



AUSTRALIAN BAUXITE LIMITED

ASX: ABZ

ASX ANNOUNCEMENT

19 September 2012

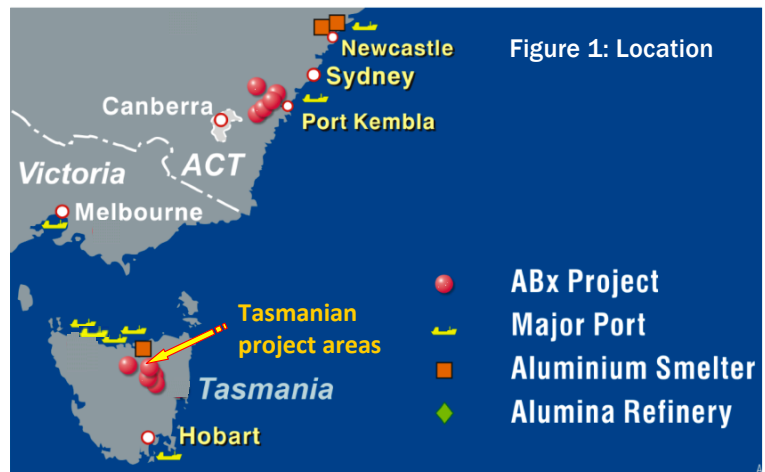
Drill Success at Tasmanian Deposit DL-130: 6 Metres Bauxite, Near Port Scoping Feasibility Study & Offtake Discussions Have Begun

- Drilling ahead of schedule in Tasmania discovered good quality bauxite at DL-130
- Thick bauxite, up to 6 metres thick found at DL-130 in cleared plantation blocks
- 97km trucking distance to Bell Bay deepwater port on heavy duty highway
- Economic potential is positive and socio-environmental setting is sustainable
- Community consultation about potential development is positive
- Scoping feasibility study commenced early and local contractor interest is positive
- Discussions with potential offtake customers have commenced

Emerging bauxite development company, Australian Bauxite Limited (ABx, ASX Code ABZ) is drilling ahead of schedule in Tasmania at Bauxite Deposit DL-130 located 65km south-south-west of Bell Bay deepwater port in a privately owned plantation that is under harvest. Thicker than expected bauxite has been encountered up to 6 metres thick over a wide area which suggests that with this project could commence production earlier than anticipated with minimal impacts, returning the land to plantation timber after extracting the surface layer of bauxite and replacing the thin soil layer.

Australian Bauxite CEO Ian Levy said; "ABx invested in Tasmania after careful consideration of risks and potential rewards based on expert advice and an understanding of Tasmania's special circumstances.

"We believe that with goodwill and common sense, ABx can develop a sustainable project in Tasmania. Our discovery of thick bauxite in viable locations near deepwater ports augers well for an early commencement of a bauxite extraction and export business from Tasmania."



Logistical Setting

Central Northern Tasmania has good infrastructure, with an operating rail line passing through the bauxite areas as well as heavy haulage highways. Both rail and road link directly to efficient operating mineral export ports at Burnie and Bell Bay that have spare port capacity (see Figure 2).

Tasmania has a well-developed electric power grid based mainly on hydroelectric power and has ample water supplies. Natural gas from the Bass Strait field is distributed throughout Tasmania and there are many well-established population centres.

Tasmania has a proud mining heritage. Coal mining occurs in the Fingal Valley area east of the main bauxite areas and large cement works are operating in the area south of Devonport to the west of the bauxite areas. The Bell Bay aluminium smelter is operated by Rio Tinto Alcan (see Figure 2).

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Central Northern Tasmania has some of Australia’s best steel fabrication and heavy machinery workshops as well as highly experienced earth moving, transport and construction contractors.

In summary, the Tasmanian bauxite project areas in central northern Tasmania are supplied with power, water, communications and transport infrastructure, near industrial centres serviced by efficient mineral export ports that operate all year round without seasonal interruptions.

