse area, thus justifying the expansion in drilling strategy to begin mapping out the thicker zones and zones of better grades. Several new targets are now being investigated so as to better define drilling targets for 2011.

Binjour has the potential to be a project worthy of early development.

HAMPTON EPM 17790
20km N of Toowoomba QLD

Holes drilled: 136
Holes with bauxite: 56 (41% hit rate)
Average bauxite thickness: 5.9 metres (up to 13 metres)

The Geham deposit is a relatively consistent bauxite layer whilst Pechey deposit has two layers. Results at Pechey and Geham in the Hampton EPM tenement area in southern Queensland have confirmed that Pechey deposit and Geham deposits combined may contain a large tonnage of bauxite.

Bauxite grades to date from initial holes sent for early analysis:



| Hole | From m | To m | Metres m | Sieved at 0.26mm | | | | | | | | Recovery % |
|-------|-----------|---------|-------------|------------------|-----------|-------|---------|--------|------|---------|-------|------------|
| | | | | Al2O3avl % | Rx SiO2 % | aA/Sx | Al2O3 % | SiO2 % | A/S | Fe2O3 % | LOI % | +0.26mm |
| HM036 | 0 | 8 | 8 | 35.1 | 4.5 | 13.4 | 42.6 | 5.6 | 11.8 | 24.4 | 22.5 | 51 |
| HM042 | 1 | 4 | 3 | 32.5 | 4.1 | 8.7 | 39.6 | 5.1 | 8.1 | 28.2 | 20.9 | 40 |
| HM002 | 1 | 3 | 2 | 34.8 | 5.4 | 6.6 | 41.3 | 6.5 | 6.4 | 26.7 | 19.7 | 49 |
| HM003 | 1 | 12 | 11 | 32.2 | 4.9 | 8.3 | 39.4 | 5.9 | 7.9 | 28.4 | 20.1 | 36 |
| HM035 | 0 | 9 | 9 | 32.5 | 5.5 | 8.6 | 40.4 | 6.4 | 7.9 | 27.4 | 20.5 | 51 |
| HM041 | 1 | 9 | 8 | 35.3 | 3.3 | 18.8 | 41.5 | 4.0 | 14.3 | 27.2 | 22.2 | 62 |

* Leach conditions to measure available Avl Al₂O₃ & reactive SiO₂ rx were 1g leached in 10ml of 90gpl NaOH at 143 degrees C for 30 mins.

"aA/Sx" ratio is (Available Al₂O₃)/(Reactive SiO₂). "A/S" ratio is (Total Al₂O₃)/(Total SiO₂). Values above 10 are excellent.

Directors' Report (continued)

Early results indicate high quality and very good consistency with 6 holes reporting greater than 32% available alumina and less than 5.5% reactive silica. These early results pertain to the Pechey deposit only while results from the Geham deposit are pending.

HADEN EPM 17830

40km N of Toowoomba QLD

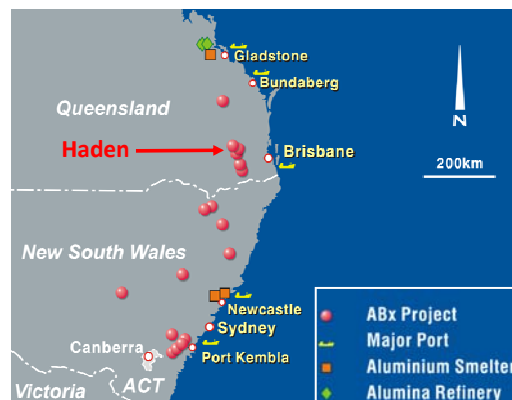
Holes drilled: 39

Holes with bauxite: 23 (59% hit rate)

Average bauxite thickness: 4.4 metres (up to 9 metres)

A new deposit colloquially called "Steam Engine" has recently been discovered near Haden, 15kms to the northwest of the Pechey-Geham deposits at Hampton. The new deposit averages 3 to 5 metres thick and appears a consistent style of bauxite, more akin to Inverell bauxite than to Hampton styled bauxite.

Bauxite grades from initial holes sent for early analysis are still awaited. The deposit extends over a wide area and will be explored by surface mapping prior to its next phase of drilling.



Directors' Report (continued)

JORC Code Compliant Public Reports

The Company advises that this Half-Yearly 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").

