



AUSTRALIAN BAUXITE LIMITED

ACN 139 494 885

Interim Financial Report for the half-year ended 30 June 2012

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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 2011 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*.

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Corporate Directory

Australian Bauxite Limited

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ABN 14 139 494 885

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Lawyers

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Sydney NSW 2000
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Bankers

Australia & New Zealand Banking Group Limited
20 Martin Place
Sydney NSW 2000
Telephone: +61 2 9227 1818

St George Bank Limited
Level 14, 182 George St
Sydney NSW 2200
Telephone: +61 2 9236 2230

Directors

John Dawkins AO (Chairman)
Peter J Meers (Executive Deputy Chairman)
Ian Levy (Managing Director)
Rado Jacob Rebek
Wei Huang
Ken Boundy

Joint Company Secretaries

David L Hughes
Henry Kinstlinger

Share Registry

Computershare Investor Services Pty Limited
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60 Carrington Street
Sydney NSW 2000, Australia
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ASX Code – ABZ

Australian Bauxite Limited shares are listed on the Australian Securities Exchange.

This financial report covers the Consolidated Entity consisting Australian Bauxite Limited and its controlled entities.

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

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REVIEW OF OPERATIONS

This Review of Operations covers the period to 30 June 2012.

Australian Bauxite Limited (**ABx** or the Company) is an emerging bauxite exploration and development company, which listed on the Australian Securities Exchange (ASX) on 24 December 2009 with the ASX Code ABZ.

As at 30 June 2012, the Company through its wholly owned subsidiaries(ABx 1 Pty Ltd; ABx 2 Pty Ltd; ABx 3 Pty Ltd, ABx 4 Pty Ltd and ABx 5 Pty Ltd) holds 42 bauxite tenements in Queensland, New South Wales and Tasmania covering 8,960 km².

Corporate

During the half year ended 30 June 2012:

- Mr Vincent Tan retired as a director at the Company's AGM in May 2012. Mr Ken Boundy was an alternate direct to Mr Tan.
- Mr Ken Boundy was appointed as a Director of the company on 6 June, 2012
- The Company raised \$2.13 million in additional share capital during the first six months of 2012 though an issue to sophisticated and professional investors and also an offer to shareholders through a share purchase plan.
- Cash on hand as at 30 June 2012 was \$2.8 million.
- The share purchase plan was completed after 30 June on 11 July 2012.

Projects

- A Pre Feasibility Study for the Goulburn Bauxite Project completed studies for low-capital cases for production commencing at 1.25 million tonnes per year and growing sequentially to full production as markets grow.
- Recent major changes at Port Kembla for future access to shipping in Panamax (+60,000 tonnes) or larger ships occurred shortly after the draft PFS was completed and these changes are being assessed and incorporated into the PFS during August.
- In conjunction with the Marubeni Group which has an option to purchase a 35% interest in the Goulburn Bauxite Project, a Stage 2 Pre Feasibility Study was commenced by GHD Engineers to assess the costs and practicality of commencing a 2.5 to 3 million tonne per year, larger-scale operation from the outset. This expanded study is due in September.
- Whilst the Goulburn PFS work was continuing, 3 project areas were identified in parts of Tasmania where there should be no socio-environmental constraints to early shipments of bauxite. Negotiations with various stakeholders, customers, contractors, ports and engineering firms are on-going and drilling is expected to occur during late August.
- The large Binjour project in central QLD was diamond-drilled to sample and identify the siliceous gel material that causes parts of the bauxite layer to appear subgrade when analysed by the company's standard lab procedure. This material has been identified as veinlets of pure hydrous Halloysite – a translucent suspension of clay and water in a gel. Testwork on various simple procedures to remove this gel material are proving successful and show potential to expand the size and continuity of resources substantially.

Exploration

- Resources increased to more than 100 million tonnes^{1,2,3,4} during the reporting period.
- Resource upgrades occurred at Taralga in the Goulburn Bauxite Project, southern NSW, Binjour Project in central QLD and Inverell in northern NSW.
- New discoveries of bauxite deposits have been made in Tasmania, South Binjour in QLD and Bungonia south of Goulburn, southern NSW and at Stannifer in northern NSW.

ABx rigorously applies selection criteria to selects its tenements based on:

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

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REVIEW OF OPERATIONS continued

All tenements are 100% owned and free of obligations for processing and third-party royalties. The Company has already discovered many bauxite deposits and new discoveries are still being made as knowledge and expertise grows.

ABx'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 tonnes¹ has been reported from drilling 15% to 20% 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 tonnes maiden resource was declared at Guyra³. A 24.5 million tonnes⁴ resource has been declared at the Binjour Plateau in central QLD, confirming that the Company has discovered a significant bauxite deposit including some bauxite of outstandingly high quality. We aspire to identify large bauxite resources in the Eastern Australian Bauxite Province, which is emerging as one of the world's best bauxite provinces.

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

The Company endorses best practices on agricultural land, strives to leave the land and the environment better than it was found and we only operate where welcomed.

Land Access

The Company's major drilling program is proceeding without interruption and with 100% approval of landholders of drill site rehabilitation work done by the Company's field crew. Landholder support has been positive in all areas. Because the Company is not limited to one or two projects areas it is able to mitigate land access risks such as native title, local landholder resistance or environmental legislation.

Exploration Sequence

The Company has developed an exploration technology that is successfully discovering bauxite, even deeply concealed bauxite.