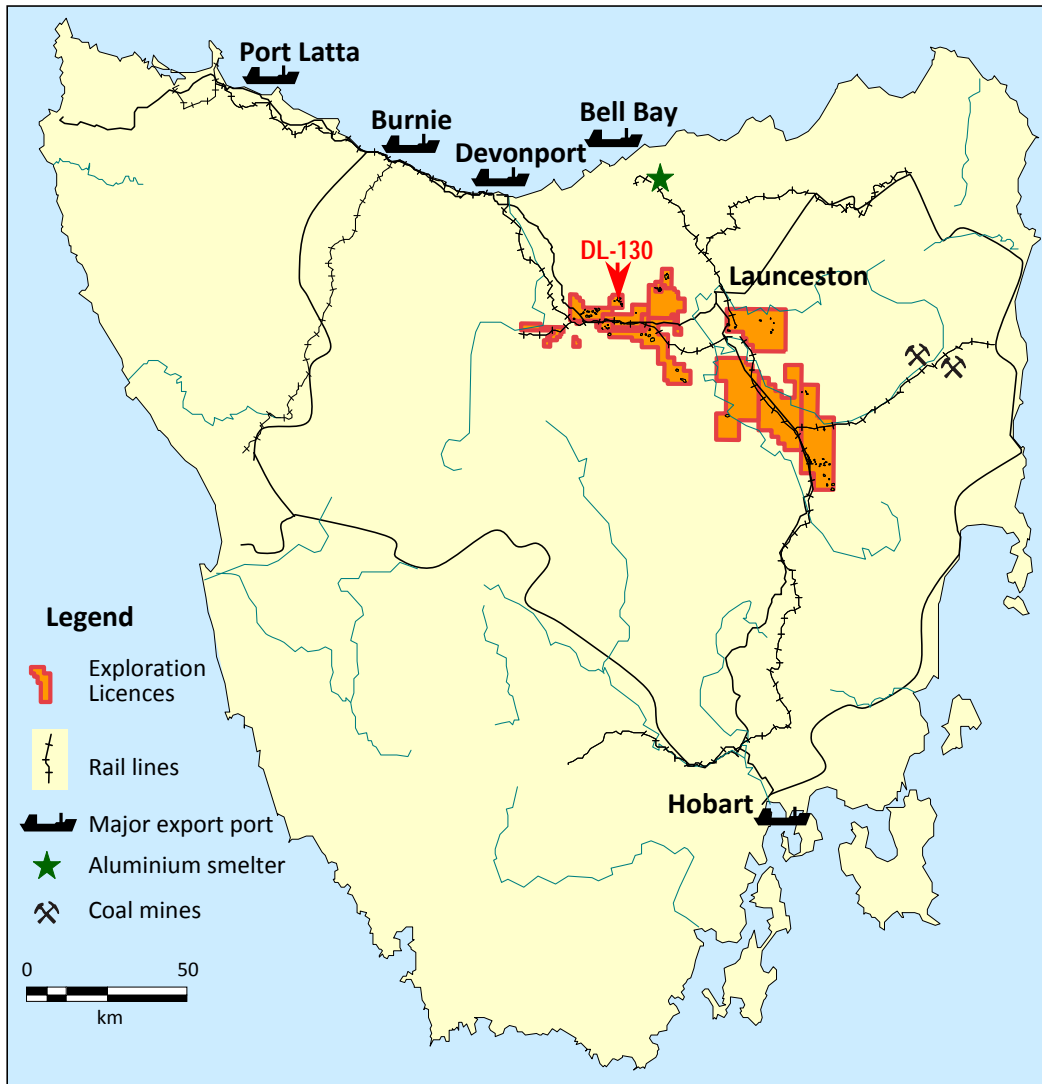


Figure 2: ABx Tasmanian Bauxite Tenements, Deposits & Drillhole Locations (dots) and Infrastructure

Bauxite Types

Based on results to date from 334 drill holes & 1,521 samples, it is estimated that ABx can produce direct shipping bauxite (“DSO”) comprising gibbsite which is the premium low-temperature alumina-trihydrate mineral. All of ABx bauxites are free of the refractory, high-temperature monohydrate alumina mineral called boehmite and levels of the deleterious reactive silica are very low. These characteristics makes the DSO bauxite ideal for sweetener bauxite circuits or as feedstock into low-temperature alumina refineries.

Note that there is often an upper layer of PDM-DSO bauxite comprising about 30% pebble-sized grains of a black, glass-like alumina spinel which is emery-like and called “PDM”. It is saleable as bauxite in high temperature alumina refineries or extracted by simple gravity methods and used for higher-priced industrial products such as an abrasive or a source of alumina in nearby cement plants.