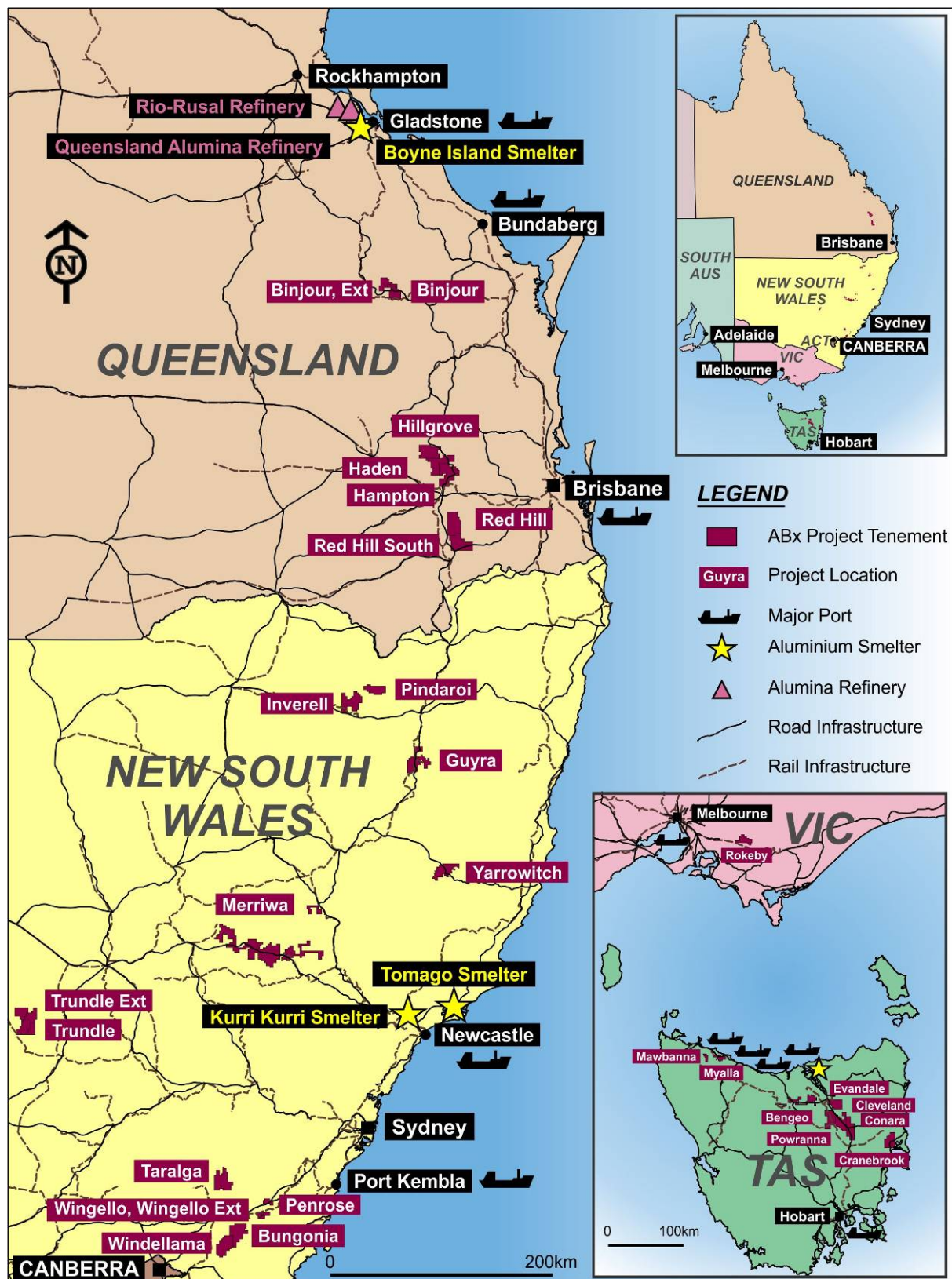
The following table references the location of the Code-compliant Public Reports or Public Reporting on which the summaries are based. These references can be viewed on the ASX website and the Company will provide these reports, free of charge, to any person who requests it.

| Issue Date | Title of Notice as lodged with ASX |
|------------|---|
| 30/07/2010 | Quarterly Activities Report (June 2010) |
| 08/07/2010 | Amended ABZ Drill Update |
| 26/05/2010 | ABZ Drilling Update |
| 22/04/2010 | Quarterly Activities Report (March 2010) |
| 09/03/2010 | New Bauxite Exploration Tenements |
| 10/02/2010 | 22 Million Tonnes Maiden Bauxite Resource |
| 29/01/2010 | Quarterly Activities Report (December 2009) |
| 13/01/2010 | Update - Queensland Tenement Transfer Completed |

