



AUSTRALIAN BAUXITE LIMITED
ASX: ABX

QUARTERLY REPORT AND ACTIVITY STATEMENT FOR THREE MONTHS TO 31 DECEMBER 2016

About Australian Bauxite Limited

ASX Code ABX Web: www.australianbauxite.com.au

Australian Bauxite Limited (ABx) has its first bauxite mine in Tasmania and holds the core of the Eastern Australian Bauxite Province. ABx's 22 bauxite tenements in Queensland, New South Wales & Tasmania exceed 1,975 km² and were selected for (1) good quality bauxite; (2) near infrastructure connected to export ports; & (3) free of socio-environmental constraints. All tenements are 100% owned, unencumbered & free of third-party royalties.

ABx's discovery rate is increasing as knowledge, technology & expertise grows.

The Company's bauxite is high quality gibbsite trihydrate (THA) bauxite that can be processed into alumina at low temperature.

ABx has declared large Mineral Resources at Inverell & Guyra in northern NSW, Taralga in southern NSW, Binjour in central QLD & in Tasmania, confirming that ABx has discovered significant bauxite deposits including some of outstandingly high quality.

At Bald Hill near Campbell Town, Tasmania, the Company's first bauxite mine commenced operations on 9 December 2014 – the first new Australian bauxite mine for more than 35 years.

ABx aspires to identify large bauxite resources in the Eastern Australian Bauxite Province, which is emerging as a globally significant bauxite province. ABx has created significant bauxite developments in 3 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.

Directors / Officers

Paul Lennon	Chairman
Ian Levy	CEO & MD
Ken Boundy	Director
Henry Kinstlinger	Secretary
Leon Hawker	Chief Operating Officer
Paul Glover	Logistics & Exploration Manager
Jacob Rebek	Chief Geologist

PRINCIPAL POINTS

Corporate

- Current group available cash is \$1.75 million. ABx has lines of credit for working capital as and when required.
- No capital raisings are planned in the foreseeable future.
- ABx has 122,500 tonnes of stocks ready for sale – see page 3

Operations

Sales continuing – more sales being pursued

Physical dispatches of sales in the December quarter were delayed by the two current customers until Summer. Modest tonnage, profitable sales of fertiliser-grade bauxite are happening at the time of writing and will continue throughout 2017.

The planned cement-grade sale is delayed by mechanical modifications needed at the customer's plant. ABx will seek to sell the current blended product stockpile to another customer and assemble a new product stockpile to the customer's specification again when a delivery date is set. ABx already has sufficient processed bauxite to supply a further 2 large shipments.

Thus far, ABx has dispatched 5 sales to 2 repeat customers and is in negotiation with more than 6 possible customers for long-term contracts to underpin development of a 2nd mine.

Emerging cement and fertiliser market opportunities

Until global economic growth and demand for metallurgical bauxite picks up, ABx will mainly sell its bauxite into cement and fertiliser markets at prices higher than could be achieved in the over-supplied metallurgical bauxite market (see market summary).

The clean chemistry of ABx's bauxite has allowed ABx to sell cement-grade bauxite which:

1. Consistently increases the late strength of concrete;
2. Is quartz & salt-free for exceptional corrosion-resistance; and
3. Eliminates stoppages & pressure problems in kilns, lowers kiln temperatures & reduces emissions.

As cement makers convert from coal to gas-fired production, demand increases for cement-grade bauxite to add aluminium oxide and lesser iron oxide that would have been provided by the coal.

USA infrastructure construction is increasing cement demand. ABx's US cement-maker customers need to maximise cement production by eliminating stoppages & increasing late strength of the cement. ABx's cement-grade bauxite does both. US meetings are planned in March.

Cement-Grade Resource Tonnages Expanded Significantly

ABx's recent 5-fold increase in the resource tonnages at its Fingal Rail Project¹ shows that ABx can enter into long-term contracts with major cement-grade customers, subject to satisfactory contract terms which are currently being negotiated specifically to suit the Fingal Rail suite of bauxite products.

TasTech Technology Is Yielding Results

During the quarter, ABx expanded the scope of TasTech technology that separates ABx's bauxite into metallurgical, cement and fertiliser-grade bauxite products at low cost. This research discovered two technologies that can produce pure bauxite and other very high-value products. Testwork is continuing with the objective to commence TasTech production in the 2017/18 Summer period and to prove-up the recently discovered value-adding steps.

