



AUSTRALIAN BAUXITE LIMITED

ASX: ABZ

ASX ANNOUNCEMENT

27 May 2013

CHAIRMAN'S ADDRESS

Following is the Chairman's address to the Company's Annual General Meeting to be presented at 3:00 PM on 27 May 2013.

About Australian Bauxite Limited: ASX Code ABZ

Australian Bauxite Limited (ABx) holds the core of the newly discovered Eastern Australian Bauxite Province. Its 42 bauxite tenements in Queensland, NSW and Tasmania covering 6,883 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. ABx conducts vigorous reviews of the commercial viability of its projects and tenements, resulting in new acquisitions, but also reductions in area as exploration is conducted.

ABx's bauxite is high quality, gibbsite-rich bauxite and can be processed into alumina at low temperature - the type that is in short-supply globally. **Global resources declared to date total 115.6 million tonnes.** At Inverell in northern NSW, a resource of 38.0 million tonnes¹ has been reported from drilling 35% to 40% of the area prospective for bauxite; at the Taralga project in southern NSW, a resource of 37.9 million tonnes² of bauxite has been reported; at Guyra³, a 6.0 million tonnes maiden resource was declared; at the Binjour Plateau in central QLD, a 24.5 million tonnes⁴ resource has been declared; in Tasmania, a 5.7 million tonnes maiden resource has been declared and at Mundubbera in central Qld, a 3.5 million tonnes maiden resource has been declared, confirming that ABx has discovered a significant bauxite deposit including some bauxite of outstandingly high quality.

ABx 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 relates to Exploration Information are based on information compiled by Jacob Rebek who is a member of The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Mr Rebek is a qualified geologists and is a director of Australian Bauxite Limited.

Mr Rebek has 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 has 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 in this announcement.

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

⁵ 08/11/2012 ASX Maiden Tasmania JORC Resource, 5.7 Million Tonnes

⁶ 03/12/2012 ASX Maiden QLD Mining Lease JORC Resource, 3.5 Million Tonnes

Disclaimer Regarding Forward Looking Statements

This ASX announcement (Announcement) contains various forward-looking statements. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements are inherently subject to uncertainties in that they may be affected by a variety of known and unknown risks, variables and factors which could cause actual values or results, performance or achievements to differ materially from the expectations described in such forward-looking statements.

ABx does not give any assurance that the anticipated results, performance or achievements expressed or implied in those forward-looking statements will be achieved.

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CHAIRMAN'S ADDRESS TO AGM 2013

Australian Bauxite Limited (ASX : ABZ) achieved its 2012 objective to select which of its three state-significant projects should be developed first and is now moving towards early production from the first new bauxite mine in Australia for more than 35 years. Our initial production will come from the Bald Hill Bauxite Project near Campbell Town, central northern Tasmania which was selected based on relatively low cost, nearness to port and ideal socio-environmental setting.

BALD HILL BAUXITE PROJECT, ML 1961, TASMANIA

Mining Lease Application ML 1961 has been lodged with Mineral Resources Tasmania and a Notice of Intent has been lodged with the EPA. Both are progressing on schedule.

A Memorandum of Understanding has been signed with Tasmanian Port Corporation regarding access to Bell Bay Port, north of Launceston.

In March 2013, the Company selected the major Chinese aluminium company, the Xinfu Group as its supportive offtake partner to reduce market-risk during start-up and to fund the first two mines. A Term Sheet has been agreed with Xinfu, subject to due diligence, for a joint venture that includes an off-take agreement and the funding by Xinfu of the first mines in Tasmania and the Goulburn South district of southern NSW. Xinfu has paid a \$500,000 exclusivity fee for 5 months due diligence commencing 8 April 2013.

If the first Mining Lease application process in Tasmania takes its normal course, bauxite production can commence in late 2014 when bauxite demand is anticipated to be strong. Our initial costings suggest capital costs of about \$10 million and low operating costs of A\$27 to A\$32 per tonne, free-on-board Bell Bay. Shipping costs to China are currently about US\$20 per tonne, giving a CIF cost of about US\$46 per tonne at current exchange rates. Current Australian bauxite prices exceed US\$58 per tonne CIF China and are expected to increase during 2014 when Indonesian bauxite export taxes are due to increase from 20% to 50%. An operating margin of A\$15 to A\$20 per tonne is therefore not an unreasonable expectation for the Bald Hill project during 2015.