ABx Tenements at 31 August 2010

| Licence No | Project | Size Sq km |
|------------------------|-------------------|------------|
| New South Wales | | |
| ABx1 Pty Ltd | | |
| EL 6997 | Inverell | 297 |
| EL 7268 | Pindaroi | 138 |
| EL 7361 | Guyra | 300 |
| EL 7344 | Yarrowitch | 279 |
| ELA 3626* | Merriwa | 1,272 |
| ABx2 Pty Ltd | | |
| EL 7269 | Windellama | 270 |
| EL 7279 | Wingello West | 21 |
| ELA 4038* | Wingello Extended | 39 |
| EL 7357 | Taralga | 300 |
| EL 7360 | Trundle | 252 |
| ELA 4024** | Trundle Extension | 228 |
| EL 7601 | Bungonia | 276 |
| EL 7546 | Penrose | 33 |
| | | 3,705 |
| Queensland | | |
| ABx3 Pty Ltd | | |
| EPM 17790 | Hampton | 336 |
| EPM 17800 | Red Hill | 300 |
| EPM 17801 | Red Hill South | 300 |
| EPM 17830 | Haden | 264 |
| EPM 17831 | Hillgrove | 267 |
| EPM 18014 | Binjour | 150 |
| EPMA 18772** | Binjour Extension | 123 |
| | | 1,740 |
| Tasmania | | |
| ABx4 Pty Ltd | | |
| EL 4/2010** | Evandale | 197 |
| EL 5/2010** | Powranna | 234 |
| EL 6/2010** | Cleveland | 209 |
| EL 7/2010** | Conara | 238 |
| EL 8/2010** | Cranbrook | 220 |
| EL 9/2010** | Deloraine | 224 |
| EL 14/ 2010** | Myalla | 80 |
| EL 13/2010** | Mawbanna | 39 |
| | | 1,441 |
| Victoria | | |
| ABx5 Pty Ltd | | |
| EL 5279 | Rokeby | 153 |
| | | 153 |
| | | 7,039 |
| * Offer | | accepted |
| ** Application pending | | |

Directors' Report (continued)



ABx Project Tenements

Auditor's Independence Declaration

A copy of the independence declaration by the lead auditor under section 307C is included on page 13 of this half year financial report.

Signed in accordance with a resolution of the Directors:

A handwritten signature in blue ink, appearing to read 'Ian Levy'.

Ian Levy
Managing Director

A handwritten signature in black ink, appearing to read 'Peter J Meers'.

Peter J Meers
Director/Chairman

Sydney
30 August 2010

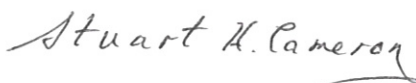
AUDITORS INDEPENDENCE DECLARATION TO THE DIRECTORS OF AUSTRALIAN BAUXITE LIMITED

As lead auditor for the review of Australian Bauxite Limited for the half-year ended 30 June 2010, 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 review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

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

KS Black & Co
Chartered Accountants



Stuart Cameron
Partner

Sydney; 30/8/10



INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Australian Bauxite Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Australian Bauxite Limited, which comprises the consolidated statement of financial position as at 30 June 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration (in order for the disclosing entity to lodge the half-year financial report with the Australian Securities and Investments Commission).

Directors' Responsibility for the Half-year Financial Report

The directors of the disclosing entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the disclosing entity's financial position as at 30 June 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Australian Bauxite Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

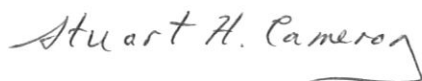
In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001 would be in the same terms if it had been given to the directors at the time that this auditor's review report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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Australian Bauxite Limited is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the disclosing entity's financial position as at 30 June 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial reporting and Corporations Regulation 2001.

KS Black & Co
Chartered Accountants

A handwritten signature in cursive script that reads "Stuart H. Cameron". The signature is written in dark ink and has a fluid, connected style.

Stuart Cameron
Partner

Sydney; 30/8/10

Declaration by Directors

The Directors of the Company declare that:

1. The financial statements and notes, set out on pages 17 to 28, are in accordance with the *Corporations Act 2001*, and:
 - i give a true and fair view of the financial position of the consolidated entity as at 30 June 2010 and of its performance for the half-year ended on that date; and
 - ii comply with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.
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.

