



AUSTRALIAN **BAUXITE** LIMITED

ACN 139 494 885

Interim Financial Report for the half-year ended 30 June 2013

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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 2012 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

Registered and Corporate Office

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Sydney NSW 2000
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20 Martin Place
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Telephone: +61 2 9227 1818

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

Directors

Hon. John S Dawkins AO (Non-Exec Chairman)
Peter J Meers (Executive Deputy Chairman)
Ian Levy (Managing Director and CEO)
Rado Jacob Rebek (Executive Director)
Wei Huang
Ken Boundy

Joint Company Secretaries

Henry Kinstlinger
Julian Rockett

Share Registry

Computershare Investor Services Pty Limited
Level 3
60 Carrington Street
Sydney NSW 2000, Australia
Telephone: 1300 327 328 (within Australia)

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.

Review of Operations

Corporate

In May 2013 Australian Bauxite Limited (**ABx**) lodged its first mining lease application ML 1961 with Mineral Resources Tasmania for the Bald Hill bauxite project and a Notice of Intention to mine with the Environment Protection Authority. Critical to the application process is a Development Proposal and Environment Management Plan which has gone through its review processes and is expected to be submitted in final form in second half of 2013 once results from several bulk pit tests are known and confirm the handling properties of the product which will be a gravel-sized product, initially trucked to Bell Bay Port.

In April 2013, ABx and the major Chinese aluminium company, Xinfra executed a term sheet with respect to two State-Significant bauxite projects and have commenced an exclusive negotiation and due diligence period (Exclusivity Period) to finalise formal agreements, commencing initially with a detailed Memorandum of Understanding (**MoU**) once due diligence is completed followed by a series of Joint Venture and commercial agreements before year-end. Commercial terms have been agreed between ABx and Xinfra with respect to the early development and operation of the Tasmanian and Goulburn South bauxite projects. The two companies will also share information concerning the prospective Binjour project in Queensland.

Under the terms of the MoU, Xinfra will pay an additional \$2 million for a 5.8% equity in ABx through the issue of 6.58 million shares at \$0.38 per share. The Exclusivity Payment will fully convert to shares as part of this placement. Xinfra may take up a 50% interest in the Projects through funding all pre-production costs for the first mine of each project (Tasmania and Goulburn South) including due diligence costs, evaluation costs, feasibility studies costs, lease payments, project development-construction costs and working capital.

Agreements will include an off-take agreement for a minimum of 50% of production and up to 100% if requested by ABx. However, it is anticipated that 100% of production will be sold to Xinfra by mutual agreement, especially in the early years as the operations ramp up to full production. Bauxite prices are to be set by the prevailing market prices at the time of delivery in the normal manner.

Following the signing of this Term Sheet, ABx received an exclusivity payment of \$500,000 from Xinfra. The five month due diligence process is expected to move towards finalising formal development and operating agreements between end of August and mid-September 2013. The exclusivity period may be extended for a further 4 months if Xinfra makes additional monthly exclusivity payments.

In March 2013 ABx signed a memorandum of understanding with Tasmanian Ports Corporation for access to Bell Bay port in Northern Tasmania for the export of bauxite.

Mining is planned to commence at the Bald Hill Bauxite Project ML 1961 in the second half of 2014 with the first shipments scheduled for December 2014.

In February 2013 ABx raised \$1.625 million (before costs) in additional capital under a placement of 6.5 million shares to sophisticated and professional investors.

Exploration

During 2013, the Company's exploration focussed on Tasmania to define resources on ABx's first mining lease application ML 1961 at Bald Hill near Campbell Town, 110km south of Bell Bay Port. This mining lease is over 173 hectares, located off Macquarie Road, 8km northwest of Campbell Town in central northern Tasmania. The Bald Hill Bauxite Project was chosen as the appropriate name for this first mine.

Drilling was also undertaken at the Fingal Rail prospect where a solid bauxite layer was discovered concealed beneath a sand layer. Fingal Rail is located 11km northeast of the Bald Hill Bauxite Project (see Figure 1) and was expected to be a small bauxite deposit but it became clear that the bauxite discovery outcrop at Fingal Rail continued northwards and north-westwards, concealed beneath a thin cover of sand and clay, possibly of post-glacial origin. As a result, drilling was extended for another month before closing down for the winter break in mid-July. Should Fingal Rail contain export grade bauxite, it would become part of the same mining operation as Bald Hill Bauxite Project.

