



AUSTRALIAN **BAUXITE** LIMITED

ASX: ABZ

Term sheet agreement with preferred supportive offtake partner to fully-fund first two bauxite projects

Australian Bauxite Limited (ASX: ABZ) (**ABx**) and the major Chinese aluminium company, Xinfu Group (**Xinfu**) have executed a term sheet with respect to two State-Significant bauxite projects and have commenced an exclusive negotiation and due diligence period (**Exclusivity Period**) to finalise formal agreements.

Commercial terms have been agreed between ABx and Xinfu with respect to the early development and operation of the Tasmanian and Goulburn South bauxite projects (**Projects**). The two companies will also share information concerning the prospective Binjour project in Queensland.

A data room was established and publically announced in December 2012. All participants executed confidentiality agreements and were given access to a database and field visits. The data room is now closed during the Exclusivity Period with Xinfu.

Preparation of the Mining Lease Application for ABx's first mine in Tasmania is well underway, with the expectation that mining will commence in the second half of 2014.

MOU and Due Diligence

Xinfu will pay \$500,000 by 8 April 2013 as an exclusivity payment (**Exclusivity Payment**) for a five-month due diligence period to 31 August. The Exclusivity Period can extend to a maximum of 9 months through an additional payment by Xinfu of \$100,000 per month for each month beyond August.

An MOU is to be executed at the end of the Exclusivity Period, at which time Xinfu will pay an additional \$2 million for a 5.8% equity in ABx through the issue of 6.58 million shares at \$0.38 per share. The Exclusivity Payment will fully convert to shares as part of this placement.

The \$500,000 Exclusivity Payment is half-convertible to 657,900 shares in the event Xinfu elects not to proceed. These shares will be escrowed until 31 December 2015.

In the event that ABx elects not to proceed after the Exclusivity Period, ABx will, at Xinfu's election, either pay a \$250,000 termination fee to Xinfu or issue Xinfu with 657,900 shares, escrowed until 31 December 2015.

Negotiations concluding in an MOU are to be conducted under the principal of mutual benefit.

Ian Levy, CEO and MD commented; "This partnership combines the discovery skills of ABx with the financial and operational strengths of Xinfu in the bauxite-alumina-aluminium business so that new export businesses can be created both in Tasmania and southern New South Wales, Australia.

"As supportive offtake partner, Xinfu will greatly reduce market risk for our first two projects, especially in the early years whilst each project establishes consistent production.

"The plan is for our Tasmania project to be the first new bauxite mine in Australia for more than 35 years. Bauxite shipments are planned to commence in the second half of 2014 when the bauxite market is expected to be favourable as Indonesian exports of our type of low-temperature, gibbsite-rich bauxite are reduced and Indonesian export taxes are increased from 20% to 50%."

Zhang Gang, Chairman Xinfu Group commented; "Xinfu has operated bauxite mines in China, Indonesia and Fiji to supply low-temperature bauxite to Xinfu's low-temperature alumina refinery in Shandong, which in turn, supplies alumina to Xinfu's several large aluminium smelters across China.

"Additional production from Australia has been an objective for Xinfu and it is hoped that bauxite projects in Tasmania and Goulburn South can be successfully developed."

