



AUSTRALIAN BAUXITE LIMITED

ASX: ABZ

ASX ANNOUNCEMENT

28 May 2014

About Australian Bauxite Limited

ASX Code ABZ

Australian Bauxite Limited (ABx) is well advanced to establish its first mine in Tasmania (ML 1961).

ABx holds the core of the newly discovered Eastern Australian Bauxite Province. Its 37 bauxite tenements in Queensland, NSW and Tasmania covering 5,029 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 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.

The company's bauxite is high quality and can be processed into alumina at low temperature – the type that is in short-supply globally.

On the mainland, ABx has declared Mineral Resources in Inverell, northern NSW, at its Taralga project in southern NSW; at Guyra and at the Binjour Plateau in central QLD confirming that ABx has discovered a significant bauxite deposit including some bauxite of outstandingly high quality.

In Tasmania, at Bald Hill, the Company's first bauxite mine is targeted for production in late 2014.

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.

CHAIRMAN'S ADDRESS

Following is the Chairman's address to be presented at the Company's Annual General Meeting at 2:00 PM on 28 May 2014.

John Dawkins, the Chairman of the Company has advised that he will be standing down as director and retiring as Chairman at the conclusion of the Annual General Meeting.

The board will elect a new chairman at the next meeting of directors.

Mr Levy, CEO said: "Mr Dawkins has served as Chairman of Australian Bauxite Limited since December 2011. The Company is indebted to Mr Dawkins, for his leadership and counsel and we wish him well into the future."

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CHAIRMAN'S ADDRESS TO AGM 2014

Welcome ladies and gentlemen. This will be my last Chairman's Address, as I will retire at the end of this meeting. I have been chairman since December 2011, and have been privileged to serve your Company. We have a solid board, and I am confident that the Company will continue to develop and I look forward as a shareholder to reaping the rewards the Company is aiming to achieve.

Australian Bauxite Limited (ASX : ABZ) achieved its 2014 objective to discover and delineate its second mine in Tasmania at Fingal Rail to augment and boost planned exports of bauxite from the Bald Hill Bauxite Project. In addition, ABx also discovered a bauxite deposit in northern Tasmania west of Launceston called DL-130 that is higher grade, considerably thicker and potentially substantially larger than Bald Hill and Fingal Rail combined. DL-130 is located much closer to Bell Bay deep-water port than other deposits and has the potential to provide quality bauxite for blending with bauxite from the other two mines to achieve a sustainable long-term bauxite product specification that will keep customers buying Tasmanian bauxite for conversion into alumina, which is the feedstock for aluminium smelters. Work continues apace at DL-130 and ABx will provide progress reports to shareholders over the coming months as results are received.

It is planned to commence production in late December this year and our production is planned to come from the Bald Hill Bauxite Project and Fingal Rail for about 5 years. Both projects are located near Campbell Town, central northern Tasmania and will be managed as one project. They were selected based on relatively low cost, nearness to port and favourable socio-environmental setting. As advised in our Quarterly Reports, we are engaged in a process to resolve the final arrangements with two landholders at Bald Hill. In the event of short-term delays, Fingal Rail can provide the planned tonnages in the months until DL-130 comes on stream.

BALD HILL ML 1961 & FINGAL RAIL BAUXITE PROJECT, CAMPBELL TOWN, TASMANIA

Mining Lease Application ML 1961 at Bald Hill is ready for grant, subject to payment of a \$435,000 environmental bond and finalised land access arrangements. The Development Plan and Environmental Management Plan ("DPEMP" for short) has been drafted by reputable consultants, covering technical, environmental and social issues. It has been reviewed by the EPA and once the Mining Lease is finalised, the DPEMP will be put on public display for a month. The project timetable made appropriate allowances for these processes and possible short-term delays.

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Fingal Rail Mining Lease boundaries are settled and formal lease pegging and Notice of Intent is planned next month, ahead of schedule. Large samples have been provided to likely customers for testing in China and results have matched or exceeded predictions. Approvals are in place for conducting a final trial mining program at Fingal Rail to train staff for the all-important grade control process using surface mining techniques.

A Memorandum of Understanding has been signed with Tasmanian Port Corporation regarding access to Bell Bay Port, north of Launceston and several suppliers of mobile bauxite ship loaders have been asked to provide firm quotes. The ship loader represents the majority of the total \$12 million project capital cost and will be installed in late 2015 when production reaches steady-state and shipments increase from 50,000 tonnes to more than 65,000 tonnes using 300 metre-long Panamax ships in Tasmania for the first time and will substantially expand logistics capacity in Tasmania.

CHINESE PARTNER

In mid 2013, the Company negotiated a Term Sheet with the Xinha Group of China that would have led to Xinha having the right to earn up to 70% ownership of the Tasmanian and South Goulburn projects in NSW. In early September 2013, it was mutually agreed to suspend this negotiation due to market uncertainty about bauxite supplies from Indonesia.

Recent discoveries at the extensive DL-130 bauxite deposit mean that the company could retain 100% ownership of the Tasmanian projects via financial arrangements from Chinese customers and other parties keen to secure bauxite supplies for future growth in aluminium production in China. However, these negotiations are rarely quick and are not finalised until monies are received. ABx will keep shareholders advised of material developments.

