



AUSTRALIAN BAUXITE LIMITED

ASX: ABZ

ASX ANNOUNCEMENT

8 May 2012

Inverell Resource Grade Improvement – 38 Million Tonnes Resource

Company resources now 86 million tonnes^{1,2,3,4}

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

Emerging bauxite exploration and development company, Australian Bauxite Limited (ABx, ASX Code ABZ) discovered a thick layer of good quality bauxite in 2008-09 at its Inverell project in northern NSW (see Figure 1). Parts of that bauxite lie beneath a clay horizon and required further investigation. ABx conducts thorough evaluation programmes and results from 37 new holes into the concealed bauxite are generally consistent with previous Inferred resource estimates for those zones. A rigorous selection of the bauxite intercept thicknesses and grades has been applied so that the grades of the resources better reflect the nature of the deposit, with A/S ratios increasing from 6.7 to 8.5 and 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									Yield %
Resource category	Tonnes millions	Thickness	Overburden	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 %	
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.

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.

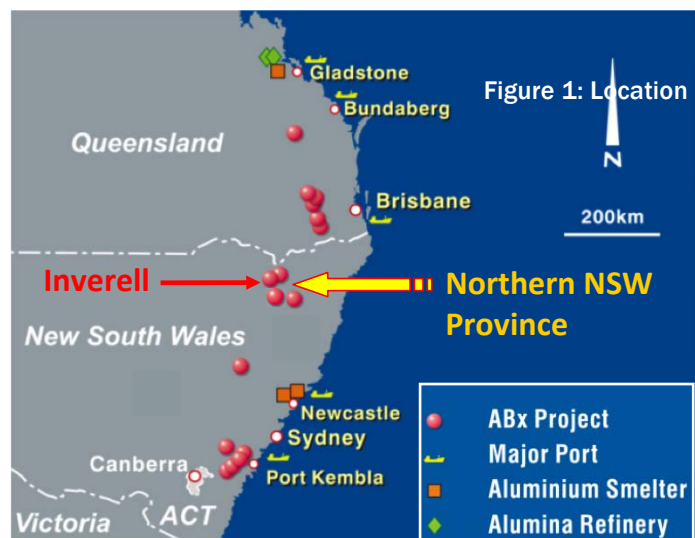


Figure 1: Inverell Project Location

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Logistical Setting

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

Further Work Planned

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

RESOURCE ESTIMATE METHOD

Reconnaissance and follow-up exploration drilling was done on a semi-random but systematic pattern governed by site availability across Inverell EL 6997 to test several of the many bauxite targets. By 30 November 2011, 233 holes had intersected a moderate quality bauxite layer, concealed in many places beneath a surface clay and soil layer 1 to 3 metres thick.

Drill samples were collected at 1 metre intervals from the aircore drillholes and analysed at ALS Laboratories in Brisbane including trihydrate (THA) available alumina ("Al₂O₃ Avl") and reactive silica ("Rx SiO₂") measurements. Leach conditions to measure available alumina "Al₂O₃ Avl" and reactive silica "Rx SiO₂" were 1g leached in 10ml of 90gpl NaOH at 143 degrees C for 30 minutes.

Estimation was done by geostatistical block modelling of bauxite intercepts, constrained within geological boundaries using Gemcom resource estimation software. The block size is 25m x 25m and drill spacing within the bauxite zones was typically at 75 to 150 metres spacings. Data interpolation of up to 350 metres was done, based on statistical assessments of continuity.

A tight boundary was drawn around bauxite intercepts in the new areas and the resources within these new areas were classified as Indicated because of the close-spaced drilling inside those boundaries. No Inferred Boundary has been drawn because of the high proportion of concealment. In the areas drilled in the past, blocks with less than 6 datapoints within that 350 metre search ellipse were classified as Inferred Resources and the more heavily drilled blocks were classified as Indicated Resources.

Bauxite density was conservatively assumed at 1.85 dry tonnes per cubic metre in situ even though this bauxite layer is generally unweathered due to protection from the overlying clay layer.

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Qualifying Statement

The information in this announcement that relates to Exploration Results, Mineral Resources and Bauxite Classifications is based on results and interpretations compiled by Ian Levy who is a member of The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Mr Levy is a qualified geologist and employed as CEO of Australian Bauxite Limited.

Geostatistical block modelling was carried out by independent consultant, Scott McManus using Gemcom mining software. Mr McManus is an experienced resource modelling consultant and a member of the Australian Institute of Geoscientists.

Mr Levy has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is 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 McManus and Mr Levy have consented in writing to the inclusion in this announcement of the Exploration Information in the form and context in which it appears.

Exploration Target Statement

ABx has an exploration target of 200 to 300 million tonnes of bauxite (40-50 million tonnes is the exploration target for the Goulburn Bauxite Project area), based on the Mineral Resources totalling 38 million tonnes⁴ of bauxite from 233 drillholes drilled across an area that is less than 30% of the known bauxite deposits on a single Exploration Lease EL 6997 at Inverell in northern NSW. Furthermore, Mineral Resources totalling 25 million tonnes² of bauxite have been estimated from 577 drillholes 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.

The following are 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 12/05/2011 ASX Taralga Bauxite Resource Doubled to 25 Million Tonnes

² 15/08/2011 ASX Guyra Maiden Resource (6 Million Tonnes)

³ 12/10/2011 ASX Binjour Maiden Resource (17 Million Tonnes)

⁴ 02/09/2010 ASX Inverell JORC Resource Update (38 Million Tonnes)

About Australian Bauxite Limited: ASX Code ABZ

Australian Bauxite Limited (ABx) holds the core of the newly discovered Eastern Australian Bauxite Province. Its 37 bauxite tenements in Queensland, NSW and Tasmania covering 8,500 km² were rigorously selected on 3 principles:

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

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

The company's bauxite is high quality and can be processed into alumina at low temperature – the type that is in short-supply globally. **Global resources declared to date total 86 million tonnes.** At the company's first drilling prospect in Inverell, northern NSW, an interim resource of 38 million tonnes⁴ has been reported from drilling 25% to 35% of the area prospective for bauxite and a resource of 25 million tonnes² of bauxite has been reported at the Taralga project in southern NSW. A 6 million tonnes maiden resource was declared at Guyra². Results from the Binjour Plateau in central QLD confirm that ABx has discovered a significant bauxite deposit including some bauxite of outstandingly high quality. Australian Bauxite Limited aspires to identify large bauxite resources in the Eastern Australian Bauxite Province which is emerging as one of the world's best bauxite provinces.

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

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

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Figure 2: ABx Project Locations