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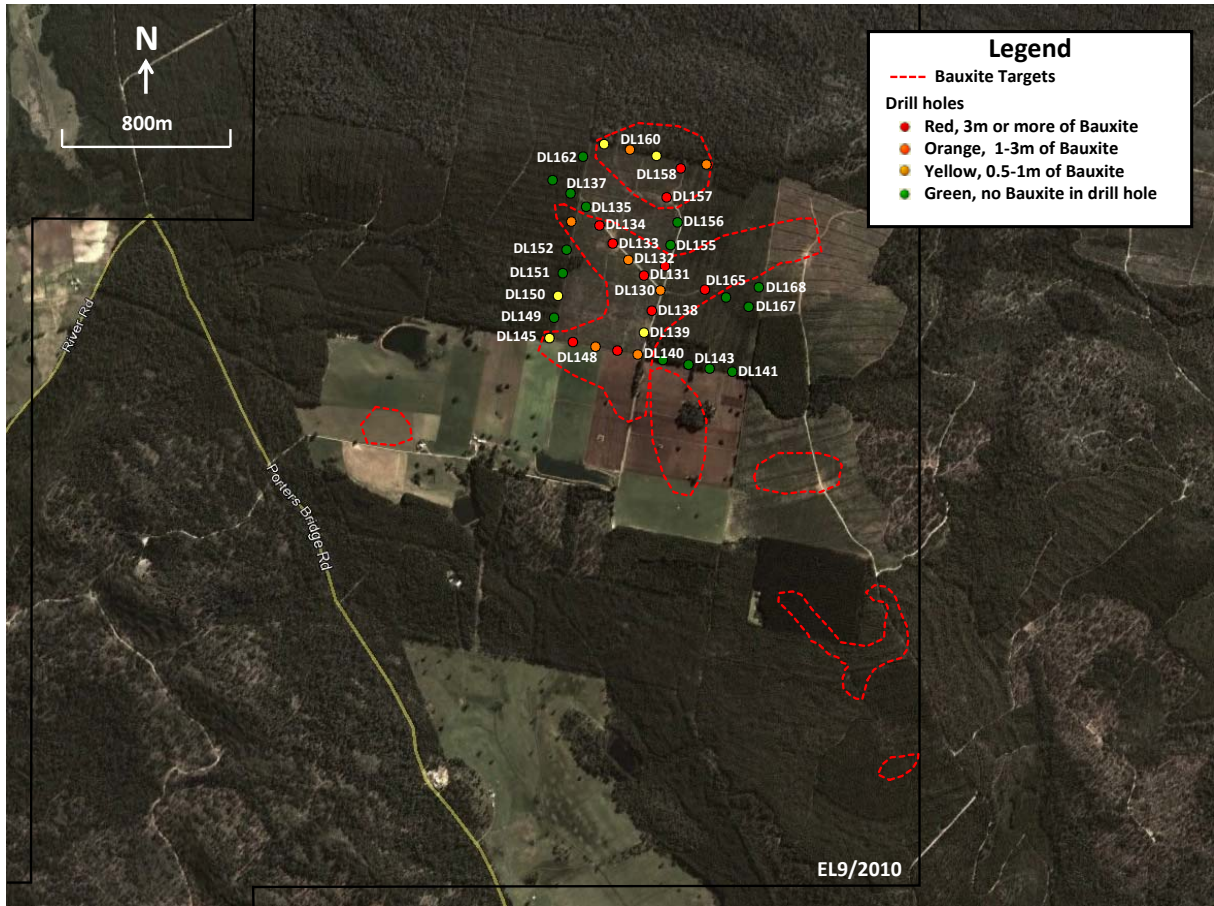


Figure 3: Recent Drillholes and Bauxite Thicknesses From Deposit DL-130

Note that the bauxite outlines shown as red dashes are based on surface mapping and sampling of the easily accessible areas only.

Other bauxite targets have been identified in this area using the company's proprietary exploration technology but still require ground-truthing by sampling and drilling.

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About Australian Bauxite Limited: ASX Code ABZ

Australian Bauxite Limited (ABx) holds the core of the newly discovered Eastern Australian Bauxite Province. Its 38 bauxite tenements in Queensland, NSW and Tasmania covering 8,250 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 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 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.

Qualifying statement

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

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

JORC Compliant Resource Statements

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

- ¹ 08/05/2012 ASX Inverell JORC Resource Update, 38.0 Million Tonnes
- ² 30/05/2012 ASX Taralga Bauxite Resource Increased 50% to 37.9 Million Tonnes
- ³ 15/08/2011 ASX Maiden Guyra Resource, 6.0 Million Tonnes
- ⁴ 29/07/2012 ASX Binjour Maiden Resource, 24.5 Million Tonnes

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.

Definitions

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

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Figure 4: Project Tenements and Major Infrastructure – 3Qtr 2012

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