Maiden Resource estimates for the limited areas drilled to date at Fingal Rail are in progress and the deposit remains open to the west. Ground exploration continued to define new and additional bauxite areas.

The company expects to lodge a mining lease application for Fingal Rail in the first half of 2014 once resource limits are defined and the current base line environmental studies are completed in February 2014. Fingal Rail will be the second Tasmanian bauxite operation and will be managed by the same team that operates the Bald Hill Bauxite Project so as to maximise blending and transport opportunities, including rail.

Tasmanian Locations

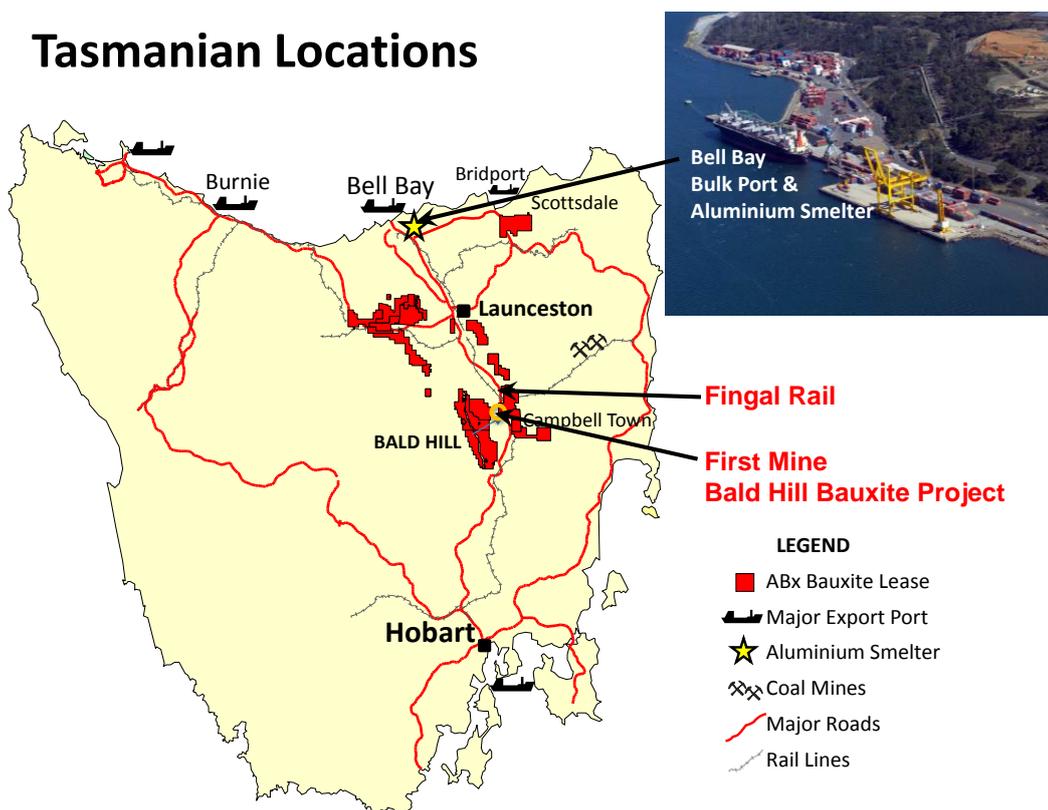


Figure 1: Locations in Tasmania

Bauxite Market Commentary

In late 2014, it is envisaged that ABx will commence production of gibbsite-rich bauxite, the type that is in greatest demand and shortest supply, from Tasmania. As noted in the Company’s market updates, bauxite demand is intensifying due to reduced supply from Indonesia, India and China and increased demand for alumina (aluminium oxide) due to rising Aluminium production.

Bauxite prices are still rising whilst the price of aluminium metal has remained flat. The different trajectories for the prices of bauxite and aluminium have developed because many new-technology, more efficient aluminium smelters have opened in recent years and significantly increased aluminium production which has suppressed aluminium prices. Aluminium is now a more competitively priced metal than ever before and its consumption is rising faster than all other metals. Consequently, bauxite has the most positive market outlook, driven by rising demand from new, modern Chinese alumina refineries.