Signed in accordance with a resolution of the Directors:



Ian Levy
Managing Director



Peter J Meers
Director/Chairman

Sydney
30 August, 2010

Statement of Comprehensive Income for the Half-Year Ended 30 June 2010

| | | Consolidated | |
|--|-------------|---------------------|--------------------|
| | Note | 30 Jun 2010 | 30 Jun 2009 |
| | | \$ | \$ |
| Revenue | | - | - |
| Other income | 3 | 140,358 | - |
| Administration expenses | | (442,633) | - |
| Finance expenses | 3 | (66,102) | - |
| PROFIT/(LOSS) FROM OPERATIONS BEFORE INCOME TAX EXPENSE | | (368,377) | - |
| Income tax expense | | - | - |
| NET PROFIT/(LOSS) FOR THE PERIOD | | (368,377) | - |
| Other Comprehensive Income | | - | - |
| Other comprehensive income before income tax | | - | - |
| Income tax expenses | | - | - |
| Other comprehensive income for the period | | - | - |
| TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD | | (368,377) | - |
| EARNINGS PER SHARE | | Cents | Cents |
| Basic earnings/(losses) per share (cents per share) | | (0.49) | - |
| Diluted earnings/(losses) per share (cents per share) | | (0.42) | - |

This Statement of Comprehensive Income is to be read in conjunction with the notes to the interim financial report.

Statement of Financial Position as at 30 June 2010

| | | Consolidated | |
|--|-------------|---------------------|--------------------|
| | Note | 30 Jun 2010 | 31 Dec 2009 |
| | | \$ | \$ |
| Current assets | | | |
| Cash and cash equivalents | 4 | 4,855,076 | 3,517,895 |
| Trade and other receivables | | 222,108 | 38,406 |
| Others | | 120,416 | - |
| Total current assets | | 5,197,600 | 3,556,301 |
| Non-current assets | | | |
| Plant and equipment | 5 | 50,449 | - |
| Exploration and evaluation expenditure and tenement interest | 6 | 3,024,310 | 2,400,000 |
| Total non-current assets | | 3,074,759 | 2,400,000 |
| Total assets | | 8,272,359 | 5,956,301 |
| Current liabilities | | | |
| Trade and other payables | | 179,222 | 27,186 |
| Employee benefits provision | | 2,689 | - |
| Accruals and provision | | 8,050 | - |
| Other liabilities | 7 | 1,685,201 | - |
| Total current liabilities | | 1,875,162 | 27,186 |
| Non-current liabilities | | | |
| Employee benefits provision | | 1,367 | - |
| Other liabilities | 7 | - | 2,400,000 |
| Total non-current liabilities | | 1,367 | 2,400,000 |
| Total liabilities | | 1,876,529 | 2,427,186 |
| Net assets | | 6,395,830 | 3,529,115 |
| Equity | | | |
| Issued capital | 8 | 6,635,042 | 3,399,950 |
| Reserves | | 499,800 | 499,800 |
| Accumulated losses | | (739,012) | (370,635) |
| Total equity | | 6,395,830 | 3,529,115 |

This Statement of Financial Position is to be read in conjunction with the notes to the interim financial report.

Statement of Changes in Equity for the Half-Year Ended 30 June 2010

| | Note | Issued Capital \$ | Options Reserve \$ | (Accumulated Losses) \$ | Total Equity \$ |
|---------------------------------------|------|-------------------------|--------------------------|-------------------------------|-------------------------|
| Consolidated | | | | | |
| Balance at 1 July 2009 | | - | - | - | - |
| Contributions of equity, net of costs | | 3,399,950 | - | - | 3,399,950 |
| Options issued | | - | 499,800 | - | 499,800 |
| Loss for the period | | - | - | (370,635) | (370,635) |
| Balance at 31 December 2009 | | <u>3,399,950</u> | <u>499,800</u> | <u>(370,635)</u> | <u>3,529,115</u> |
| | | | | | |
| Consolidated | | | | | |
| At 31 December 2009 | | 3,399,950 | 499,800 | (370,635) | 3,529,115 |
| Shares placement, net of costs | 8 | 3,235,092 | - | - | 3,235,092 |
| Profit/(Loss) for the period | | - | - | (368,377) | (368,377) |
| At 30 June 2010 | | <u>6,635,042</u> | <u>499,800</u> | <u>(739,012)</u> | <u>6,395,830</u> |

This Statement of Changes in Equity is to be read in conjunction with the notes to the interim financial report.

