



AUSTRALIAN BAUXITE LIMITED

ASX: ABZ

## QUARTERLY REPORT

Quarterly Activities Statement period ending 30 June 2012

### 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 8,960 km<sup>2</sup> 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.

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 106.4 million tonnes.** At the company's first drilling prospect in Inverell, northern NSW, a resource of 38.0 million tonnes<sup>1</sup> has been reported from drilling 15% to 20% of the area prospective for bauxite and a resource of 37.9 million tonnes<sup>2</sup> of bauxite has been reported at the Taralga project in southern NSW. A 6.0 million tonnes maiden resource was declared at Guyra<sup>3</sup>. A 24.5 million tonnes<sup>4</sup> 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. 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.**

### ABx Pic of the Quarter

Ant eater...



Echidna: (*Tachyglossus aculeatus*), or spiny ant eater, is familiar to most Australians.

Photographed during detailed fauna survey in Tasmania.

This quarterly report is dated 30 July 2012 and is for the three months to 30 June 2012.

### PRINCIPAL POINTS

#### Corporate

- Mr Vincent Tan retired as a director
- Cash in hand at 30 June was \$2.8 million
- Pre-feasibility study nearing completion
- \$1.68 million capital raising completed 8 June 2012
- \$0.45 million share purchase plan to eligible shareholders; completed 12 July

#### Exploration

- Goulburn – Taralga bauxite resource up by 50% to 38 million tonnes
- Binjour bauxite resource increased by 46% to 24.5 million tonnes
- Inverell – grade improvement

#### Goulburn Bauxite Project Pre-Feasibility Study (PFS) expanded

An engineering study by GHD consultants is in progress to provide a ramp-up option to export 2.5 to 3Mtpa bauxite in Panamax or Cape Size ships out of Port Kembla. This will complete the PFS work, expected during the September quarter.

Conclusions of the PFS will be reported on completion of the GHD study and once commercial negotiations with potential customers are well advanced. At the completion of the pre-feasibility study Marubeni can elect to acquire a 35% joint venture interest in the Goulburn-Taralga bauxite project.

#### Tenement status

Tenements are 100% in good standing.

#### Market Commentary

##### Bauxite Supply Volatility as Predicted

Bauxite shipments from Indonesia jumped then fell sharply as bans and taxes took effect. This supports ABx's business plan.

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### Bauxite Market Develops as Predicted

In 2009, the Indonesian government announced its intention to sequentially impose bans and taxes on exporting raw bauxite from Indonesia, commencing 9 May 2012 and taking full effect during early 2014. In early 2012, Indonesian authorities announced that in addition to bauxite export bans on 9 May, an export tax of 25% would apply to any bauxite exports and would increase to 50% tax on bauxite exports after 2014.

### Indonesia Encouraging Processing in Indonesia

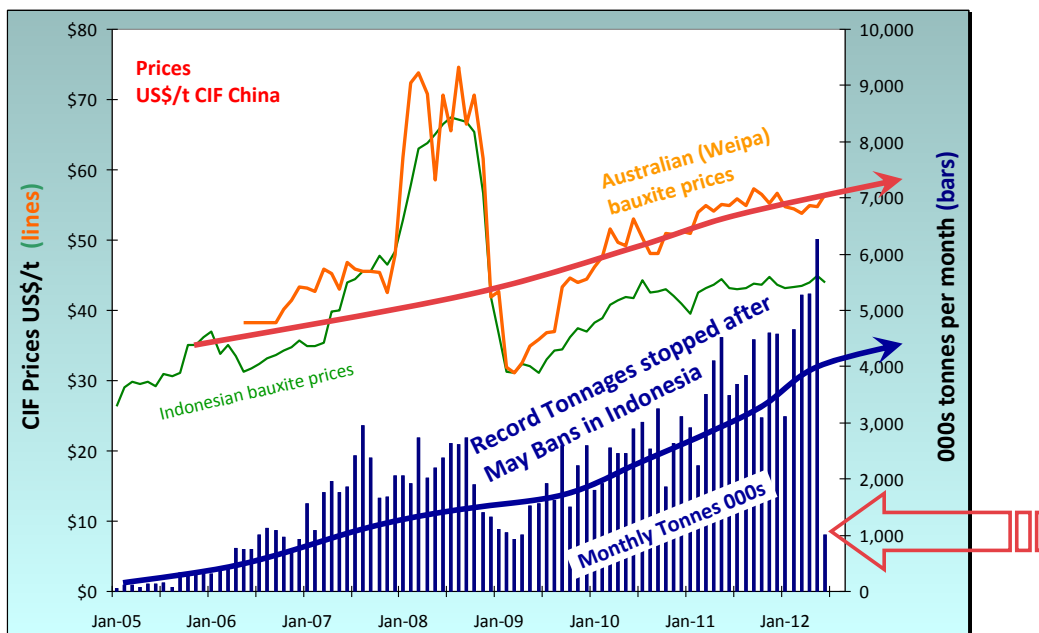
The action on 9 May 2012 confirmed the Indonesian government’s determination to cut-back and heavily tax all bauxite exports so as to encourage and support the construction of two Indonesian alumina refineries to process Indonesian bauxite into alumina and supply that alumina to Indonesia’s growing aluminium smelter industry that is based on Indonesia’s low-cost energy supplies.