New aluminium production leads to increased demand and higher prices for bauxite. China has insufficient domestic bauxite to feed its burgeoning aluminium industry so it imports more than 40% of its bauxite, mainly from Indonesia, Australia and India. Australia is best placed to become the most reliable supplier.

Indonesian Export Bans and Export Tax Increases From 20% to 50% in Early 2014

Rising demand and prices for Australian bauxite are forecast to strengthen further when Indonesia increases its export tax on bauxite from 20% to 50%, commencing in January 2014.

Record Bauxite Imports into China

Bauxite is the fastest growing seaborne traded mineral commodity. Chinese bauxite imports have risen from zero in 2004 to more than 50 million tonnes per year today. As Figure 2 graphs show, Chinese imports of bauxite were volatile in 2012 because of the impact of Indonesia’s first tranche of export bans and export tax in May 2012 – and Australian bauxite exports have risen since then. The second tranche of Indonesian export bans and taxes will be repeated during 2014 and is the reason ABx was founded in December 2009 – to take advantage of these new market opportunities. Chinese bauxite imports are now rising strongly, reaching an all-time record of 6.74 million tonnes in April 2013 and are remaining very high ahead of the Indonesian bans and export tax increase in January 2014.

Since 2008 bauxite prices have been rising towards US\$60 per tonne, and we believe it is a reasonable expectation they will exceed US\$60 per tonne during 2014 and 2015, as Indonesia’s export taxes increase from 20% to 50% are applied.

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ABx has forecast additional rises in bauxite prices to more than US\$65 per tonne after 2014 because of rising costs of production in Indonesia and India compounded with the additional export taxes and bans at a time when large new aluminium smelters are still being opened, especially in China.

Furthermore, recent exchange rate movements are considered especially encouraging because it increases the net received price for bauxite in Australian dollars.

