

CHAIRMAN'S REVIEW OF 2016 AND RECENT DEVELOPMENTS

Welcome to the 8th Annual General Meeting of shareholders of Australian Bauxite Limited ("ABx"). Over the past 18 months ABx has increased its capacity to supply cement-grade bauxite whilst remaining ready to sell metallurgical grade bauxite when prices improve. ABx's range of bauxite products can be sold into Asia, India, Middle East, North America and Australasia, specialising in the low-alkali high late strength cement-grade bauxite market, the trihydrate metallurgical bauxite market, fertilisers and eventually the high-priced refractory-abrasive grade bauxite markets.

ABx's deposits are close to infrastructure and population centres which allows us to develop value enhancing technologies as well as bulk-shipping bauxite. Hence, ABx's two priorities are:

1. Immediate bulk sales to maintain cashflow (our highest priority), and
2. Technology that can capture additional value from the clean nature of ABx's bauxites.

ABx warned that prices for metallurgical bauxite for the aluminium industry may weaken for up to 18 months, but there has been an unexpected strengthening of prices over the last 2 to 3 months which may be a foretaste of better opportunities ahead, should the price firm by a few dollars more per tonne. For the first time in over 18 months, ABx has begun talks with potential buyers in the aluminium industry.

Bauxite prices in our other markets, especially cement-grade are firming as infrastructure construction expands. These are conservative industries, reluctant to change ingredients unless benefits are proven, but ABx has now proven that its Tasmanian bauxite is ideal for manufacture of low alkali, high late strength cement for infrastructure construction, which is growing strongly and more recession-proof than aluminium.

Once a customer converts to ABx's product, repeat sales are likely and ABx was pleased to announce a major sale to a repeat customer in the last few days. A more detailed market outlook is presented later in the CEO's slideshow, released earlier today on the ASX.

1. Sales

ABx has sold 45,600 tonnes of bauxite to date and looks forward to exceeding 100,000 tonnes by year end. ABx has a further 122,500 tonnes of product stockpiled at Bald Hill and also has sufficient broken ore stocks for next year's sales target.

2. TasTech Research & Development Bulk Trial at Fingal Rail Minesite

ABx's "TasTech" is an all-weather technology that is now proven suitable for producing excellent bauxite products for the 3 main markets all year round, namely,

1. Metallurgical-grade gibbsite bauxite exceeding 45% Al₂O₃ for the aluminium industry;
2. Cement-grade bauxite for the production of cement; and
3. Fertiliser-grade bauxite.

ABx has just completed a successful large-scale bulk test of TasTech at the Fingal Rail project, processing 900 tonnes of ore from the Fingal Rail deposit and 100 tonnes of ores from our Bald Hill mine stockpiles. Final assays are pending but to give an idea of what can be achieved with this robust TasTech technology, an early scoping test on a very low-grade sample has achieved an upgrade from 34% to 42% Al₂O₃ which can be sold as metallurgical bauxite, with the two by-product streams being ideal for cement-grade and fertiliser grade bauxite.

This bulk test confirmed TasTech technology to be an outstanding enhancement of our business.

As we promised in April 2016 when ABx presented TasTech to all the major Chinese buyers of bauxite in a meeting in Beijing hosted by the Premier of Tasmania, ABx has been able to combine the 3 stages in the TasTech process into a single, low cost machine that can produce a range of products from a wide range of ore types. Increased yields of higher-priced saleable products achieved by TasTech actually lowers the overall cost per tonne produced compared to simple dry-screening, and the cleaner products dry much faster and handle superbly.

ABx plans to fund the introduction of TasTech into its operations from existing cashflow.

3. Aluminium Fluoride Research and Development

During development of the TasTech technology, ABx encountered the CORE chemical process that has the potential to beneficiate bauxite by extracting all the major bauxite elements and producing highly valuable aluminium fluoride from chemically clean bauxite like that in Tasmania. ABx has assisted the patenting of this technology by the owner, an unlisted Australian public company called Momentum Energy and Resources Limited (MERL), so that ABx can investigate the opportunity to build its own aluminium fluoride production plant at Bell Bay Tasmania using this technology under an exclusive global licence.