Statement of Cash Flow for the Half-Year Ended 30 June 2010

| | Notes | Consolidated | |
|---|-------|--------------------|-------------|
| | | 30 Jun 2010 | 30 Jun 2009 |
| | | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Interest received | | 69,943 | - |
| Payment for exploration and evaluation expenditures | | (752,632) | - |
| Payments for administration expenses | | (449,176) | - |
| NET CASH FLOWS USED IN OPERATING ACTIVITIES | | (1,131,865) | - |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payment for tenements | | - | - |
| Payments for property, plant and equipment | | (51,247) | - |
| NET CASH FLOWS USED IN INVESTING ACTIVITIES | | (51,247) | - |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from share issues/placements, net of issue costs | | 3,235,092 | - |
| Repayment of convertible note | | (714,799) | - |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | | 2,520,293 | - |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 1,337,181 | - |
| Cash and cash equivalents at the beginning of the reporting period | | 3,517,895 | - |
| CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD | 4 | 4,855,076 | - |

This Statement of Cash Flow is to be read in conjunction with the notes to the interim financial report.

Notes to the Financial Statements for the Half-Year Ended 30 June 2010

1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

Reporting Entity

Australian Bauxite Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 30 June 2010 comprises the Company and its subsidiaries (together referred to as the "consolidated entity").

Statement of Compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

This consolidated interim financial report was approved by the Board of Directors on 30 August, 2010.

Estimates

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the interim financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

a Basis of preparation

Statement of Compliance

This general purpose financial report has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*.

Historical cost convention

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

b Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Australian Bauxite Limited ("parent entity") as at 30 June 2010 and the results of all subsidiaries for the period then ended.

Subsidiaries are all those entities over which the parent entity 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 parent entity controls another entity.

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

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

Intercompany transactions, balances and unrealised gains on transactions between consolidated entity entities 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 consolidated entity.

Notes to the Financial Statements for the Half-Year Ended 30 June 2010 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

d Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. 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 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. 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.

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

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.

Notes to the Financial Statements for the Half-Year Ended 30 June 2010 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Cash and cash equivalents

For the purpose of the Statement of Cash Flow, 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.

h Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 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 consolidated entity will not be able to collect all amounts due according to the original terms of receivables.

i Acquisition of assets

The purchase method of accounting is used to account for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

j 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 are written off 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 amortized 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.

Costs associated with the development of resources are expensed as incurred if their recoverability is unlikely or unable to be determined.

k 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).

Notes to the Financial Statements for the Half-Year Ended 30 June 2010 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of 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), provision will be made in the accounting period when the related disturbance occurs, based on the net present value of estimated future costs.

n 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 consolidated entity 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.

o 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.

Notes to the Financial Statements for the Half-Year Ended 30 June 2010 (Continued)

3 REVENUE AND EXPENSES

Specific Items

Profit/(loss) before income tax expense/(benefit) includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the consolidated entity:

| | Consolidated | |
|---------------------------|---------------------|--------------------|
| | 30 Jun 2010 | 30 Jun 2009 |
| | \$ | \$ |
| Other income | | |
| Interest income | 140,358 | - |
| Finance expenses | | |
| Convertible note interest | 63,630 | - |
| Depreciation | 798 | - |
| Other | 1,674 | - |
| | 66,102 | - |

4 CASH AND CASH EQUIVALENTS

| | Consolidated | |
|--|---------------------|--------------------|
| | 30 Jun 2010 | 31 Dec 2009 |
| | \$ | \$ |
| Cash at bank and on hold | 4,665,076 | 3,517,895 |
| Security deposits in issuing bank guarantees | 190,000 | - |
| | 4,855,076 | 3,517,895 |

Notes to the Financial Statements for the Half-Year Ended 30 June 2010 (Continued)

5 PLANT AND EQUIPMENT

| | Consolidated | |
|---|---------------------|--------------------|
| | 30 Jun 2010 | 31 Dec 2009 |
| | \$ | \$ |
| Plant, vehicle and equipment | | |
| Plant, vehicle and equipment - at cost | 51,247 | - |
| Accumulated depreciation | (798) | - |
| Total plant, vehicle and equipment - carrying amount | 50,449 | - |

Reconciliations

Reconciliations of the carrying amount of each class of plant, vehicle and equipment at the beginning and end of the current reporting period are set out below.