AUSTRALIAN **BAUXITE** LIMITED

ACN 139 494 885

Level 2 Hudson House 131 Macquarie Street Sydney NSW 2000

t: +61 2 9251 7177

f: +61 2 9251 7500

w: australianbauxite.com.au

e: corporate@australianbauxite.com.au



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Agreed Commercial Terms

1. Xinha is to acquire a 50% interest in the Projects through:
 - a. funding all pre-production costs for the first mine of each project including due diligence costs, evaluation costs, feasibility studies costs, lease payments, project development-construction costs and working capital (**Development Costs**);
 - b. providing marketing management with ABx management participation;
 - c. taking at least 50% of bauxite production from the Projects (see 3 below); and,
 - d. taking up to 100% of bauxite production from the Projects if requested by ABx.
2. ABx will:
 - a. provide Australian project management together with Xinha senior management participation;
 - b. manage and operate exploration activities over the project areas;
 - c. manage statutory and government relations;
 - d. manage land and tenement administration;
 - e. repay its proportion of Development Costs through an agreed mechanism that ensures ABx will receive a positive cashflow whilst repaying its proportion of Development Costs (see 3a. below).
3. Until ABx has repaid its proportion of Development Costs, Xinha will have the right to:
 - a. Continue with its 50% interest in the Project and elect each year to take and market an additional 20% of production by a payment of costs and outgoings plus US\$5 per tonne for the additional 20% of tonnage. Profit earned by Xinha from this additional 20% of tonnage will reduce ABx's outstanding proportion of Development Costs.
 - b. Take a 70% interest in the Project by purchasing 20% equity in the Project for a payment per tonne of identified bauxite resources at the time of purchase plus the forgiveness of any outstanding ABx proportion of Development Costs. Should resources increase in future, Xinha will pay ABx a further payment per tonne of the additional 20% of increased bauxite tonnages, payable when shipped.
4. Xinha has the right to first negotiation for other ABx projects including the Binjour Project.

For further information please contact:

Ian Levy, CEO and MD
Australian Bauxite Limited
Telephone: +61 2 9251 7177



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About Australian Bauxite Limited: ASX Code ABZ

Australian Bauxite Limited (**ABx**) holds the core of the newly discovered Eastern Australian Bauxite Province. Its 42 bauxite tenements in Queensland, NSW and Tasmania covering 7,537 km² were rigorously selected on 3 principles:

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

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

The company's bauxite is high quality and can be processed into alumina at low temperature – the type that is in short-supply globally. **Global resources declared to date total 115.6 million tonnes.** At the company's first drilling prospect in Inverell, northern NSW, a resource of 38.0 million tonnes¹ has been reported from drilling 35% to 40% of the area prospective for bauxite and a resource of 37.9 million tonnes² of bauxite has been reported at the Taralga project in southern NSW. A 6.0 million tonnes³ maiden resource was declared at Guyra. A 24.5 million tonnes⁴ resource has been declared at the Binjour Plateau in central QLD, confirming that ABx has discovered a significant bauxite deposit including some bauxite of outstandingly high quality. A 5.7 million tonnes⁵ maiden resource has been declared for Tasmania. Australian Bauxite Limited aspires to identify large bauxite resources in the Eastern Australian Bauxite Province, which is emerging as one of the world's best bauxite provinces.

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

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

About Xinha Group

Xinha is one of the largest integrated aluminium companies in China. Xinha has refining and smelting operations in Shandong, Guangxi, Shanxi and Xinjiang Provinces and current installed capacity over 5 million tonnes per annum of alumina (Mtpa) and over 1 million tonnes per annum of primary aluminium.

Xinha imports over 10 million tonnes per annum of bauxite. Xinha operates several bauxite mines in China and operated two bauxite mines in Indonesia until late 2012.

In the last 3 years, Xinha has successfully established a new bauxite mining and export operation in Fiji.

Qualifying statement

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

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

The information in this announcement that relate to bauxite resource classifications is based on results and interpretations compiled by Ian Levy who is a Fellow of The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Polygonal resource estimations were carried out by project geologist, Thomas Grieve using MapInfo GIS software. Geostatistical block modelling was carried out by independent consultant, Scott McManus using Gemcom mining software. Mr McManus is an experienced resource modelling consultant and a member of the Australian Institute of Geoscientists. Mr McManus, Mr Grieve, Mr Rebek and Mr Levy have consented in writing to the inclusion in this announcement in the form and context in which it appears (see JORC Compliant Statements below).