### Main Bauxite Trade was Indonesian Shipments to China

Most of Indonesia’s bauxite exports are currently shipped to Chinese alumina refineries that operate at relatively low temperatures of around 140 degrees centigrade and rely on imports of low-temperature bauxite, which is composed of the tri-hydrate alumina mineral called gibbsite. The vast bulk of bauxite shipments into China have come from Indonesia since 2004.

During the months leading up to May 2012, Chinese imports from Indonesia rose well above their long-term trend so as to beat the 9 May deadline before taxes and bans on bauxite exports from Indonesia started to take effect. The Chinese import tonnages rose from the normal rate of 4.5 million tonnes per month to an all-time record of 6.274 million tonnes in May 2012, of which, 5.564 million tonnes came from Indonesia.

During May, exports from Indonesia fell substantially and this led to a dramatic fall in Chinese import statistics for June to 1.02 million tonnes, of which, only 0.187 million tonnes came from Indonesia. The following graph demonstrates this pattern. Imports into China from Indonesia are not expected to return to trend for several months.



### Australian Bauxite Limited’s Business Plan Confirmed

As Indonesian bauxite supplies contract and becomes more expensive due to high Indonesian taxes, Australian Bauxite Limited’s bauxite will become highly competitive as a new, reliable supplier of high grade, low-temperature trihydrate gibbsite bauxite to Chinese and possibly Indian alumina refineries.

Once ABx’s bauxite projects commence, transport logistics will become increasingly efficient. Advanced grade control methods will produce premium-priced, consistent bauxite products for long-term customers.

### Exploration Activity

ABx achieved its 2012 global resource target of 100 million tonnes in June, 6 months early.

#### Goulburn–Taralga Bauxite Resource up by 50%

- 37.9 million tonnes of thick, gibbsite-rich bauxite resources at Taralga, southern NSW
- PFS expanded for Goulburn Bauxite Project due to thick bauxite discovered in February-March 2012. This resource upgrade includes the first thick zone.
- Based on 890 drill holes into less than two-thirds of the identified bauxite target areas at Taralga only
- 53% of total identified bauxite resources are DSO grade (see Table 1 and Glossary)
- PFS metallurgical tests confirmed that the remaining 47% of total identified bauxite resources, called PDM-DSO bauxite, contains dense, hard, magnetic emery nodules that are easily recovered by gravity screening for sale, leaving the remaining 70% light fraction as DSO grade bauxite
- The thick bauxite discovered in February-March 2012 is being explored along strike. A new record true thickness of 38 metres of continuous bauxite was intersected in hole TG707. Other thick zones were identified and drilled deeper for this resource upgrade