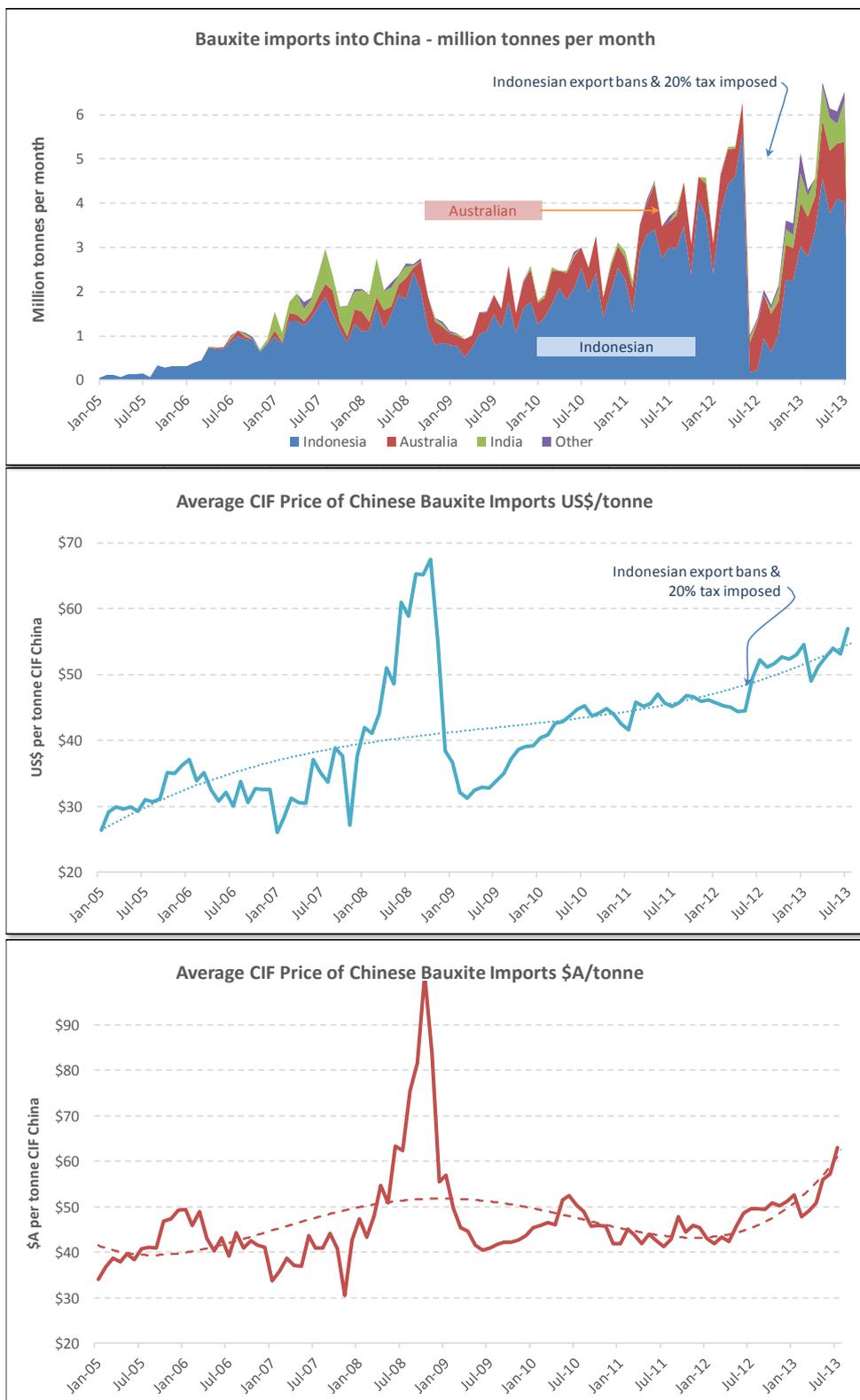


Figure 2: Chinese Bauxite Imports; tonnes per month & average Prices CIF China to 31 July 2013

Source: Chinese Customs & Bloomberg

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Figure 3: ABx Project Tenements and Major Infrastructure

Qualifying Statement

The information in this announcement that relate to Exploration Information and Mineral Resources 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.

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Directors' Report

Your directors present their report together with the financial statements of the parent entity and the consolidated entity (referred to hereafter as the **Group**) consisting of Australian Bauxite Limited (**Company**) and the entities it controlled at the end of or during the period ended 30 June 2013 and the Auditor's Review Report thereon.

Principal activities The principal continuing activities of the Group during the reporting period were conducting the bauxite exploration and development programs.

Financial performance The net consolidated loss of the Group for the six months ended 30 June 2013 was \$168,227 (2012: Loss \$917,421).

Cash holding of the Group at 30 June 2013 was \$2,287,482. The Group will have sufficient cash reserves to fund its current 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 5 of this report.

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

Directors

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

Hon. John S Dawkins AO	Non-Executive Chairman
Peter J Meers	Executive Deputy Chairman
Ian Levy	Managing Director / CEO
Rado Jacob Rebek	Executive Director
Wei Huang	Non-Executive Director
Ken Boundy	Non-Executive Director

Subsequent Events

At the date of this report there are no matters or circumstances which have arisen since 30 June 2013 that have significantly affected or may significantly affect:

- the operations, in financial half-year subsequent to 30 June 2013, of the Group;
- the results of those operations; or
- the state of affairs, in financial half-year subsequent to 30 June 2013, of the Group.

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Directors' Report (continued)

JORC Code Compliant Public Reports

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

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

Issue Date	Title of notice as Lodged with ASX
30 July 2013	Quarterly update
20 May 2013	Market presentation
8 May 2013	Mining lease application lodged
30 April 2013	Quarterly update
4 April 2013	Term Sheet signed with Xinfra Group
5 March 2013	Bell Bay Port MOU signed
14 February 2013	Market Update
31 January 2013	Quarterly update