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 exceptionally strong as Chinese bauxite stockpiles that were accumulated before Indonesia banned bauxite exports in January 2014 are exhausted.

Our initial costings suggest capital costs of about \$10 million plus \$2 million contingency 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 in China of about US\$47 per tonne today. Current average bauxite prices exceed US\$60 per tonne CIF China and, as predicted, are increasing after Indonesian bauxite export taxes and bans were imposed

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in January. An operating margin of A\$10 to A\$20 per tonne is therefore not an unreasonable expectation for the Tasmanian bauxite projects.

DEVELOPMENTS AT OTHER PROJECTS

The Company has 37 bauxite tenements in Queensland, New South Wales and Tasmania covering 5,029km² which were rigorously selected on 3 principles:

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

All tenements are 100% owned and free of obligations for processing and third-party royalties.

The Company's bauxite is high quality and can be processed into alumina at low temperature – the Indonesian type of bauxite that is in short-supply globally.

In QLD, the large Binjour Bauxite project located 115kms inland from Bundaberg Port is considered the company's long-term flagship project. During the past year, several engineering studies were conducted and the options for developing Binjour are starting to take shape, hopefully allowing more detailed feasibility studies to commence over the coming 18 months.

In NSW, the Goulburn bauxite projects are scheduled for development after 2017-18 when all necessary upgrades of rail and Port Kembla infrastructure have been completed. An MoU has been signed with Port Kembla Port Corporation regarding access to the port. By 2017-18, the company will have a proven track record for neat and tidy quarrying of surface deposits of bauxite for export and rapid, high quality rehabilitation of the land to a condition at least as good as we found it.

BAUXITE MARKET CONTINUES TO STRENGTHEN

Our projects will sell gibbsite-rich trihydrate bauxite to alumina refineries in China, India and Australia. Bauxite demand is intensifying due to a perfect storm of simultaneous reduction in bauxite supply from Indonesia, India and China and increased demand for alumina to supply the rapidly rising Aluminium production in China, India and the Middle East.

Bauxite Prices Rising Independent of Aluminium Prices

Bauxite prices are rising faster than aluminium metal prices. The different price trajectories for bauxite and aluminium are due to the many new-technology, low-cost aluminium smelters using cheap electricity in China, Middle East and Russia which



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lowered the global aluminium cost curve, increased aluminium production and suppressed aluminium prices until old high cost smelters close.

Aluminium is now a more competitively priced metal than ever before and its consumption is rising faster than all other metals.

China has insufficient domestic bauxite to feed its burgeoning aluminium industry and imports 40% of its bauxite, mainly from Indonesia, Australia and India – but some bauxite is being imported from Guinea in West Africa, costing US\$90 per tonne – a clear indication of market stress about security of supply.

Increased demand combined with bauxite export restrictions in Indonesia and India has led to rising bauxite prices, which are forecast to rise further. This outlook is the reason Australian Bauxite Limited was created in 2009.

CAPITAL MANAGEMENT

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 remains as strong as anticipated.

Between December 2013 and March 2014, the Company raised \$2.79 million via capital raising and a well-supported Share Purchase Plan. Shareholder support at this critical stage in the company's growth is greatly appreciated and has already allowed the company to deliver strong results.