As always, ABx will engage shareholders and regularly report progress on its investigation. We will consult with shareholders before any investment decisions are made, but this bauxite refining opportunity is one we should do our best to capitalise on.

Whilst agreements and costings are not yet finalised, I can give shareholders some background:

1. Aluminium Fluoride has a formula of AlF_3 and approximately 1.5 million tonnes are consumed worldwide, traditionally as an electrolyte for aluminium smelters but is finding new markets.
2. It currently sells for US\$700 to more than US\$1,300 per metric tonne depending on purity.
3. AlF_3 is predominantly manufactured in China and Spain and despite Australia's high usage of AlF_3 in aluminium production, none is produced here.
4. The CORE process produces 99.97% pure AlF_3 which could be used in high technology applications but ABx's initial interest in AlF_3 production is for:
 - a. Increasing the value of ABx's products from its Tasmanian bauxite;
 - b. Supplying more products from its bauxite for the aluminium industry;
 - c. Capitalising on the availability in Tasmania of all inputs needed, namely:
 - i. Highly skilled workforce operating smelters and refineries (Bell Bay aluminium smelter, Bell Bay manganese smelter and Risdon zinc refinery in Hobart)
 - ii. Renewable hydro-electricity
 - iii. Fluoro silicic acid (FSA) as a by-product of fertiliser production at Risdon
 - iv. Sulphuric acid as a by-product from zinc refining at Risdon; and
 - v. Very clean bauxite with no deleterious metals or salts (ie. no residues)
5. The scale of the refinery envisaged at this early stage is about 50,000 tonnes of AlF_3 per year (3% of the global market), requiring 84,000 tonnes of Tasmanian bauxite per year.
6. It is considered prudent to first construct an Engineering Validation plant ("EV Plant") to produce marketing samples (and sell some ultra-purity samples), confirm the engineering parameters and design a full scale plant for costing and financing decisions.
7. VERY preliminary estimates are that an EV Plant may cost A\$5 to \$10 million and would complete its tasks within 18 months. A full-sized plant would cost less than A\$50 million but would be financed by arrangements that would depend on the success of the EV Plant.

Aluminium Fluoride prices continue to rise strongly as new applications, including high-technology uses increase demand ahead of supply. The CORE technology is potentially an efficient and clean method to produce this important product. Other co-products produced from the bauxite are high purity iron oxide, silicon oxide and titanium oxide which can create new businesses in their own right.

Binjour Project, QLD

A potential partner for the development of the large Binjour Project in Queensland has approached ABx and will commence site assessments and government discussions this week.

Exploration

On 27 February ABx announced the discovery of high-grade, low-iron grey-white bauxite at Penrose Pine Plantation some 90kms inland from Port Kembla – see ASX release dated 27 February 2017. Extensions of the deposit have been secured by a new exploration lease that has now been granted and will be assessed further in coming months. This deposit has potential for high profitability, even at modest tonnage rates, supplying cement and high-margin refractory industries.

Safety

ABx has made the transition from explorer to producer with a zero-incident record and no breaches of the industry-standard safety procedures that had been established at the mine from the outset.

Environment

ABx preserves the soil from at the Bald Hill Bauxite Project ready for reinstatement after mining and also eradicates weed infestations in accordance with ABx's policy of best practice on agricultural land. Pit areas that have been mined-out are being reinstated and sheep grazing has recommenced in parts of the area as they are rehabilitated back to grazing land.

Community

We are thankful for the support of our local communities. We have honoured our policy to only operate where we are welcomed and the growing community acceptance is heartening.

We now must overcome market challenges so as to deliver for all stakeholders. Sales negotiations are critical our marketing team are confident of successful outcomes from current negotiations.

On behalf of the Board of Directors, I thank the ABx staff and supportive shareholders for the hard-won progress and development achieved in 2016 despite the headwinds. This has fortified the Company to achieve even harder-won successes in 2017-18 to position the Company to capitalise on market improvements.

Thank you.

Paul Lennon
Chairman

“ABx bauxite is the best favour you can do for yourself and your cement plant”

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