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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-14	69	
	EL 7361	Guyra	Granted	17-Jul-09	17-Jul-14	300	
	EL 7824	Guyra Extension	Granted	24-Aug-11	24-Aug-13	288	
	EL 7596	Merriwa - 1	Granted	18-Aug-10	18-Aug-14	45	
	EL 7597	Merriwa - 2	Renewal Pending	18-Aug-10	18-Aug-14	318	
	EL 7598	Merriwa - 3	Granted	18-Aug-10	18-Aug-14	195	
	EL 7950	Merriwa Extension	Granted	21-Jun-12	21-Jun-14	264	
	EL 7872	Glencoe	Granted	7-Dec-11	7-Dec-13	300	
	EL 7858	Stannifer	Granted	2-Nov-11	2-Nov-13	294	
	EL 8097	Coolah	Granted	3-Jun-13	3-Jun-16	300	
	EL 8130	Old Mill	Granted	8-Jul-13	8-Jul-16	201	
						Total	2,871
ABx2 Pty Ltd							
	EL 7269	Windellama	Granted	23-Dec-08	23-Dec-14	135	
	EL 7279	Wingello West	Granted	30-Jan-09	30-Jan-16	21	
ELA 4038		Wingello Extended	Application			39	
	EL 7357	Taralga	Renewal Pending	1-Jul-09	1-Jul-16	246	
	EL 7681	Taralga Extension	Renewal Pending	11-Jan-11	11-Jan-16	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-15	132	
	EL 7546	Penrose	Granted	11-May-10	11-May-14	30	
						Total	1,518
ABx3 Pty Ltd						Queensland	
	EPM 17790	Hampton	Renewal Pending	28-Apr-09	27-Apr-15	90	
	EPM 17830	Haden	Renewal Pending	25-Feb-09	24-Feb-16	24	
	EPM 17831	Hillgrove	Granted	25-Feb-09	24-Feb-16	18	
	EPM 18014	Binjour	Renewal Pending	9-Oct-09	8-Oct-18	126	
	EPM 18772	Binjour Extension	Renewal Pending	31-Jan-11	30-Jan-15	123	
	EPM 19582	Binjour 2nd Ext	Granted	13-Dec-12	12-Dec-14	168	
	EPM 19742	Binjour 3rd Ext (Binjour South)	Granted	13-Dec-12	12-Dec-14	108	
	EPM 19169	Tellebang	Renewal Pending	27-Jun-11	26-Jun-16	60	
EPMA 25146		Toondoon EPM	Application			9	
EPMA 19390		Brovinia	Application			147	
EPMA 19427		Brovinia 2	Application			141	
EPMA 25261		Lucy 1	Application			300	
						Total QLD	1,314
ABx4 Pty Ltd						Tasmania	
	EL 4/2010	Evandale	Granted	14-Sep-10	13-Sep-15	83	
	EL 6/2010	Cleveland	Granted	14-Sep-10	13-Sep-15	34	
	EL 7/2010	Conara	Granted	14-Sep-10	13-Sep-15	154	
	EL 9/2010	Deloraine	Granted	14-Sep-10	13-Sep-15	168	
	EL 37/2010	Westbury	Granted	7-Nov-11	6-Nov-16	179	
	EL 3/2012	Ross	Granted	11-Sep-12	10-Sep-17	174	
	EL 12/2012	Scottsdale	Granted	12-Dec-12	11-Dec-17	128	
	EL 16/2012	Reedy Marsh	Granted	16-Jun-13	15-Jun-18	109	
ELA 4/2013		Tunross West 1	Application			136	
ELA 5/2013		Tunross West 2	Application			184	
						Total TAS	1,349
						TOTAL	7,052

*as at 9 Aug 2013

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 10 of this half year financial report.

Signed in accordance with a resolution of the Directors:



Ian Levy
Managing Director



Peter J Meers
Executive Deputy Chairman

Sydney
29 August 2013

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AUDITOR'S INDEPENDENCE DECLARATION

Level 6
350 Kent Street
Sydney NSW 2000

K.S. Black & Co.

ABN 57 446 398 808

Level 1, 460 Church Street
North Parramatta NSW 2151

PO Box 2210
North Parramatta NSW 1750

**AUDITOR'S 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 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

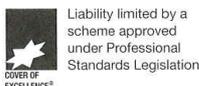
This declaration is in respect of Australian Bauxite Limited and the entities it controlled during the period.

KS Black & Co
Chartered Accountants



Faizal Ajmat
Partner

Sydney, 29 August 2013



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INDEPENDENT AUDITOR'S REVIEW REPORT

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K.S. Black & Co.

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Australian Bauxite Limited (the company) and Australian Bauxite Limited and Controlled Entities (the consolidated entity) which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flow for the half year ended on that date, notes comprising a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the financial period.