Our drilling sequence commences with first-pass drilling at wide spacing to confirm the existence of good quality bauxite. Follow-up drilling then assesses the continuity of good quality bauxite over a reasonably large areal extent. Maiden resource estimates can arise during the follow-up drilling if a small part of the bauxite is drilled to sufficient drill-density for estimation. Maiden resource estimations help the Company assess the variability and consistency of the bauxite but should not be taken as an indication of the total tonnage potential from the entire area.

In-fill drilling and resource-estimation drilling is then carried out in project areas where the bauxite results are encouraging in both areal extent and quality. It will usually take many months of drilling to arrive at a total resource estimate and none of the Company's projects have even been 50% drilled-out to date. Overall, the Company has tested only 10% to 35% of the currently identified bauxite areas within its tenements.

Discoveries continuing

The Company continues to discover more bauxite areas by applying its exploration technology. It has applied for several new exploration tenements to secure these new discoveries. Drill testing will commence once the new tenements are granted.

Tenement Status

Tenements are 100% in good standing.

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.

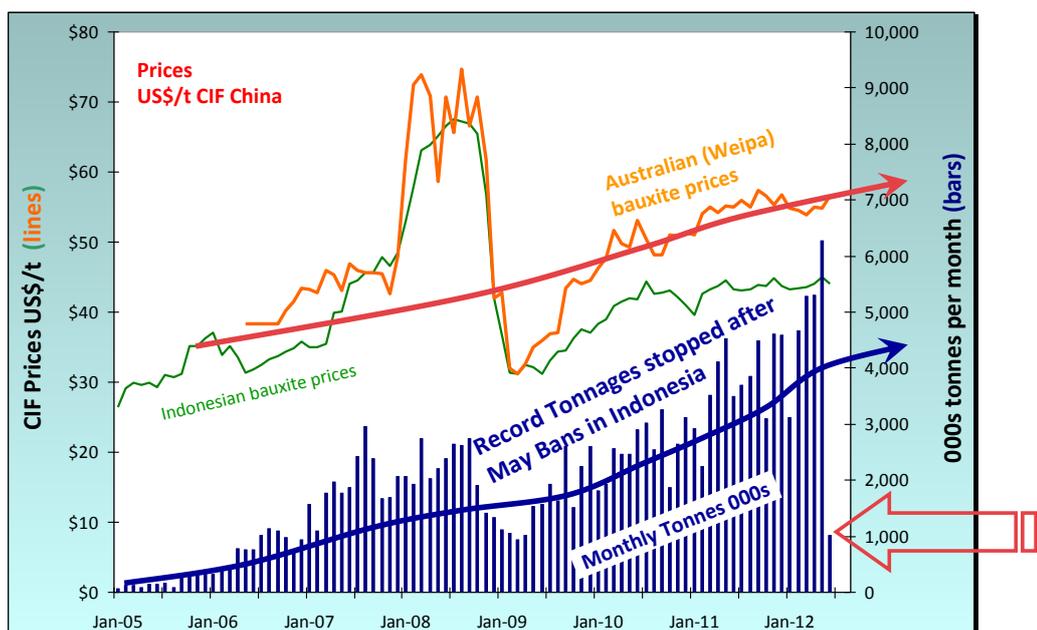
The action on 9 May 2012 confirmed the Indonesian government's determination to cut-back and heavily tax all bauxite exports so as to encourage and support the construction of two Indonesian alumina refineries to process Indonesian bauxite into alumina and supply that alumina to Indonesia's growing aluminium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

REVIEW OF OPERATIONS continued

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 2012, exports from Indonesia fell substantially and this led to a dramatic fall in Chinese import statistics for June 2012 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.



As Indonesian bauxite supplies contract and becomes more expensive due to high Indonesian taxes, ABx’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 the Company’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 outcomes

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

During the period the Company focussed its exploration on the Goulburn Bauxite Project, the Inverell-Guyra project both located in NSW, the Binjour project in Queensland and in Tasmania.

Drilling in these areas continues to define additional resources. To the end of this reporting period, 890 holes have been drilled at Taralga, 233 holes at Inverell, 517 holes at Binjour and 334 holes in Tasmania.

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REVIEW OF OPERATIONS continued

Project status

Goulburn Bauxite Project

Taralga- Crookwell – Wingello – Bungonia Areas

The Company announced that its Goulburn–Taralga Bauxite Resource of 37.9 million tonnes of thick, gibbsite-rich bauxite resources at Taralga, southern NSW was up by 50%. This discovery included the thickest high-grade bauxite intersection – possibly one of the thickest bauxite intersections in Australia at 38 metres when most Australian bauxite deposits are less than 4 metres thick and some are less than 2 metres thick.



The Pre-Feasibility Study (PFS) was expanded for this Project to provide a ramp-up option to export 2.5 to 3 Million tonnes of bauxite per annum in Panamax or Cape Size ships out of Port Kembla.

This revised PFS is due by September 2012. At the conclusion of the PFS, Marubeni can elect to acquire a 35% joint venture interest in this Project.