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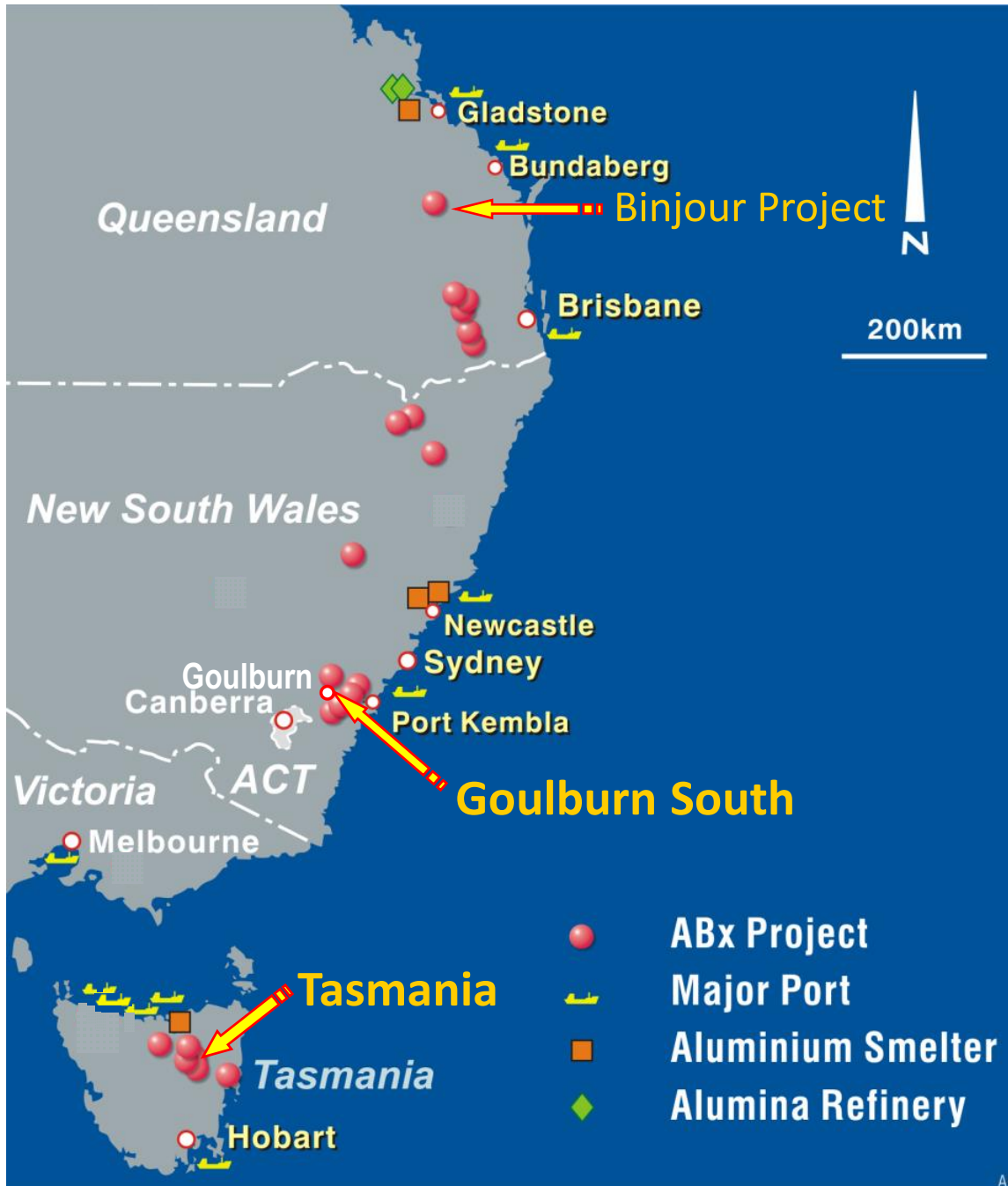


Figure 1: ABx Project Locations

JORC Compliant Resource Statements

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

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