Exploration drilling in Tasmania is adding resource tonnages and identifying the next mines.

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DEVELOPMENTS AT OTHER PROJECTS

The Company has 42 bauxite tenements, covering 6,800 km² in Queensland, NSW and Tasmania, all 100% owned and all meeting our three fundamental criteria:

1. High quality gibbsite-rich bauxite ore that can be refined into alumina at low temperature, the type that is increasingly in short supply, especially for the large Chinese refineries that rely heavily on bauxite imports;
2. Proximity to large tonnage transport infrastructure connected to export ports; and,
3. Free of socio-environmental or native title land constraints.

During 2012:

1. Total company bauxite resources increased by 38% to 116 million tonnes;
2. A pre-feasibility study was carried out on the bauxite projects in the Goulburn area of southern NSW; and,
3. The resource base at Binjour in central QLD, some 115km inland from Bundaberg, was expanded substantially, including a small resource on a granted mining lease.

In NSW, the \$1.5 million pre-feasibility study conducted in conjunction with the Marubeni Group for the Goulburn North project at Taralga concluded that the project could be developed after 2017 when all necessary upgrades of rail and Port Kembla infrastructure have been completed. The study also showed that a smaller project may commence at Goulburn South in the Wingello pine forest, which has bauxite resources covered by two Ministerial Mining Reserves for the protection of industrial sand deposits.

If the NSW government were to remove those Reserves, Goulburn South could commence production by the end of 2015 or in 2016 at low capital cost and moderate operating cost, exporting bauxite from Port Kembla. An MoU has been signed with Port Kembla Port Corporation regarding access to the port.

BAUXITE MARKET CONTINUES TO STRENGTHEN

Our projects will sell gibbsite-rich bauxite to alumina refineries in China, India and Australia. 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.

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Bauxite Prices Rising Independent of Aluminium Prices

Bauxite prices are rising even whilst the price of aluminium metal has remained flat. The different trajectories for the prices of bauxite and aluminium have developed because of the opening of many new-technology aluminium smelters in recent years, using cheap electricity in China, Middle East and Russia. These new aluminium smelters use far less electricity per tonne of aluminium and have increased global 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.

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.

Indonesian Export Bans and Export Tax Increases to 50% in 2014

The increased demand for seaborne bauxite has led to rising bauxite prices. These are forecast to rise further when Indonesia increases its export tax on bauxite from 20% to 50% in 2014. This outlook is why Australian Bauxite Limited was created in 2009.

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 45 million tonnes in 2011. In mid-2012, exports from Indonesia fell dramatically for a few months due to Indonesian export bans and the imposition of a new 20% export tax – supply was constrained and prices rose significantly.

As the attached graphs show, Chinese bauxite imports are rising strongly and reached an all-time record of 6.74 million tonnes in April 2013 – an annualised rate of more than 70 million tonnes per year. Australian Bauxite Limited aspires to supply 5 to 10 million tonnes per year to China by 2020, which is a relatively modest share of China's imports.

Bauxite prices rose from US\$27 per tonne CIF China in 2005 to US\$75 per tonne in 2007, before the global financial crisis decimated the metal markets. Since early

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2009 however, bauxite import prices have been consistently rising towards US\$60 per tonne, and we believe that it is a reasonable expectation that they will exceed US\$60 per tonne during 2014 and 2015, as Indonesia's next set of export bans and increase in export taxes from 20% to 50% are applied.

CAPITAL MANAGEMENT

Our current focus is to start production from Bald Hill and identify the next two mines to develop. Our strategy has been to conserve capital and minimise project risk for the first two mines and become more aggressive with later projects.

We aim to pay dividends to shareholders as soon as possible, hopefully within a few years if the bauxite market and outlook remains as strong as anticipated.

In June 2012, the Company raised \$2.1 million via a capital raising and Share Purchase Plan. Shareholder support at this critical stage in the company's growth is greatly appreciated.

Directors thank management, staff and consultants for their enthusiastic teamwork and achievements over the past year. We look ahead to another year of high achievement and growth.