This revised resource is 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 Direct Shipping Ore (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 at Mt Rae in the Taralga area 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 Thick-ness	DSO Thick-ness	Al ₂ O ₃ Avl % 143°	Rx SiO ₂ %	Avl/Rx Ratio	Al ₂ O ₃ %	SiO ₂ %	A/S Ratio	Fe ₂ O ₃ %	TiO ₂ %	LOI %	Yield	Over-burden	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
TOTAL	20.1	5.6 m	3.4 m	35.7	1.9	18.5	40.8	5.5	7.4	25.3	4.0	22.6	55%	0.5 m	0.3 m
PDM-DSO Bauxite Resources				Sieved at 0.26mm											
Resource category	Tonnes millions	Bauxite Thick-ness	PDM-DSO Thick-ness	Al ₂ O ₃ Avl % 143°	Rx SiO ₂ %	Avl/Rx Ratio	Al ₂ O ₃ %	SiO ₂ %	A/S Ratio	Fe ₂ O ₃ %	TiO ₂ %	LOI %	Yield	Over-burden	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
TOTAL	17.8	5.8 m	2.8 m	22.3	1.2	18.4	37.3	4.8	7.7	39.6	3.6	13.4	72%	0.5 m	0.3 m
Total Bauxite Resources				Sieved at 0.26mm											
Resource category	Tonnes millions	Bauxite Thick-ness	DSO Thick-ness	PDM-DSO Thick-ness	Rx SiO ₂ %	Avl/Rx Ratio	Al ₂ O ₃ %	SiO ₂ %	A/S Ratio	Fe ₂ O ₃ %	TiO ₂ %	LOI %	Yield	Over-burden	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
TOTAL	37.9	5.6 m	3.4 m	2.8 m	1.6	18.5	39.2	5.2	7.6	32.0	3.8	18.3	63%	0.4 m	0.3 m

Note: DSO Bauxite of DSO grades is recoverable from the PDM-DSO Bauxite Resources. Metallurgical testwork indicates that approximately 80% to 85% of the PDM-DSO Bauxite is DSO grade bauxite. The remainder is dense, hard, magnetic spinel nodules easily recovered by gravity and sold at refractory grade prices.
 Cut-off grades applied: Minimum 30% Al₂O₃, 2m thickness & 3 data points in 350m search ellipse for each 25m x 25m block. Leach conditions to measure available alumina "Al₂O₃ Avl" & reactive silica "Rx SiO₂" is 1g leached in 10ml of 90gpl NaOH at 143 degrees C for 30 mins. "Avl/Rx" ratio is (Al₂O₃ Avl)/(Rx SiO₂). Values above 10 are excellent. "A/S" ratio is Al₂O₃/SiO₂ where the SiO₂ 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.

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REVIEW OF OPERATIONS continued

Binjour

The Company announced a resource of 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. The extent of bauxite mineralisation is very large - identified bauxite layer extends over entire 44 square kilometre Binjour Plateau.

The Company 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 screening-washing and the recovered bauxite then meets DSO grade.

The large potential of Binjour is just being revealed, however, the current estimate of bauxite resources that meets DSO grade (see Table 2) includes bauxite within an area totalling only 3 square kilometres. The potential for resource expansion across the 44 square kilometre Binjour Plateau is demonstrably substantial.



Table 2: 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 Thick-ness	Al ₂ O ₃ Avl %	Rx SiO ₂ %	Avl/Rx Ratio	Al ₂ O ₃ %	SiO ₂ %	A/S Ratio	Fe ₂ O ₃ %	TiO ₂ %	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
TOTAL	24.5	4.8 m	39.0	3.0	12.8	44.1	3.6	12.3	23.1	3.7	24.6	61%	8.9 m	0.3 m

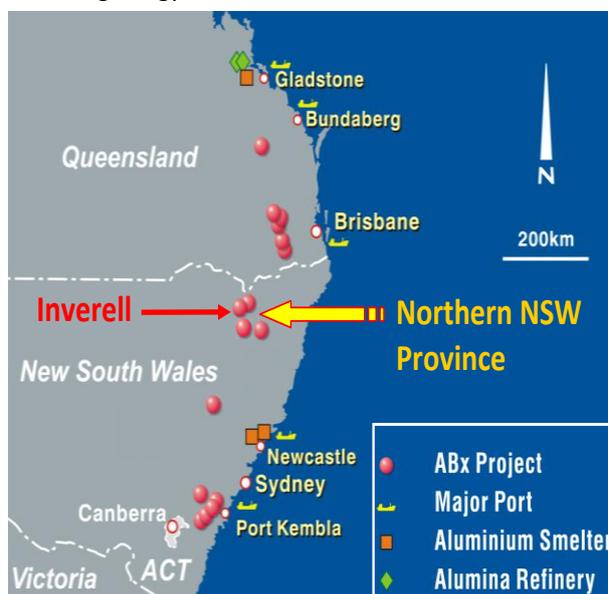
Cut-off grades applied: Minimum 30% available Al₂O₃, 2m thickness & 3 data points in 350m search ellipse for each 25m x 25m block. Leach conditions to measure available alumina "Al₂O₃ Avl" & reactive silica "Rx SiO₂" is 1g leached in 10ml of 90gpl NaOH at 143 degrees C for 30 mins. "Avl/Rx" ratio is (Al₂O₃ Avl)/(Rx SiO₂) and "A/S" ratio is Al₂O₃/SiO₂. 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. The Company has recently applied for several exploration permits covering the extensions of Binjour Plateau geology.

Inverell

The Company announced a 38 million tonnes resource of gibbsite-rich bauxite at Inverell, northern NSW. The 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.

The Company discovered a thick layer of good quality bauxite in 2008-09 at its Inverell project in northern NSW. 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.



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REVIEW OF OPERATIONS continued

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 Al₂O₃ 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									
Resource category	Tonnes millions	Thick-ness	Over-burden	Al ₂ O ₃ Avl %	Rx SiO ₂ %	Avl/Rx Ratio	Al ₂ O ₃ %	SiO ₂ %	A/S Ratio	Fe ₂ O ₃ %	TiO ₂ %	LOI %	Yield %
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	61%
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%
TOTAL	38.0	4.8 m	2.4 m	31.6	4.1	7.7	40.2	4.7	8.5	27.3	4.2	22.4	61%

Cut-off grades applied: Minimum 32% Al₂O₃, 1.5m thickness & 2 data points per 25m x 25m blocks. Maximum waste-to-bauxite ratio 3:1. Leach conditions to measure available alumina "Al₂O₃ Avl" & reactive silica "Rx SiO₂" is 1g leached in 10ml of 90gpl NaOH at 143 degrees C for 30 mins. "Avl/Rx" ratio is (Al₂O₃ Avl)/(Rx SiO₂). Values above 10 are excellent. "A/S" ratio is Al₂O₃/SiO₂. 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, and 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. 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.