Table 1: Summary of Bauxite Resources at Taralga, Southern NSW

DSO Bauxite Resources				Sieved at 0.26mm											
Resource category	Tonnes millions	Bauxite Thickness	DSO Thickness	Al <sub>2</sub> O <sub>3</sub> Avl % 143°	Rx SiO <sub>2</sub> %	Avl/Rx Ratio	Al <sub>2</sub> O <sub>3</sub> %	SiO <sub>2</sub> %	A/S Ratio	Fe <sub>2</sub> O <sub>3</sub> %	TiO <sub>2</sub> %	LOI %	Yield	Overburden	Internal Waste
Inferred	9.9	4.6 m	3.1 m	35.2	1.9	18.3	40.4	5.7	7.1	24.6	4.1	22.2	54%	0.1 m	0.2 m
Indicated	10.2	6.4 m	3.7 m	36.1	1.9	18.8	41.3	5.3	7.8	25.9	4.0	22.9	55%	0.7 m	0.4 m
<b>TOTAL</b>	<b>20.1</b>	<b>5.6 m</b>	<b>3.4 m</b>	<b>35.7</b>	<b>1.9</b>	<b>18.5</b>	<b>40.8</b>	<b>5.5</b>	<b>7.4</b>	<b>25.3</b>	<b>4.0</b>	<b>22.6</b>	<b>55%</b>	<b>0.5 m</b>	<b>0.3 m</b>
PDM-DSO Bauxite Resources				Sieved at 0.26mm											
Resource category	Tonnes millions	Bauxite Thickness	PDM-DSO Thickness	Al <sub>2</sub> O <sub>3</sub> Avl % 143°	Rx SiO <sub>2</sub> %	Avl/Rx Ratio	Al <sub>2</sub> O <sub>3</sub> %	SiO <sub>2</sub> %	A/S Ratio	Fe <sub>2</sub> O <sub>3</sub> %	TiO <sub>2</sub> %	LOI %	Yield	Overburden	Internal Waste
Inferred	7.6	4.8 m	2.5 m	22.1	1.3	16.8	37.0	6.0	6.1	38.4	3.5	13.3	72%	0.2 m	0.1 m
Indicated	10.3	6.5 m	3.1 m	22.4	1.1	19.8	37.6	3.9	9.5	40.4	3.7	13.5	71%	0.7 m	0.4 m
<b>TOTAL</b>	<b>17.8</b>	<b>5.8 m</b>	<b>2.8 m</b>	<b>22.3</b>	<b>1.2</b>	<b>18.4</b>	<b>37.3</b>	<b>4.8</b>	<b>7.7</b>	<b>39.6</b>	<b>3.6</b>	<b>13.4</b>	<b>72%</b>	<b>0.5 m</b>	<b>0.3 m</b>
Total Bauxite Resources				Sieved at 0.26mm											
Resource category	Tonnes millions	Bauxite Thickness	DSO Thickness	PDM-DSO Thickness	Rx SiO <sub>2</sub> %	Avl/Rx Ratio	Al <sub>2</sub> O <sub>3</sub> %	SiO <sub>2</sub> %	A/S Ratio	Fe <sub>2</sub> O <sub>3</sub> %	TiO <sub>2</sub> %	LOI %	Yield	Overburden	Internal Waste
Inferred	17.5	4.6 m	3.1 m	2.5 m	1.7	17.6	38.9	5.8	6.7	30.6	3.9	18.3	62%	0.2 m	0.2 m
Indicated	20.4	6.3 m	3.7 m	3.1 m	1.5	19.3	39.4	4.6	8.5	33.2	3.8	18.2	63%	0.7 m	0.4 m
<b>TOTAL</b>	<b>37.9</b>	<b>5.6 m</b>	<b>3.4 m</b>	<b>2.8 m</b>	<b>1.6</b>	<b>18.5</b>	<b>39.2</b>	<b>5.2</b>	<b>7.6</b>	<b>32.0</b>	<b>3.8</b>	<b>18.3</b>	<b>63%</b>	<b>0.4 m</b>	<b>0.3 m</b>

Cut-off grades applied: Minimum 30% Al<sub>2</sub>O<sub>3</sub>, 2m thickness & 3 data points in 350m search ellipse for each 25m x 25m block. Leach conditions to measure available alumina "Al<sub>2</sub>O<sub>3</sub> Avl" & reactive silica "Rx SiO<sub>2</sub>" is 1g leached in 10ml of 90gpl NaOH at 143 degrees C for 30 mins. "Avl/Rx" ratio is (Al<sub>2</sub>O<sub>3</sub> Avl)/(Rx SiO<sub>2</sub>). Values above 10 are excellent. "A/S" ratio is Al<sub>2</sub>O<sub>3</sub>/SiO<sub>2</sub> where the SiO<sub>2</sub> includes inert silica sand in bauxite. Tonnage is for bauxite in-situ. Yield is for screening all samples at 0.26mm. The significant tonnages requiring no upgrade will have 100% yield.