John Dawkins
Chairman

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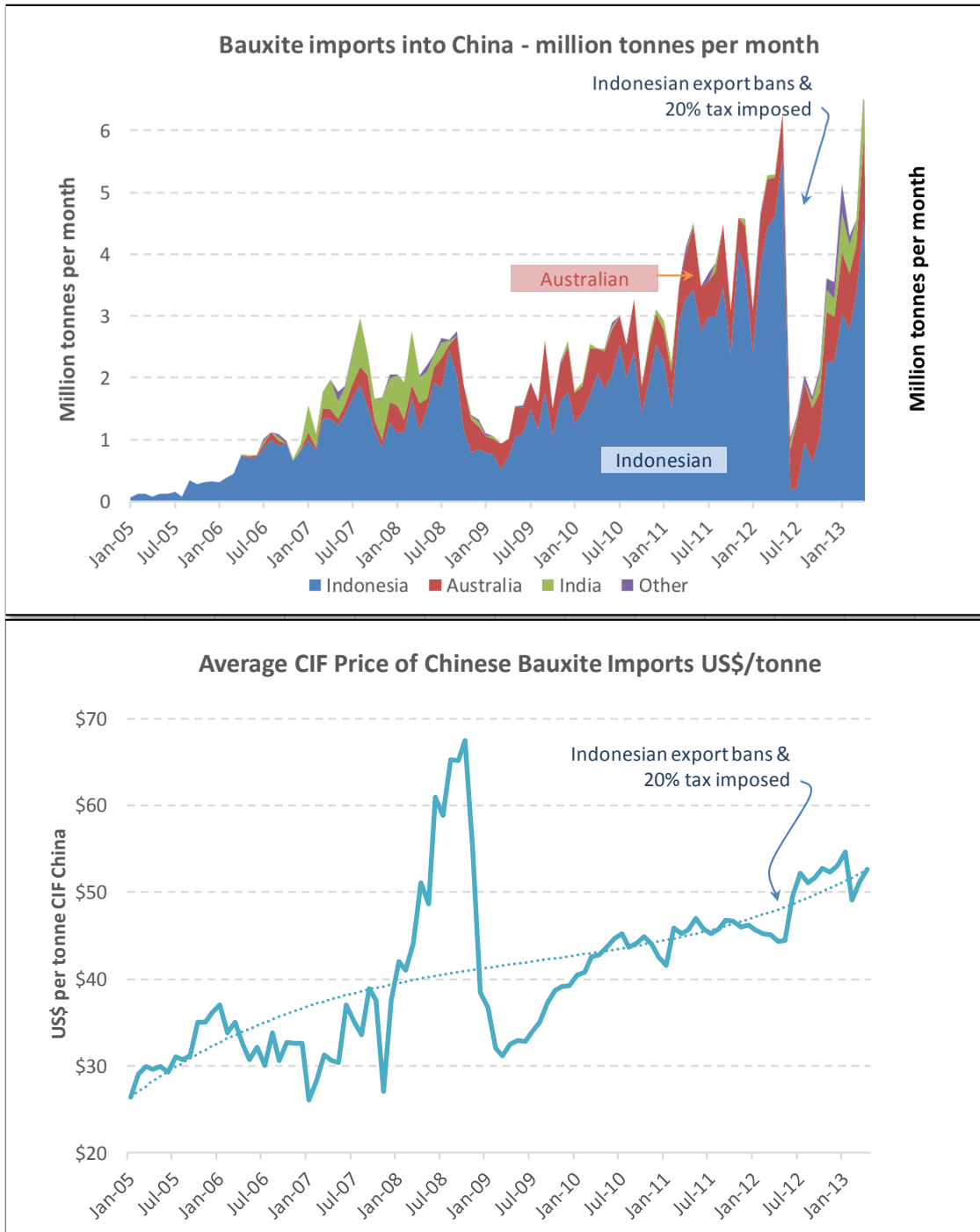


Figure – Chinese Bauxite Imports Since 2004

Source:

Chinese Customs.