| | Vehicle | Computer Equipment | Office Equipment | Total |
|--|----------------|-------------------------------|-----------------------------|---------------|
| | \$ | \$ | \$ | \$ |
| Cost | | | | |
| Balance at beginning of the period | - | - | - | - |
| Addition | 42,753 | 6,627 | 1,867 | 51,247 |
| Disposal | - | - | - | - |
| Balance at end of the period | 42,753 | 6,627 | 1,867 | 51,247 |
| Accumulated Depreciation | | | | |
| Balance at beginning of the period | - | - | - | - |
| Depreciation charged for the period | 305 | 443 | 50 | 798 |
| Disposal | - | - | - | - |
| Balance at end of the the period | 305 | 443 | 50 | 798 |
| Net book value as at 30 June 2010 | 42,448 | 6,184 | 1,817 | 50,449 |
| Net book value as at 31 Dec 2009 | - | - | - | - |

Notes to the Financial Statements for the Half-Year Ended 30 June 2010 (Continued)

6 EXPLORATION AND EVALUATION EXPENDITURE AND TENEMENT INTEREST

| | Consolidated | |
|--------------------------------------|---------------------|--------------------|
| | 30 June 2010 | 31 Dec 2009 |
| | \$ | \$ |
| Project tenements - acquisition cost | 2,400,000 | 2,400,000 |
| Capitalised exploration expenditures | 624,310 | - |
| | 3,024,310 | 2,400,000 |

The ultimate recoupment of costs carried forward for exploration and evaluation assets is dependent on the successful development and commercial exploration or sale of the respective areas.

7 OTHER LIABILITIES

| | Consolidated | |
|-----------------------------|---------------------|--------------------|
| | 30 Jun 2010 | 31 Dec 2009 |
| | \$ | \$ |
| Current | | |
| 3 years 6% convertible note | 2,400,000 | - |
| Repayment | (714,799) | - |
| | 1,685,201 | - |
| Non-current | | |
| 3 years 6% convertible note | - | 2,400,000 |

3 years 6% \$2,400,000 convertible note is re-classified as current as the convertible note was fully redeemed and converted to shares in July 2010.

8 ISSUED CAPITAL

| | Consolidated | | Consolidated | |
|------------------------------------|---------------------|--------------------|---------------------|--------------------|
| | 30 June 2010 | 31 Dec 2009 | 30 June 2010 | 31 Dec 2009 |
| | Shares | Shares | \$ | \$ |
| Ordinary Shares | | | | |
| Issued and fully paid | 80,000,000 | 70,000,000 | 6,635,042 | 3,399,950 |
| Movements during the period | | | | |
| Balance at beginning of the period | 70,000,000 | 50,000,000 | 3,399,950 | - |
| Capital raising – IPO | - | 20,000,000 | - | 4,000,000 |
| Share placement at 35c per share | 10,000,000 | - | 3,500,000 | - |
| Share issue costs | - | - | (264,908) | (600,050) |
| Balance at the end of the period | 80,000,000 | 70,000,000 | 6,635,042 | 3,399,950 |

Notes to the Financial Statements for the Half-Year Ended 30 June 2010 (Continued)

9 CONTINGENT ASSETS AND LIABILITIES

There are no other recorded contingent assets and liabilities as at the date of this report. No deficiency of assets exists in the consolidated entity as a whole. No material losses are anticipated in respect of any of the above contingent liabilities.

10 COMMITMENTS

Commitment - exploration expenditure

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 \$1,000,000 per annum.

Commitment 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 secreterial 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 Directors 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 year 2010.

11 SEGMENT REPORTING

The consolidated entity operates one business being the mining and exploration of coal, minerals and related development projects in Australia.

12 EVENTS SUBSEQUENT TO BALANCE DATE

On 19 July 2010, Company fully redeemed the remaining 23 December 2010 Convertible Note for 5,617,337 shares. Convertible note holder has voluntarily entered into a Restriction Agreement, whereby the shares will be restricted and held in escrow until 23 December 2011.

On 27 August 2010, ABx completed a placement of 13.50 million shares, at \$0.45 per share, raising \$6,075,000 (before costs).

At the date of this report there are no other matters or circumstances, other than noted above, which have arisen since 30 June 2010 that have significantly affected or may significantly affect:

- the operations, in financial half-year subsequent to 30 June 2010, of the Group;
- the results of those operations; or
- the state of affairs, in financial half-year subsequent to 30 June 2010, of the Group.