The Goulburn Bauxite Project contains thick zones of premium grade bauxite, with good potential for more discoveries. All deposits are gibbsite-rich (trihydrate) bauxite, low in reactive silica and free of refractory mineral boehmite (monohydrate).

All horizons produce Direct Shipping or "DSO" bauxite.

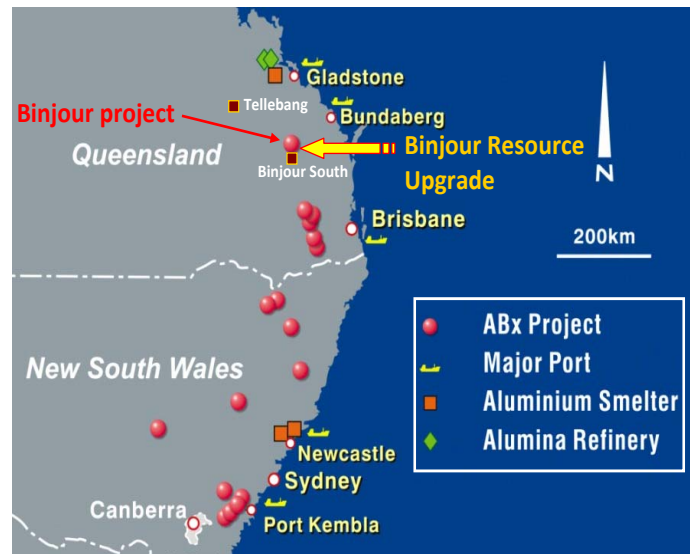


**Binjour bauxite resource increased by 46% to 24.5 million tonnes**

- 24.5 million tonnes of thick, gibbsite-rich bauxite resources at Binjour, central QLD
- Based on 517 drill holes into less than 25% of the identified bauxite layer
- Huge bauxite mineralisation - identified bauxite layer extends over entire 44 square kilometre Binjour Plateau

ABx considers its Binjour Project located 100kms from Bundaberg Port to be a state significant discovery of a major bauxite province which may well become the company's flagship project over the next 5 years.

A 3 to 15 metres thick layer of bauxite extends over the entire 44 square kilometre Binjour Plateau. Parts of this bauxite layer contain silica gel veinlets which in its current form, makes the bauxite grades too silica-rich. However, this material has been shown to be easily removed by washing and the recovered bauxite then meets DSO grade. The large potential of Binjour is just being revealed, however, this resource estimate only includes bauxite that meets DSO grade (see Table 4).



**Binjour location**

**Table 4: Summary of Bauxite Resources at Binjour, Central QLD**

DSO Bauxite Resources			Sieved at 0.26mm										Overburden m	Internal Waste m
Resource category	Tonnes millions	Bauxite Thickness	Al <sub>2</sub> O <sub>3</sub> Avl %	Rx SiO <sub>2</sub> %	Avl/Rx Ratio	Al <sub>2</sub> O <sub>3</sub> %	SiO <sub>2</sub> %	A/S Ratio	Fe <sub>2</sub> O <sub>3</sub> %	TiO <sub>2</sub> %	LOI %	Yield %		
Inferred	9.0	3.9 m	38.0	3.8	10.0	43.7	4.5	9.7	22.4	3.6	24.2	59%	8.2 m	0.3 m
Indicated	15.5	5.3 m	39.5	2.6	15.1	44.2	3.1	14.5	23.4	3.7	24.9	62%	9.4 m	0.3 m
<b>TOTAL</b>	<b>24.5</b>	<b>4.8 m</b>	<b>39.0</b>	<b>3.0</b>	<b>12.8</b>	<b>44.1</b>	<b>3.6</b>	<b>12.3</b>	<b>23.1</b>	<b>3.7</b>	<b>24.6</b>	<b>61%</b>	8.9 m	0.3 m