Director's Responsibility for the Half-Year Financial Report

The Directors of Australian Bauxite Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards AASB 134 Interim Financial Reporting and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2013, and of their performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Australian Bauxite Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



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INDEPENDENT AUDITOR'S REVIEW REPORT (continued)

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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF AUSTRALIAN BAUXITE LIMITED (Cont'd)

Conclusion

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

- (a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2013 and of their performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

KS Black & Co
Chartered Accountants



Faizal Ajmat
Partner

Sydney, 29 August 2013



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DECLARATION BY DIRECTORS

The Directors of the Company declare that:

1. The financial statements and notes, set out on pages 14 to 26, 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 2013 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
Executive Deputy Chairman

Sydney
29 August, 2013

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STATEMENT OF COMPREHENSIVE INCOME

for the Half-Year Ended 30 June 2013

	Notes	Consolidated	
		30 Jun 2013	30 Jun 2012
		\$	\$
REVENUE			
Other income	3	507,161	106,831
Administration and exploration expenses	3	(654,282)	(965,286)
Finance expenses	3	(21,106)	(58,966)
PROFIT/(LOSS) FROM OPERATIONS BEFORE INCOME TAX		(168,227)	(917,421)
EXPENSE			
Income tax expense		-	-
NET PROFIT/(LOSS) FOR THE PERIOD		(168,227)	(917,421)
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		(168,227)	(917,421)
EARNINGS PER SHARE		Cents	Cents
Basic earnings/(losses) per share (cents per share)		(0.15)	(0.91)
Diluted earnings/(losses) per share (cents per share)		(0.15)	(0.81)

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

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STATEMENT OF FINANCIAL POSITION

as at 30 June 2013

	Notes	Consolidated	
		30 Jun 2013	31 Dec 2012
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	4	2,287,482	2,016,870
Trade and other receivables		779,988	672,252
Other current assets		21,036	52,433
Total current assets		3,088,506	2,741,555
Non-current assets			
Trade and other receivables		640,141	616,934
Plant and equipment	5	79,767	94,416
Mining tenements	6	12,445,443	11,049,562
Financial assets		15,000	15,000
Total non-current assets		13,180,351	11,775,912
Total Assets		16,268,857	14,517,467
LIABILITIES			
Current liabilities			
Trade and other payables	7	535,330	139,958
Employee benefits provision		69,192	60,006
Other Liabilities		12,000	10,600
Total current liabilities		616,522	210,564
Non-current liabilities			
Employee benefits provision		44,558	37,099
Total non-current liabilities		44,558	37,099
Total Liabilities		661,080	247,663
Net Assets		15,607,777	14,269,804
EQUITY			
Issued capital	8	18,302,200	16,796,000
Reserves		593,250	593,250
Accumulated losses		(3,287,673)	(3,119,446)
Total Equity		15,607,777	14,269,804

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 2013

	Notes	Issued Capital	Options Reserve	(Accumulated Losses)	Total Equity
		\$	\$	\$	\$
Consolidated					
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		16,007,133	593,250	(2,933,170)	13,667,213
At 30 June 2012		16,007,133	593,250	(2,933,170)	13,667,213
Share placement, net of cost		788,867	-	-	788,867
Loss for the period		-	-	(186,276)	(186,276)
At 31 December 2012	8	16,796,000	593,250	(3,119,446)	14,269,804
At 31 December 2012		16,796,000	593,250	(3,119,446)	14,269,804
Share placement		1,625,000	-	-	1,625,000
Share issuing costs		(118,800)	-	-	(118,800)
Loss for the period		-	-	(168,227)	(168,227)
At 30 June 2013	8	18,302,200	593,250	(3,287,673)	15,607,777

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 2013

	Notes	Consolidated	
		30 Jun 2013	30 Jun 2012
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		55,032	108,469
Payment for exploration and evaluation expenditures		(1,540,007)	(2,144,185)
Payments for administration expenses		(173,988)	(275,024)
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(1,658,963)	(2,310,740)
CASH FLOWS FROM INVESTING ACTIVITIES			
Repayment/advance to other party		(75,000)	(200,000)
Payments for plant and equipment		(1,625)	(3,722)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(76,625)	(203,722)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues/placements		1,625,000	1,677,000
Share issuing costs		(118,800)	(113,985)
Deposits received – exclusivity payment on future share placement		500,000	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		2,006,200	1,563,015
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		270,612	(951,447)
Cash and cash equivalents at the beginning of the reporting period		2,016,870	3,767,464
CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD	4	2,287,482	2,816,017

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

NOTES TO THE FINANCIAL STATEMENTS

for the Half-Year Ended 30 June 2013

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 2013 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:

(i) 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 2013 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.