Exploration Target Statement

The Company 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 relates to Exploration Information is 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.

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

REVIEW OF OPERATIONS continued



Project Locations

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DIRECTORS' REPORT

Your directors present their report together with the financial statements on the parent entity and the consolidated entity (referred to hereafter as the **Group**) consisting of Australian Bauxite Limited (**ABZ**) and the entities it controlled at the end of or during the period ended 30 June 2012.

Principal activities	The principal continuing activities of the Group during the reporting period were conducting the bauxite exploration and development programs.
Review of operations	Information on the operations and financial position of the Group and its business strategies and prospects are set out in the Review of Operations on pages 2 to 8 of this report.
Financial performance	<p>The net consolidated operating loss of the Group for the six months ended 30 June 2012 was \$917,421 (2011: Loss \$916,998).</p> <p>Cash holding of the Group at 30 June 2012 was \$2,816,017. The Group will have sufficient cash reserves to fund its current exploration and development programs.</p>
Dividends	The Directors of the Company do not recommend that any amount be paid by way of dividend. The Company has not paid or declared any amount by way of dividend since the commencement of the financial year.

Directors

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

John Dawkins AO	Non-Executive Chairman
Peter J Meers	Executive Deputy Chairman
Ian Levy	Managing Director
Rado Jacob Rebek	Executive Director
Wei Huang	Non-Executive Director
Ken Boundy	Non-Executive Director appointed 6 June 2012
Vincent Tan	Non-Executive Director - resigned on 28 May 2012

Information on directors & management

Directors

John Dawkins AO, BEc, RDA	<p>Non-Executive Chairman Appointed on 7 December 2011</p> <p>Mr Dawkins' earliest exposure to the mining industry was when, as Minister for Trade in the Hawke Government, he was responsible for the administration of export controls on certain minerals until he proposed the abolition of these arrangements in order to improve the operation of the market.</p> <p>During his time in Government he also served in a number of other portfolios including Treasurer. Since leaving politics he has been an occasional adviser to the World Bank and OECD and has held a number of board positions including Elders Rural Bank (now Rural Bank); Sealcorp Holdings (now Asgard Wealth Solutions); and his current appointments are with the listed companies and Integrated Legal Holdings and the unlisted Government Relations Australia Advisory Ltd and United Super Pty Ltd. He also chairs the Australian Qualifications Framework Council and the Board of Governors of the Institute for International Trade at the University of Adelaide.</p>
Other Current Directorships	<p>Non-Executive Chairman of Sovereign Gold Company Limited Non-Executive Director of Tiaro Coal Limited Director of Integrated Legal Holdings Limited</p>
Former Directorships in the Last Three Years of Listed Companies	<p>Director of Archer Exploration Limited. Director of MGM Wireless Limited</p>
Special Responsibilities	<p>Chairman of the Remuneration Committee. Chairman of the Strategic Advisory and Finances Committee.</p>

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DIRECTORS' REPORT (continued)**Information on directors & management continued**

Peter J Meers, BA (Economics), FAIB	Executive Deputy Chairman Appointed on 23 September 2009
	<p>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.</p> <p>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.</p>
Other Current Directorships	<p>Executive Chairman of Hudson Resources Limited Executive Deputy Chairman of Tiaro Coal Limited Non-Executive Director of Hudson Investment Group Limited Non-Executive Director of Sovereign Gold Company Limited Non-Executive Director of Precious Metal Resources Limited</p>
Former Directorships in the Last Three Years of Listed Companies	<p>Non-Executive Director of Archer Exploration Limited</p>
Special Responsibilities	<p>Member of the Audit Committee</p>
Interests in Shares and Options	<p>Peter Meers has an indirect interest in 510,000 shares held by a related party. 45,667,337 shares held by Hudson Resources Ltd by virtue of his position as a director of Hudson Resources Ltd and he has no power to vote these shares. He has 1,000,000 employee share options due to expire 15 October 2012.</p>

Ian Levy, BSc (Hons), MSc DIC FAusIMM FAIG	Managing Director Appointed on 23 September 2009
	<p>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 the former 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.</p>
Other Current Directorships	<p>None</p>
Former Directorships in the Last Three Years of Listed Companies	<p>Director of Gloucester Coal Non-Executive Director of Raffles Capital Limited Chairman of D'Aguilar Gold Chairman of Dynasty Metals Australia.</p>
Special Responsibilities	<p>Ex-officio member of sub-committees</p>
Interests in Shares and Options	<p>Ian Levy has an indirect interest in 770,000 shares held by a related entity. Mr Levy also holds 2,000,000 employee share options due to expire 15 October 2012.</p>

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DIRECTORS' REPORT (continued)**Information on directors & management continued**

Rado Jacob Rebek	Executive Director & Chief Geologist Appointed on 23 September 2009
	Jacob Rebek is a leading Australian geologist with forty years' experience in exploration. From 1970 to 2003 he worked at CRA Exploration and Rio Tinto in various parts of Australia and overseas. His roles included that of Exploration Manager for Papua New Guinea in the 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 Resources Limited as Chief Geologist and led the team which discovered the bauxite deposits.
Other Current Directorships	Mr Rebek is Non-Executive Director of Tiaro Coal Limited and Sovereign Gold Company Limited.
Former Directorships in the Last Three Years of Listed Companies	Xtreme Resources Ltd (NSX)
Special Responsibilities	Chief Geologist Member of the Audit Committee
Interests in Shares and Options	Rado Jacob Rebek holds a direct interest in 500,000 shares, an indirect interest in 70,000 shares and 1,000,000 employee share options due to expire on 15 October 2012.