Cut-off grades applied: Minimum 30% available Al<sub>2</sub>O<sub>3</sub>, 2m thickness & 3 data points in 350m search ellipse for each 25m x 25m block. Leach conditions to measure available alumina "Al<sub>2</sub>O<sub>3</sub> Avl" & reactive silica "Rx SiO<sub>2</sub>" is 1g leached in 10ml of 90gpl NaOH at 143 degrees C for 30 mins. "Avl/Rx" ratio is (Al<sub>2</sub>O<sub>3</sub> Avl)/(Rx SiO<sub>2</sub>) and "A/S" ratio is Al<sub>2</sub>O<sub>3</sub>/SiO<sub>2</sub>. Values above 10 are excellent. Tonnage is for bauxite in-situ. Yield is for screening all samples at 0.26mm. The significant tonnages requiring no upgrade will have 100% yield. Estimate excludes very large tonnages of bauxite containing washable silica gel.

The district's deposits contain thick zones of premium grade gibbsite-rich bauxite often referred to as "Brown Sugar" bauxite, with good potential for more discoveries. ABx has recently applied for several exploration permits covering the extensions of Binjour Plateau geology.



**Inverell Resource Grade Improvement**

- Resource: 38 million tonnes of gibbsite-rich bauxite at Inverell, northern NSW
- Resource is based on 233 delineation holes drilled to better define the bauxite layer that is concealed beneath a surface clay horizon
- Recently identified new bauxite areas in northern NSW are being explored

ABx discovered a thick layer of good quality bauxite in 2008-09 at its Inverell project in northern NSW (see Figure 1). Parts of that bauxite lie beneath a clay horizon and required further investigation. The Company conducted a thorough evaluation programme and results from 37 new holes into the concealed bauxite are generally consistent with previous Inferred resource estimates for those zones. A rigorous selection of the bauxite intercept thicknesses and grades has been applied so that the grades of the resources better reflect the nature of the deposit, with **A/S ratios increasing from 6.7 to 8.5 and Al<sub>2</sub>O<sub>3</sub> increasing from 37.8% to 40.2%**.

Resource estimates after application of cut-off grades for the drilled resource areas on the initial deposits tested at Inverell are summarised as follows:

Bauxite Resources				Sieved at 0.26mm									Yield %
Resource category	Tonnes millions	Thick-ness	Over-burden	Al <sub>2</sub> O <sub>3</sub> Avl %	Rx SiO <sub>2</sub> %	Avl/Rx Ratio	Al <sub>2</sub> O <sub>3</sub> %	SiO <sub>2</sub> %	A/S Ratio	Fe <sub>2</sub> O <sub>3</sub> %	TiO <sub>2</sub> %	LOI %	
Inferred	17.5	4.7 m	2.3 m	31.0	4.2	7.4	39.8	4.8	8.3	27.7	4.3	22.2	
Indicated	20.5	4.8 m	2.4 m	32.0	4.0	7.9	40.6	4.7	8.6	26.9	4.1	22.5	60%
<b>TOTAL</b>	<b>38.0</b>	<b>4.8 m</b>	<b>2.4 m</b>	<b>31.6</b>	<b>4.1</b>	<b>7.7</b>	<b>40.2</b>	<b>4.7</b>	<b>8.5</b>	<b>27.3</b>	<b>4.2</b>	<b>22.4</b>	<b>61%</b>

Cut-off grades applied: Minimum 32% Al<sub>2</sub>O<sub>3</sub>, 1.5m thickness & 2 data points per 25m x 25m blocks. Maximum waste-to-bauxite ratio 3:1. Leach conditions to measure available alumina "Al<sub>2</sub>O<sub>3</sub> Avl" & reactive silica "Rx SiO<sub>2</sub>" is 1g leached in 10ml of 90gpl NaOH at 143 degrees C for 30 mins. "Avl/Rx" ratio is (Al<sub>2</sub>O<sub>3</sub> Avl)/(Rx SiO<sub>2</sub>). Values above 10 are excellent. "A/S" ratio is Al<sub>2</sub>O<sub>3</sub>/SiO<sub>2</sub>. Tonnage is for bauxite in-situ. Yield is for screening all samples at 0.26mm. The significant tonnages requiring no upgrade will have 100% yield.