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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, evaluation 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 2013	30 Jun 2012
	\$	\$
Other income		
Interest income	102,029	103,359
Cost recovery	405,132	3,472
	507,161	106,831
Administration and exploration expenses		
Exploration cost not capitalised	30,554	83,902
Consultancy and professional fees	53,753	81,864
Director and employee expenses	145,331	385,752
Other administrative expenses	424,644	413,768
	654,282	965,286
Finance expenses		
Depreciation	16,273	16,021
Option cost - Employee Share Option Plan	-	33,180
Others	4,833	9,765
	21,106	58,966

4. CASH AND CASH EQUIVALENTS

	Consolidated	
	30 Jun 2013	31 Dec 2012
	\$	\$
Cash at bank and on deposit	2,036,596	1,765,984
Cash held in trust – tenement guarantees and deposits	250,886	250,886
	2,287,482	2,016,870

5. PLANT AND EQUIPMENT

	Consolidated	
	30 Jun 2013	31 Dec 2012
	\$	\$
Plant, vehicle and equipment		
Plant, vehicle and equipment - carry value	164,378	162,753
Accumulated depreciation	(84,611)	(68,337)
Total plant, vehicle and equipment - carrying amount	79,767	94,416

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	76,218	162,753
Addition	-	1,625	1,625
Disposal	-	-	-
Balance at end of the period	<u>86,535</u>	<u>77,843</u>	<u>164,378</u>
Accumulated Depreciation			
Balance at beginning of the period	(40,116)	(28,221)	(68,337)
Depreciation charged for the period	(8,583)	(7,691)	(16,274)
Disposal	-	-	-
Balance at end of the period	<u>(48,699)</u>	<u>(35,912)</u>	<u>(84,611)</u>
Net book value as at 30 June 2013	<u>37,836</u>	<u>41,931</u>	<u>79,767</u>
Net book value as at 31 Dec 2012	<u>46,419</u>	<u>47,997</u>	<u>94,416</u>

6. MINING TENEMENT

	Consolidated	
	30 June 2013	31 Dec 2012
	\$	\$
Tenement interest and capitalised exploration expenditures	<u>12,445,443</u>	<u>11,049,562</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 2013	31 Dec 2012
	\$	\$
Current		
Trade payables	8,526	139,958
Other payables	26,804	-
Deposits received – exclusivity payment on future share placement	500,000	-
	<u>535,330</u>	<u>139,958</u>

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NOTES TO THE FINANCIAL STATEMENTS Continued

8. ISSUED CAPITAL

	Consolidated		Consolidated	
	30 Jun 2013	31 Dec 2012	30 Jun 2013	31 Dec 2012
	Number of Shares	Number of Shares	\$	\$
Ordinary Shares				
Issued	113,711,160	107,211,160	18,302,200	16,796,000
(a) Movements during the period				
Balance at beginning of the period	107,211,160	100,592,337	16,796,000	14,444,118
Share placement	6,500,000	4,300,000	1,625,000	1,677,000
Share purchase plan	-	1,168,823	-	455,850
Exercise option - employee share option	-	1,150,000	-	345,000
Share issued cost	-	-	(118,800)	(125,968)
Balance at the end of the period	113,711,160	107,211,160	18,302,200	16,796,000

(b) Options

There have been no options issued or granted over unissued shares during the reporting period.

(c) Terms and Conditions

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

9. COMMITMENTS AND CONTINGENT LIABILITIES

Tenement expenditure commitments

	Consolidated	
	30 Jun 2013	31 Dec 2012
	\$	\$
Minimum tenement exploration	3,528,892	2,012,233
Tenement lease payment	184,476	192,501
	3,713,368	2,204,734

The minimum exploration expenditure commitments \$3.52 million and lease payments \$0.18 million on the Company's exploration tenements totalling approximately \$3.7 million over remaining term of tenements.

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

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 2013	31 Dec 2012
Non-cancellable operating leases - future minimum lease payments	\$	\$
Within one year	6,900	6,900
Later than one year but not later than 5 years	1,725	5,175
Later than 5 years	-	-
	8,625	12,075

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

At the date of this report there are no other matters or circumstances, other than noted above, which have arisen since 30 June 2013 that have significantly affected or may significantly affect:

- the operations, in financial half-year subsequent to 30 June 2013, of the Group;
- the results of those operations; or
- the state of affairs, in financial half-year subsequent to 30 June 2013, of the Group.

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