Wei Huang BEcon MCom CPA	Non-Executive Director Appointed on 23 September 2009
	Wei Huang graduated with a Bachelor of Economics from Macquarie University and a Master of Commerce from University of New South Wales. He is a member of CPA Australia. He has experience in financial control, new business start-ups and development within the mining, construction, financial services, and retail and textile industries both in Australia and overseas. Mr Huang also has extensive experience in promoting and facilitating two-way investment between China and Australia and is familiar with the business cultures of both China and Australia.
Other Current Directorships	Non-Executive Director of Thomas Bryson International Limited and Non-Executive Director of Tiaro Coal Limited.
Former Directorships in the Last Three Years of Listed Companies	Non-Executive Director of Hudson Resources Limited.
Special Responsibilities	Member of the Audit Committee Member of the Remuneration Committee
Interests in Shares and Options	Wei Huang has an indirect interest in 1,000,000 employee share scheme options due to expire 15 October 2012.

DIRECTORS' REPORT (continued)**Information on directors & management continued**

Ken Boundy, MBA, M Agr Sc, Fellow of AIM, AIAST

**Non-Executive Director
Appointed 6 June 2012**

Mr Boundy is a company director, strategy consultant and businessman – with particular interests in international marketing. Previously Mr Boundy was Managing Director of the Australian Tourist Commission (and then Tourism Australia) from 2001 to 2005, following 15 years in leadership roles in the private sector which covered Divisional Head and CEO roles in the food, wine and building materials industries.

Other Current Directorships

Chairman of Regnan Governance Research and Engagement;
Chairman of Hydrasyst;
Non-Executive Director of Hudson Resources Ltd;
Non-Executive Director of Tarkine Wilderness Pty Ltd;
Non-Executive Director of Horticulture Australia Limited.

Former Directorships in the Last Three Years of Listed Companies

Chairman of Acelero Pty Ltd
Non-Executive Director of Dexion Limited
Non-Executive Director Australian Wool Innovation.

Special Responsibilities

None

Interests in Shares and Options

Mr Boundy holds a direct interest in 180,000 shares.

Vincent Tan BCom and Admin CA

Non-Executive Director
Appointed on 23 September 2009
Resigned on 28 May 2012

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DIRECTORS' REPORT (continued)**Information on directors & management continued****Officers**

David L Hughes	Joint Company Secretary 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, and Joint Company Secretary of Empire Energy Group Limited, Hudson Resources Limited, Tiaro Coal Limited, Sovereign Gold Company Limited and Raffles Capital Limited.
Henry Kinstlinger	Joint Company Secretary 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.
Francis Choy MCom MBA FCPA (HK) FCPA CA	Chief Financial Officer Francis Choy has held a number of senior positions in corporate financial management roles throughout Australia and South East Asia. He has extensive experience in project finance, compliance, acquisition and investment appraisals. He has been involved in project financial, financial management of property development and telecommunication projects in South East Asia. He held senior financial roles for numerous public listed companies both in Hong Kong and Australia.

Subsequent Events

In July the Company raised \$0.45 million before costs through a share purchase plan at 39 cents each.

At the date of this report there are no matters or circumstances which have arisen since 30 June 2012 that have significantly affected or may significantly affect:

- the operations, in financial half-year subsequent to 30 June 2012, of the Group;
- the results of those operations; or
- the state of affairs, in financial half-year subsequent to 30 June 2012, of the Group.

Environmental Regulations

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

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

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

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

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

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

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DIRECTORS' REPORT (continued)

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

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

The following policy is specific to bauxite exploration on the Company's east Australian bauxite province.

Access to Land

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

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

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

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

Type of Land

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

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

Mineral Exploration Programs

Access

The Company utilises existing tracks for access where possible.

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

Surface disturbances are kept to a minimum.

Drilling

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

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

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

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

Rehabilitation

Drill sites are rehabilitated as soon as practicable and drill holes are filled and capped where necessary. Landholders are asked to confirm at the end of each program that exploration has been conducted to their satisfaction and that sites have been rehabilitated.

DIRECTORS' REPORT (continued)**JORC Code Compliant Public Reports**

The Company advised that this Half-Yearly Report contains summaries of Exploration Results and Mineral Resources as defined in the 2004 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JOCR 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.

JORC REPORT

Issue Date	Title of Notice as lodged with ASX
29/06/2012	Binjour Bauxite Resource Upgrade - 24.5 Mt
14/06/2012	Amended Announcement - Share Purchase Plan
13/06/2012	Binjour Bauxite Project Update
31/05/2012	Goulburn-Taralga Bauxite Resource up by 50% - 38 Million Ton
30/05/2012	Goulburn PFS Expanded - Qualifying Statement
30/05/2012	ABX 2012 Goulburn PFS Expanded
08/05/2012	Inverell Resource Grade Improvement
27/04/2012	Quarterly Activities Report
02/04/2012	20-20 Investor Series Presentation
30/03/2012	Annual Report to shareholders
09/02/2012	ABZ Drill Update Taralga
30/01/2012	ABZ Drill Update Taralga NSW
23/01/2012	Quarterly Activities Report

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DIRECTORS' REPORT (continued)