The Inverell deposit lies near the top of a plateau north of the city of Inverell, which has been widely cleared for farming and grazing.

The bauxite in the resource area is consistently medium quality, low silica gibbsite bauxite suitable for low temperature bauxite-alumina refineries.

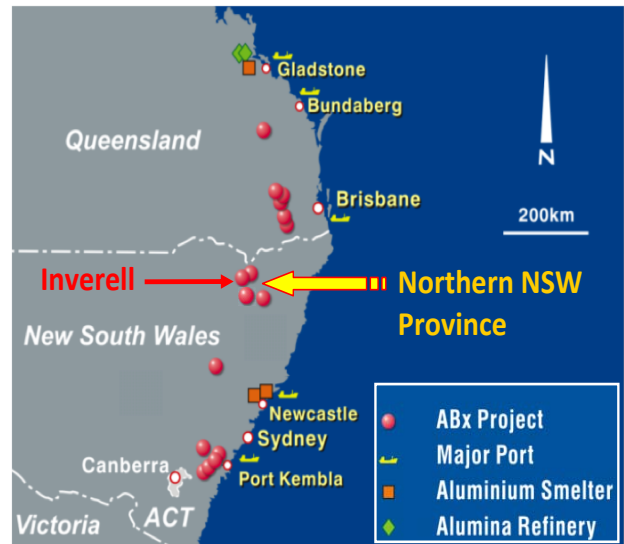
New areas of bauxite in the Inverell-Stannifer-Guyra area of northern NSW have been discovered in recent months and are currently being explored to expand resource extent and to identify resource drilling targets.

**Logistical Setting**

The Inverell bauxite project is located approximately 430kms inland from Newcastle port and is not serviced by a heavy duty rail line. Therefore, this bauxite project is not considered a candidate for early development for direct export. However Inverell may form part of a sizeable bauxite province in northern NSW that has potential to justify a bauxite processing facility, possibly even a new bauxite-alumina refinery.

**Further Work Planned**

The bauxite deposit is open in many locations and many other deposits have been identified. New tenements containing high-grade bauxite outcrops have been secured in the region, especially at Stannifer halfway between Inverell and Guyra. These will be the next areas evaluated in northern NSW.



**Figure 1: Inverell Project Location**



### Exploration Target Statement

ABx has an exploration target of 200 to 300 million tonnes of bauxite (40-50 million tonnes is the exploration target for the Goulburn Bauxite Project area), based on the Mineral Resources totalling 36 million tonnes of bauxite from 196 drill holes drilled across an area that is less than 15% of the known bauxite deposits on a single Exploration Licence EL 6997 at Inverell in northern NSW. Furthermore, Mineral Resources totalling 25 million tonnes of bauxite have been estimated from 577 drill holes that have tested approximately 60% of the known bauxite deposits at Taralga on EL 7357.

In accordance with the JORC Code, readers are advised that with regards this exploration target of 200 to 300 million tonnes, “the potential quality and grade is conceptual in nature, that there has been insufficient exploration to define full Mineral Resources and that it is uncertain if further exploration will result in the determination of a Mineral Resource”. Inverell tenement EL 6997 was the first of 30 tenements to be drilled and has since discovered sizeable, good quality bauxite occurrences on several other tenements.

#### 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. Mr Rebek and Mr Levy have consented to the inclusion in this announcement of the Exploration Information in the form and context in which it appears.

#### JORC Compliant Resource Statements

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

- <sup>1</sup> 08/05/2012 ASX Inverell JORC Resource Update, 38.0 Million Tonnes
- <sup>2</sup> 31/05/2012 ASX Taralga Bauxite Resource Increased 50% to 37.9 Million Tonnes
- <sup>3</sup> 15/08/2011 ASX Maiden Guyra Resource, 6.0 Million Tonnes
- <sup>4</sup> 29/06/2012 ASX Binjour Resource, 24.5 Million Tonnes

#### Direct Shipping Bauxite or “Direct Shipping “Ore”

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

#### True Width

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

#### Glossary

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



ABx project locations at 30 June 2012