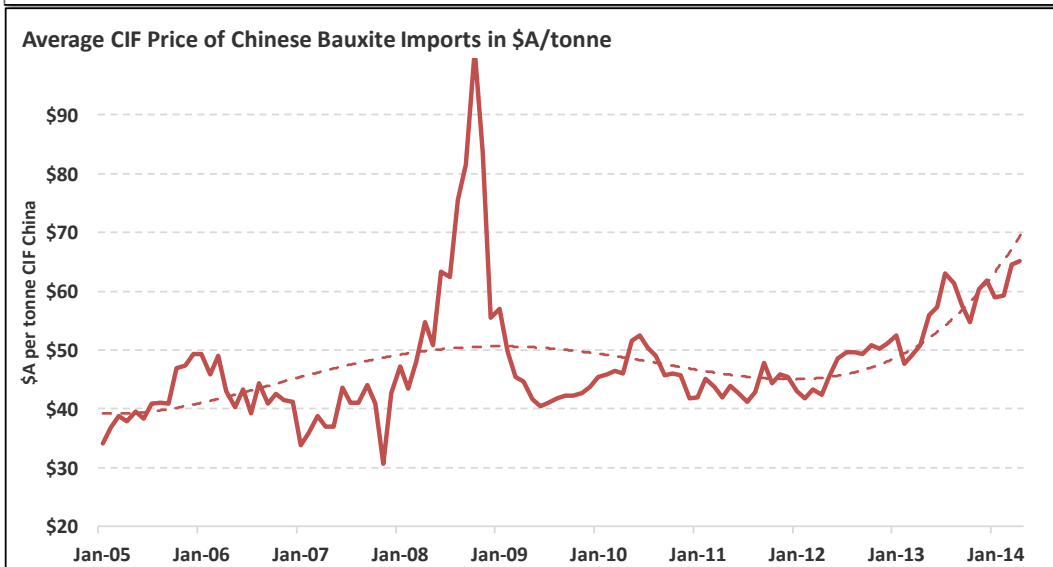
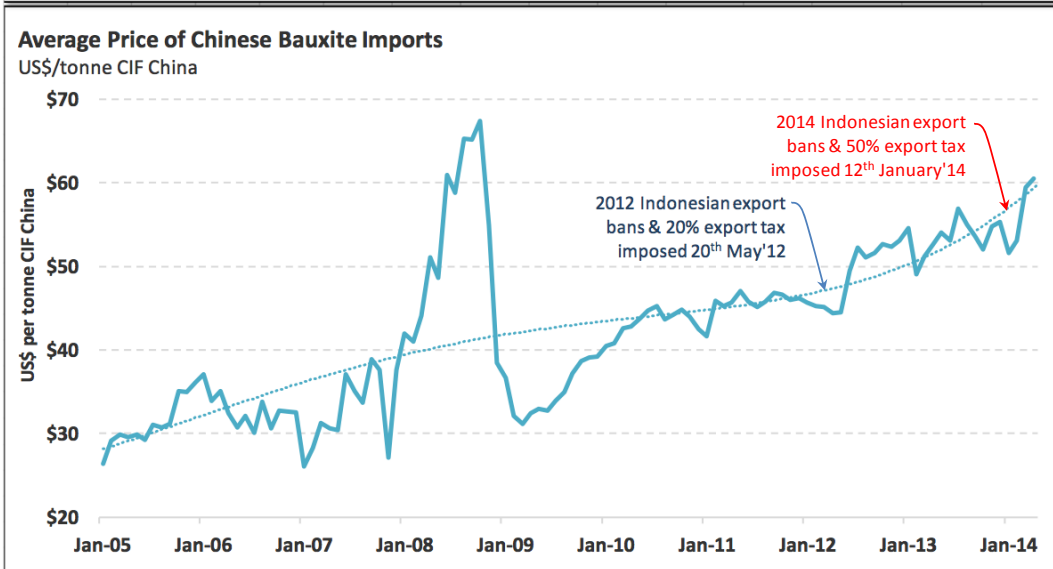
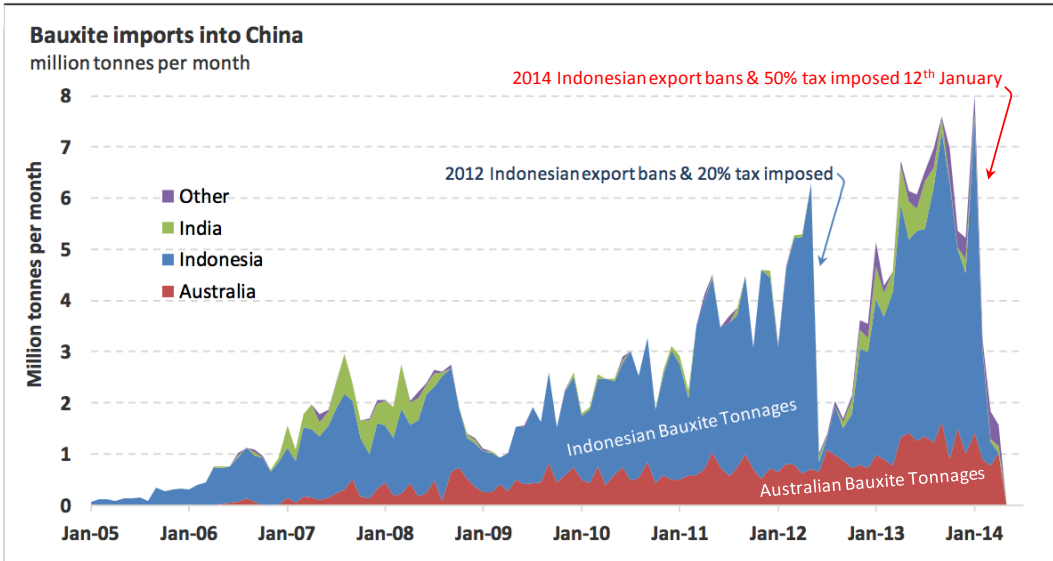
It is with some satisfaction that I report that ABx has finally secured the ASX code of ABX, when it becomes available on 2 July 2014. This has been a plan by management since mid 2009.

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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LATEST BAUXITE MARKET GRAPHS



Source: C&M, Chinese Customs, Bloomberg & RBA

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Figure 1: ABx Project Locations

Qualifying statement

The information in this announcement that relates to Exploration Information are based on information compiled by Jacob Rebek & Ian Levy who are a members of The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Mr Rebek & Mr Levy are qualified senior geologists. Mr Rebek is Chief Geologist and Mr Levy is the CEO and Managing Director of Australian Bauxite Limited.

Mr Rebek & 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 Persons as defined in the 2012 Edition of the Australasian Code for Reporting of exploration Results, Mineral Resources and Ore Resources. Mr Rebek & Mr Levy have consented to the inclusion in this announcement of the Exploration Information in the form and context in which it appears.

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.