TENEMENT LIST *

Application No	Licence No	Project	Status	Date Granted	Expiry Date	Size Sq km	
ABx1 Pty Ltd						New South Wales	
	EL 6997	Inverell	Granted	24-Dec-07	24-Dec-14	297	
	EL 7268	Pindaroi	Granted	23-Dec-08	23-Dec-12	138	
	EL 7361	Guyra	Renewal Pending	17-Jul-09	17-Jul-13	300	
	EL 7824	Guyra Extension	Granted	24-Aug-11	24-Aug-13	288	
	EL 7596	Merriwa - 1	Granted	18-Aug-10	18-Aug-12	75	
	EL 7597	Merriwa - 2	Granted	18-Aug-10	18-Aug-12	639	
	EL 7598	Merriwa - 3	Granted	18-Aug-10	18-Aug-12	558	
ELA 4398		Merriwa Extension	Application			264	
	EL 7872	Glencoe	Granted	7-Dec-11	7-Dec-13	300	
	EL 7858	Stannifer	Granted	2-Nov-11	2-Nov-13	294	
						Total	3,153
ABx2 Pty Ltd							
	EL 7269	Windellama	Granted	23-Dec-08	23-Dec-12	270	
	EL 7279	Wingello West	Granted	30-Jan-09	30-Jan-13	21	
ELA 4038		Wingello Extended	Application			39	
	EL 7357	Taralga	Granted	1-Jul-09	1-Jul-13	300	
	EL 7681	Taralga Extension	Granted	11-Jan-11	11-Jan-13	300	
	EL 7857	Taralga 2nd Ext	Granted	2-Nov-11	2-Nov-13	306	
	EL 7912	Taralga 3rd Ext	Granted	28-Feb-12	28-Feb-14	309	
	EL 7601	Bungonia	Granted	17-Aug-10	17-Aug-12	276	
	EL 7546	Penrose	Renewal Pending	11-May-10	11-May-14	30	
						Total	1,851
ABx3 Pty Ltd						Queensland	
	EPM 17790	Hampton	Renewal Pending	28-Apr-09	27-Apr-13	243	
	EPM 17800	Red Hill	Renewal Pending	25-Feb-09	24-Feb-13	144	
	EPM 17801	Red Hill South	Renewal Pending	12-Mar-09	11-Mar-13	150	
	EPM 17830	Haden	Renewal Pending	25-Feb-09	24-Feb-13	264	
	EPM 17831	Hillgrove	Renewal Pending	25-Feb-09	24-Feb-13	267	
	EPM 18014	Binjour	Renewal Pending	9-Oct-09	8-Oct-13	150	
	EPM 18772	Binjour Extension	Granted	31-Jan-11	30-Jan-13	123	
EPMA 19582		Binjour 2nd Ext	Application			168	
EPMA 19742		Binjour 3rd Ext	Application			108	
	EPM 19169	Tellebang	Granted	27-Jun-11	26-Jun-13	150	
EPMA 19390		Brovinia	Application			147	
EPMA 19427		Brovinia 2	Application			141	
						Total QLD	2,056
ABx4 Pty Ltd						Tasmania	
	EL 4/2010	Evandale	Granted	14-Sep-10	13-Sep-15	197	
	EL 5/2010	Powranna	Granted	14-Sep-10	13-Sep-15	234	
	EL 6/2010	Cleveland	Granted	14-Sep-10	13-Sep-15	7	
	EL 7/2010	Conara	Granted	14-Sep-10	13-Sep-15	153	
	EL 9/2010	Deloraine	Granted	14-Sep-10	13-Sep-15	224	
	EL 14/ 2010	Myalla	Granted	14-Sep-10	13-Sep-15	80	
	EL 37/2010	Westbury	Granted	7-Nov-11	6-Nov-16	237	
	EL 5/2011	Sassafras	Granted	24-Apr-12	23-Apr-17	30	
ELA 3/2012		Ross	Application			174	
ELA 12/2012		Scottsdale	Application			128	
		Reedy Marsh	Application			146	
						Total TAS	1,610
ABx5 Pty Ltd						Victoria	
						Total VIC	0
						*TOTAL	8,670

* as at 7 August 2012

DIRECTORS' REPORT (continued)**Auditor's Independence Declaration**

A copy of the independence declaration by the auditor K.S. Black and Co. under section 307C is included on page 18 of this half year financial report.

Signed in accordance with a resolution of the Directors:



Ian Levy
Managing Director



Peter J Meers
Deputy Executive Chairman

Sydney
29 August 2012

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**AUDITORS INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

To the Directors of Australian Bauxite Limited

In connection with the review of Australian Bauxite Limited for the period ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been:

- (i) No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) No contravention of any applicable code of professional conduct in relation to the review.

KS Black & Co
Chartered Accountants



Faizal Ajmat
Partner

Sydney; 29 August 2012

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INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS OF AUSTRALIAN BAUXITE LIMITED

Report on the Financial Report

We have reviewed the accompanying interim financial report of Australian Bauxite Limited which comprises the statement of financial position as at 30 June 2012, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half year ended on that date, accompanying notes and directors' declaration of the company.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with the Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the interim 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a 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 interim financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company's financial position as at 30 June 2012, and its performance for the half year ended on that date; and complying with Australian Standard AASB 134 Interim Financial reporting and Corporations Regulations 2001. As 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 an interim 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.

Statement of Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

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INDEPENDENT AUDITORS' REVIEW REPORT

TO THE MEMBERS OF AUSTRALIAN BAUXITE LIMITED
(continued)

Review Opinion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Australian Bauxite Limited does not present fairly, in all material respects the financial position of Australian Bauxite Limited as at 30 June 2012, and of its financial performance and its cash flows for the half year period ended on that date in accordance with Australian Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001.