March 2013 Import Figures:

| | |
|-----------|---------------------------------------|
| Indonesia | 4.56 million tonnes @ US\$50.08/tonne |
| Australia | 1.33 million tonnes @ US\$58.22/tonne |
| India | 0.74 million tonnes @ US\$56.63/tonne |
| Others | 0.10 million tonnes @ US\$66.04/tonne |



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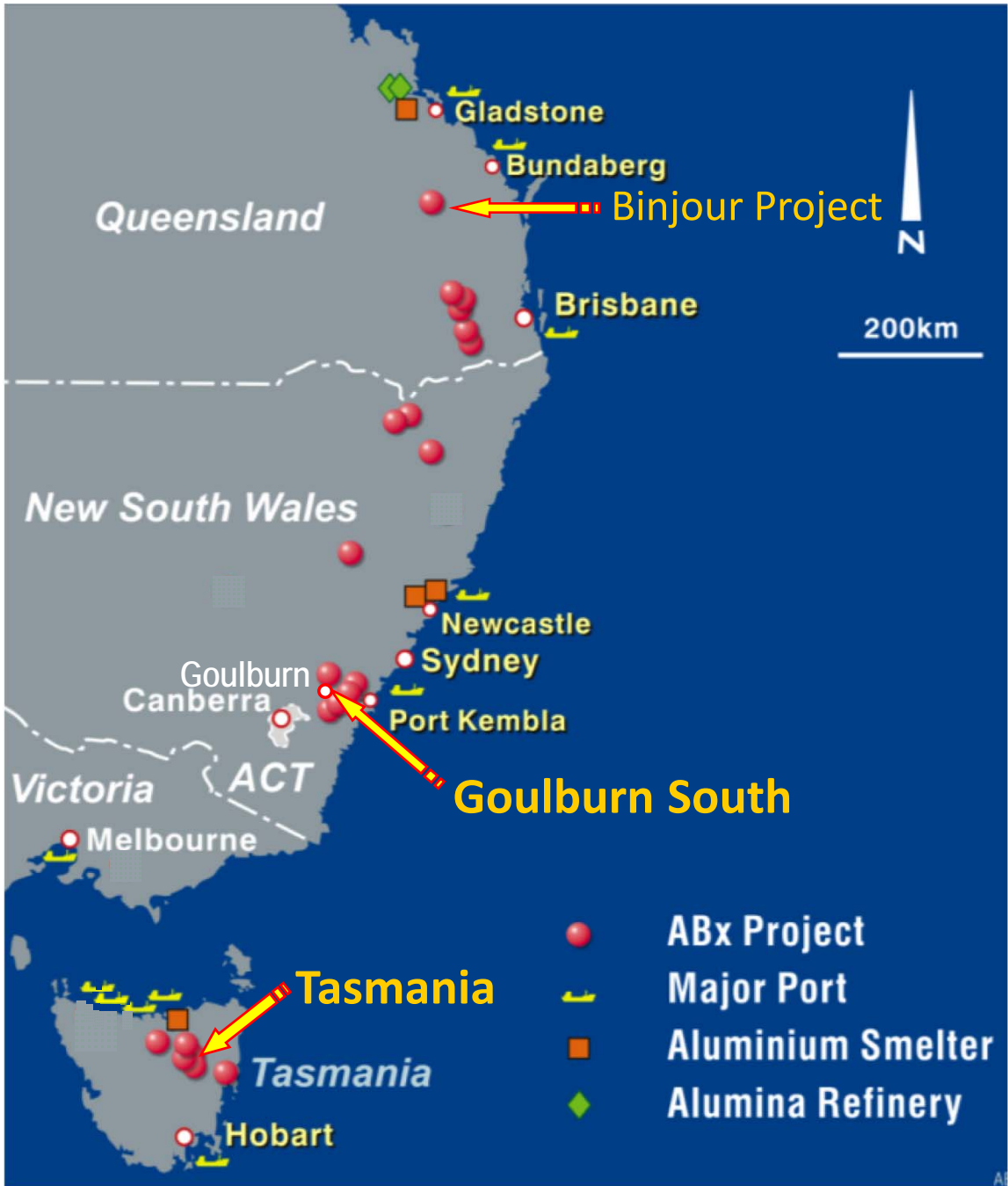


Figure 1: ABx Project Locations