

Australian Bauxite

ABX.ASX

May 26, 2021 FAT-MIN-769

AUD\$0.115

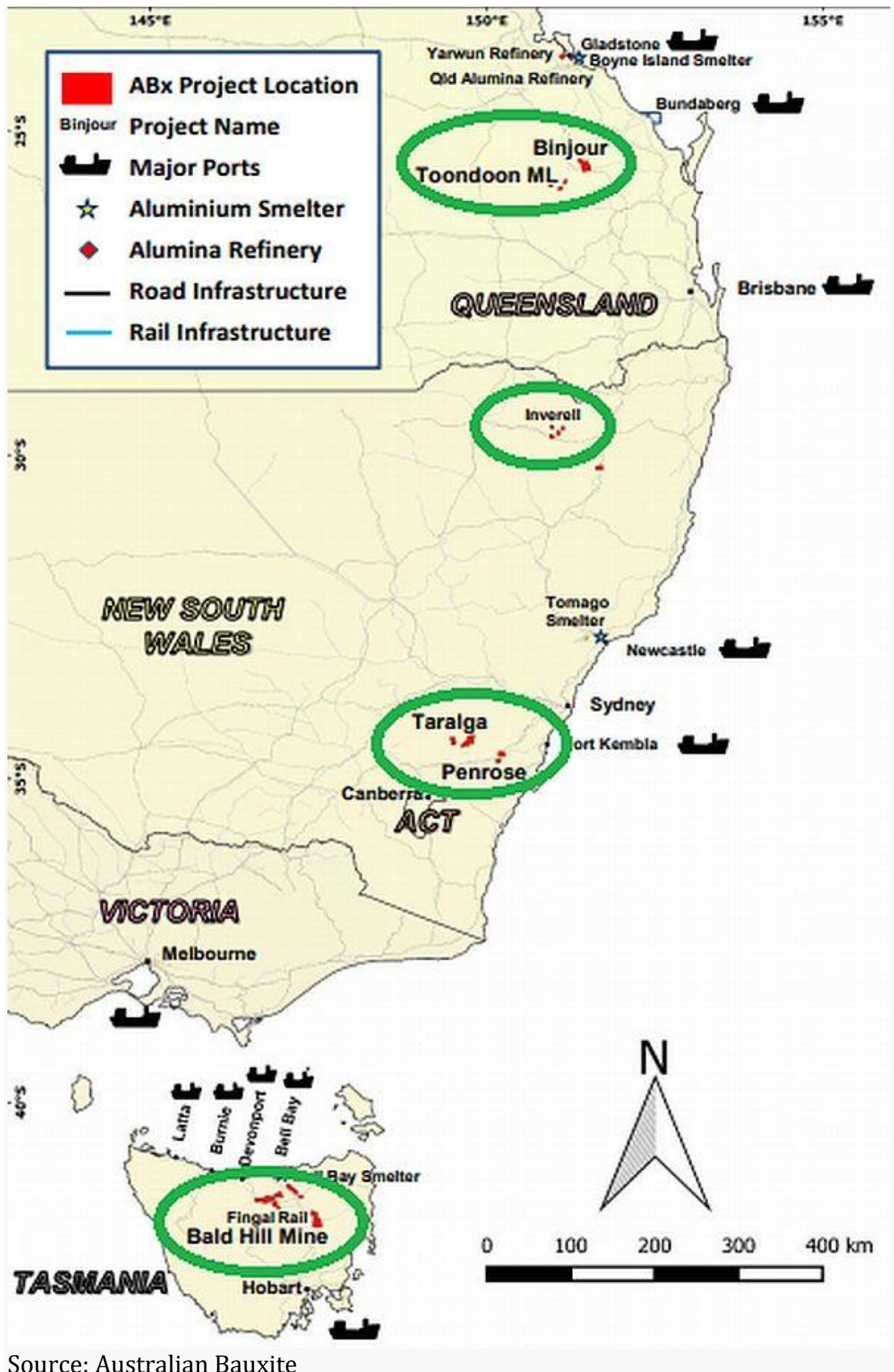
Speculative

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ABX.ASX Snapshot

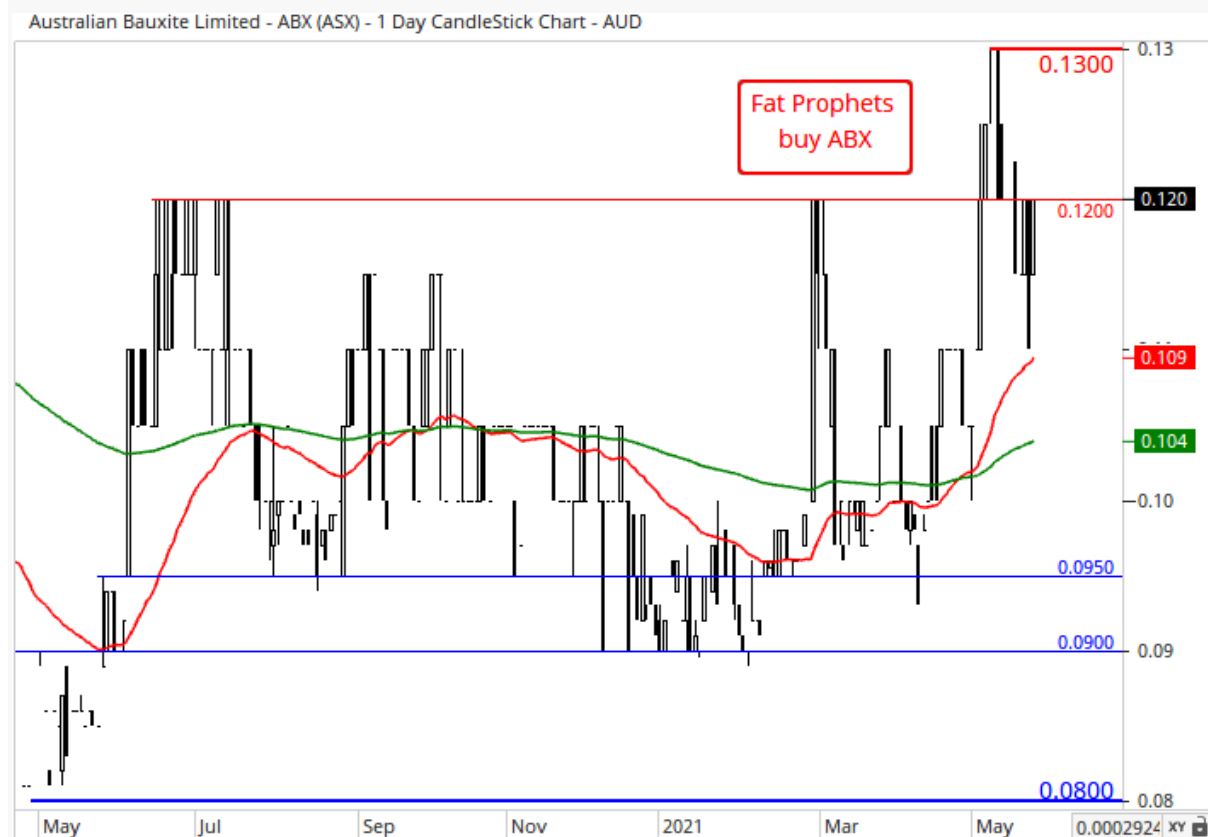
Funding for the next stage

We have recently started reporting on Australian Bauxites endeavours on the rare earths front, post it successfully completing an exploration programme across its bauxite tenements. Results from this programme have returned high levels of super-magnet rare earth element neodymium and lesser other rare earth oxides. To advance its rare earth programme, Alcore project and other activities, Australian Bauxite has successfully raised A\$3.3 million through a placement of shares. The following image shows the location of Australian Bauxite's bauxite assets:



Source: Australian Bauxite

Through a **placement of 32.5 million shares at an issue price of A10 cents per share, Australian Bauxite has successfully raised A\$3.3 million** which settled on 26 May 2021. Australian Bauxite shares are currently trading around A11 cents on the Australian Stock Exchange. The placement was taken up by institutional and sophisticated investors. The shares were issued with an attaching free option on a one for one basis to the placement shares with an exercise price of A20 cents per share and an expiry date of 31 May 2023. The options can be exercised at any time up to the expiry date.



The funds will be used to advance the Alcore project, aggressively advance the rare earths project and continue bauxite exploration, development and mining. We are pleased that Australian Bauxite has raised equity to advance, especially its rare earth and Alcore initiatives. **We believe the potential significant value change in clay from waste to an asset and certainly the same can be said of suite of products produced by the Alcore process, warrants the dilution of ownership.**

We are, however, disappointed in the fact that existing shareholders were not shown the deal, but not sufficiently to pan the placement, given its usage.

Australian Bauxite Limited - ABX (ASX) - 1 Month CandleStick Chart - AUD



Both the Alcore process and now Australian Bauxite’s endeavours on the rare earths front, fit our broader value add thematic to what comes out of the ground. For example, the rare earth finds have included neodymium with its current price shown in the follow chart:



Source: Australian Bauxite

As Members can see from the above chart, the value-add compared to a tonne of bauxite with a current price in the range of US\$53 and US\$58. Dependent on unit costs, clay bound rare earths tend to a lower cost base, due a lower extraction cost structure. As a result, **value add operating margins have the potential to be significant.** Australian Bauxite will also maintain its traditional high-quality bauxite operations which can also carry good operating margins. We are pleased with the market support Australian Bauxite has received in completing the placement. To have in place funding to advance the Alcore and now rare earths projects is, we believe, a major milestone in their development. We continue to hold to the view that each project has the potential to be game changing events for Australian Bauxite. **Although early in the cycle, the rare earths discovery on early indications looks to be gaining momentum, while the Alcore project firmly advances.**

Consequently, we continue to recommend Australian Bauxite as a buy for Members with no exposure to the stock.