KS Black & Co
Chartered Accountants



Faizal Ajmat
Partner

Sydney: 29 August 2012

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DECLARATION BY DIRECTORS

The Directors of the Company declare that:

1. The financial statements and notes, set out on pages 22 to 34, 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 2012 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
Deputy Executive Chairman

Sydney
29 August, 2012

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STATEMENT OF COMPREHENSIVE INCOME

for the Half-Year Ended 30 June 2012

		Consolidated	
	Note	30 Jun 2012	30 Jun 2011
		\$	\$
REVENUE		-	-
Other income	3	106,831	245,610
Administration and exploration expenses	3	(965,286)	(1,101,827)
Finance expenses	3	(58,966)	(60,781)
		(917,421)	(916,998)
PROFIT/(LOSS) FROM OPERATIONS BEFORE INCOME TAX EXPENSE		(917,421)	(916,998)
Income tax expense		-	-
NET PROFIT/(LOSS) FOR THE PERIOD		(917,421)	(916,998)
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		(917,421)	(916,998)
EARNINGS PER SHARE		Cents	Cents
Basic earnings/(losses) per share (cents per share)		(0.91)	(0.91)
Diluted earnings/(losses) per share (cents per share)		(0.81)	(0.82)

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 2012

	Notes	Consolidated	
		30 Jun 2012	31 Dec 2011
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	4	2,816,017	3,767,464
Trade and other receivables		595,217	810,210
Other current assets		-	48,640
Total current assets		3,411,234	4,626,314
Non-current assets			
Trade and other receivables		593,342	570,006
Plant and equipment	5	110,825	123,124
Mining tenements	6	9,992,796	8,095,488
Financial assets		-	-
Total non-current assets		10,696,963	8,788,618
Total assets		14,108,197	13,414,932
LIABILITIES			
Current liabilities			
Trade and other payables	7	132,971	354,796
Employee benefits provision		53,295	35,328
Other Liabilities		225,202	14,568
Total current liabilities		411,468	404,692
Non-current liabilities			
Employee benefits provision		29,516	21,801
Total non-current liabilities		29,516	21,801
Total liabilities		440,984	426,493
Net assets		13,667,213	12,988,439
EQUITY			
Issued capital	8	16,007,133	14,444,118
Reserves		593,250	560,070
Accumulated losses		(2,933,170)	(2,015,749)
Total equity		13,667,213	12,988,439

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 2012

	Note	Issued Capital	Options Reserve	(Accumulated Losses)	Total Equity
		\$	\$	\$	\$
Consolidated					
At 31 December 2010		14,444,118	499,800	(1,205,266)	13,738,652
Option granted			46,200	-	46,200
Loss for the period		-	-	(916,998)	(916,998)
At 30 June 2011		14,444,118	546,000	(2,122,264)	12,867,854
At 30 June 2011		14,444,118	546,000	(2,122,264)	12,867,854
Share placement, net of cost		-	-	-	-
Option granted		-	14,070	-	14,070
Loss for the period		-	-	106,515	106,515
At 31 December 2011		14,444,118	560,070	(2,015,749)	12,988,439
At 31 December 2011		14,444,118	560,070	(2,015,749)	12,988,439
Share placement, net of cost		1,563,015		-	1,563,015
Option granted		-	33,180	-	33,180
Loss for the period		-	-	(917,421)	(917,421)
At 30 June 2012	8	16,007,133	593,250	(2,933,170)	13,667,213

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 2012

	Notes	Consolidated	
		30 Jun 2012	30 Jun 2011
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		108,469	243,691
Payment for exploration and evaluation expenditures		(2,144,185)	(2,345,890)
Payments for administration expenses		(275,024)	(224,577)
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(2,310,740)	(2,326,776)
CASH FLOWS FROM INVESTING ACTIVITIES			
Repayment/advance to other party		(200,000)	(200,000)
Payments for plant and equipment		(3,722)	(32,549)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(203,722)	(232,549)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues/placements		1,677,000	-
Share issuing costs		(113,985)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		1,563,015	-
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(951,447)	(2,559,325)
Cash and cash equivalents at the beginning of the reporting period		3,767,464	8,568,713
CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD	4	2,816,017	6,009,388

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

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NOTES TO THE FINANCIAL STATEMENTS

for the Half-Year Ended 30 June 2012

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 2012 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*.

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

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

Statement of Compliance

Compliance with Australian Accounting Standards ensures that the financial report of Australian Bauxite Limited complies with International Financial Reporting Standards ("IFRS").

Critical to accounting estimates

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

(i) *Options valuation*

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

Critical judgements

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

Capitalisation of exploration costs

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

- The exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and

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NOTES TO THE FINANCIAL STATEMENTS continued**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued**

- Exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas of interest are continuing.

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

Historical cost convention

These financial statements have been prepared on an accruals basis and are based on the historical cost convention except where noted in these accounting policies.

Material accounting policies

The policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

(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 2012 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.

(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. Revenue is recognised for the major business activities as follows:

Interest Revenue

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

Other Income

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

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NOTES TO THE FINANCIAL STATEMENTS continued**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued****(e) Income Tax**

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

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

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

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

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.

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

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

NOTES TO THE FINANCIAL STATEMENTS continued**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued****(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). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(l) Trade and other payables

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

(m) Restoration and rehabilitation provisions

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

NOTES TO THE FINANCIAL STATEMENTS continued**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued****(n) Employee Benefits***(i) Wages, salaries and annual leave*

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

(ii) Long service leave

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

(o) 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 date, the Group revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

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

(p) 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 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 2012	30 Jun 2011
	\$	\$
Other income		
Interest income	103,359	242,424
Cost recovery	3,472	3,186
	<u>106,831</u>	<u>245,610</u>
Administration and exploration expenses		
Exploration cost not capitalised	83,902	546,186
Consultancy and professional fees	81,864	111,145
Director and employee expenses	385,752	130,738
Other administrative expenses	413,768	313,758
	<u>965,286</u>	<u>1,101,827</u>
Finance expenses		
Depreciation	16,021	12,189
Option cost - Employee Share Option Plan	33,180	46,200
Others	9,765	2,392
	<u>58,966</u>	<u>60,781</u>

4. CASH AND CASH EQUIVALENTS

	Consolidated	
	30 Jun 2012	31 Dec 2011
	\$	\$
Cash at bank and on deposit	2,565,131	3,577,464
Security deposits in issuing bank guarantees	250,886	190,000
	<u>2,816,017</u>	<u>3,767,464</u>

5. PLANT AND EQUIPMENT

	Consolidated	
	30 Jun 2012	31 Dec 2011
	\$	\$
Plant, vehicle and equipment		
Plant, vehicle and equipment - carry value	162,753	152,142
Accumulated depreciation	(51,928)	(29,018)
Total plant, vehicle and equipment - carrying amount	<u>110,825</u>	<u>123,124</u>

Reconciliations

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

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NOTES TO THE FINANCIAL STATEMENTS Continued

5. PLANT AND EQUIPMENT continued

	Vehicle	Plant & Equipment	Total
	\$	\$	\$
Cost			
Balance at beginning of the period	86,535	72,496	159,031
Addition	-	3,722	3,722
Disposal	-	-	-
Balance at end of the period	<u>86,535</u>	<u>76,218</u>	<u>162,753</u>
Accumulated Depreciation			
Balance at beginning of the period	(22,762)	(13,145)	(35,907)
Depreciation charged for the period	(8,630)	(7,391)	(16,021)
Disposal	-	-	-
Balance at end of the the period	<u>(31,392)</u>	<u>(20,536)</u>	<u>(51,928)</u>
Net book value as at 30 June 2012	<u>55,143</u>	<u>55,682</u>	<u>110,825</u>
Net book value as at 31 Dec 2011	<u>63,773</u>	<u>59,351</u>	<u>123,124</u>

6. MINING TENEMENT

	Consolidated	
	30 June 2012	31 Dec 2011
	\$	\$
Capitalised exploration expenditures	<u>9,992,796</u>	<u>8,095,488</u>

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. TRADE AND OTHER PAYABLES

	Consolidated	
	30 Jun 2012	31 Dec 2011
	\$	\$
Current		
Trade payables	132,971	154,796
Other party payables	-	200,000
	<u>132,971</u>	<u>354,796</u>

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NOTES TO THE FINANCIAL STATEMENTS Continued

8. ISSUED CAPITAL

	Consolidated		Consolidated	
	30 Jun 2012	31 Dec 2011	30 Jun 2012	31 Dec 2011
	Number of	Number of	\$	\$
	Shares	Shares		
Ordinary Shares				
Issued and fully paid	104,892,337	100,592,337	16,007,133	14,444,118
Movements during the period				
Balance at beginning of the period	100,592,337	100,592,337	14,444,118	14,444,118
Share placement	4,300,000	-	1,677,000	-
Exercise option - employee share	-	-	-	-
Share issued cost	-	-	(113,985)	-
Balance at the end of the period	104,892,337	100,592,337	16,007,133	14,444,118

9. COMMITMENTS AND CONTINGENT LIABILITIES

Tenement expenditure commitments

	Consolidated	
	30 Jun 2012	31 Dec 2011
	\$	\$
Minimum tenement exploration	2,424,029	2,650,250
Tenement lease payment	240,111	401,744
	2,664,140	3,051,994

The minimum exploration expenditure commitments \$ 2,424,029 and lease payments \$ 240,111 on the Company's exploration tenements totalling approximately \$ 2,664,140 over full term of tenements.

Executive services agreement

In addition the Company has agreed with Mr Ian Levy as Managing Director in providing the services to the Company at an agreed rate of \$250,000 for the calendar year 2011.

Service agreement

The Company has entered into a Service Agreement with Hudson Corporate Limited pursuant to which Hudson Corporate Limited has agreed to provide its management, registered office, administrative, accounting and secretarial services.

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

Lease commitments

	Consolidated	
	30 Jun 2012	31 Dec 2011
	\$	\$
Non-cancellable operating leases - future minimum lease payments		
Within one year	6,900	6,900
Late	8,625	12,075
Later than 5 years	15,525	18,975

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NOTES TO THE FINANCIAL STATEMENTS Continued**9. COMMITMENTS AND CONTINGENT LIABILITIES continued**

The Group leases a copier under non-cancellable operating leases expiring in 2 years. Nor do they include commitments for any renewal options on leases. Lease conditions do not impose any restrictions on the ability of Australian Bauxite Limited and its subsidiaries from borrowing further funds or paying dividends.

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

10. SEGMENT REPORTING

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

11. EVENTS SUBSEQUENT TO BALANCE DATE

In July, the Company raised \$0.45m before costs through a share purchase plan at \$0.39 per share.

At the date of this report there are no other matters or circumstances, other than noted above, which have arisen since 30 June 2012 that have significantly affected or may significantly affect:

- the operations, in financial half-year subsequent to 30 June 2012, of the Group;
- the results of those operations; or
- the state of affairs, in financial half-year subsequent to 30 June 2012, of the Group.

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