¹ See Resource Upgrade for Fingal Rail Project, Tasmania announced on 25/08/2016

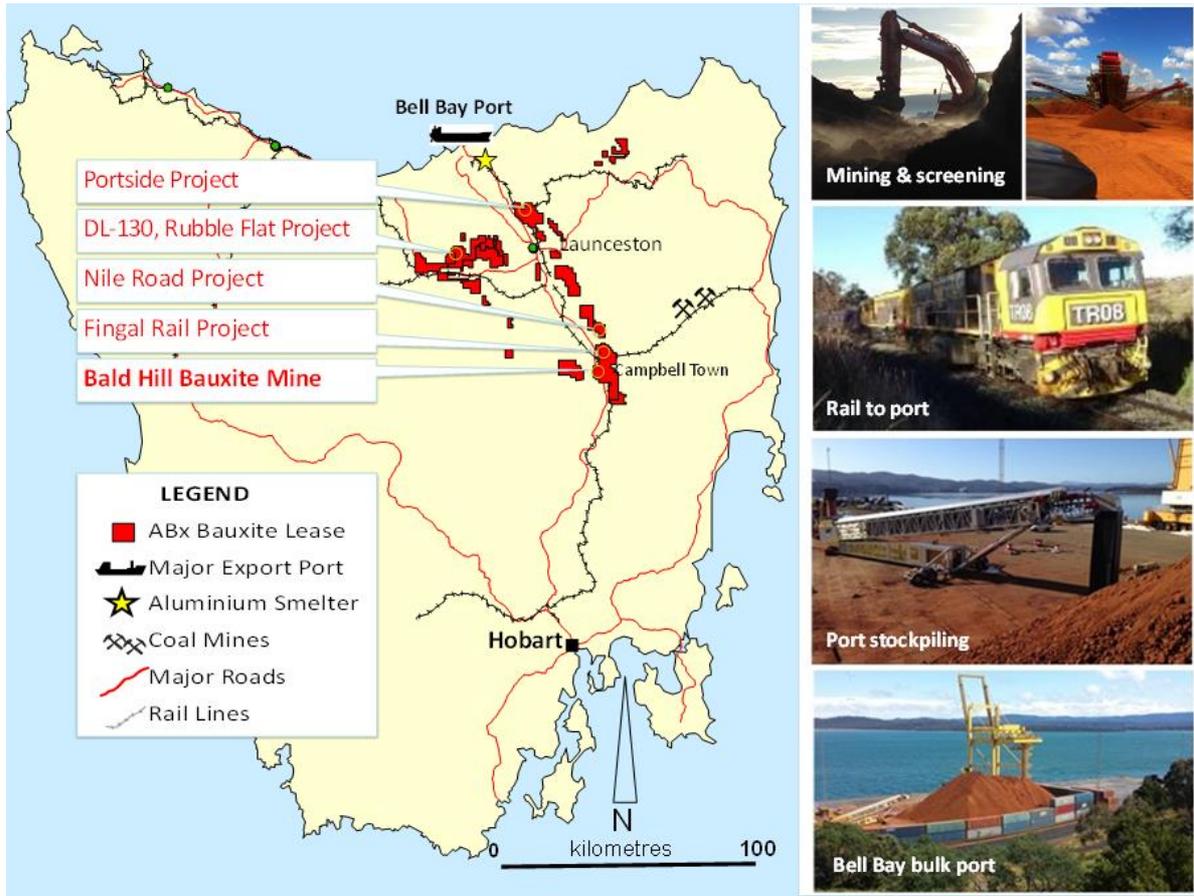


Figure 1: Map showing ABx mines, projects and transport infrastructure in Tasmania

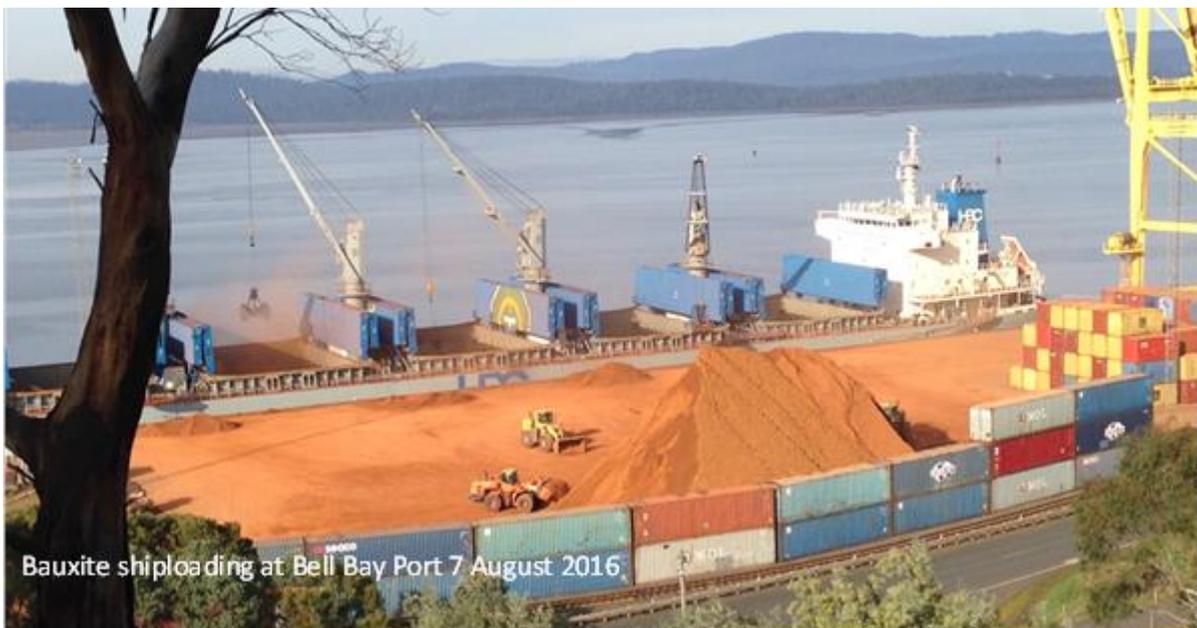


Figure 2: Bell Bay port can handle ships up to 65,000 tonnes. Loading is managed by QUBE Ports at more than 10,000 tonnes per day, achieving 20,000 tonnes per day during a loading in mid 2016



OPERATIONS

Sales

Dispatch Date	Sale Tonnes
20/01/2016	446
8/04/2016	5,557
7/08/2016	35,913
9/09/2016	89
Cement Sub Total	42,005
24/11/2015	195
16/03/2016	390
14/09/2016	1,500
Jan-Feb 2017	1,500
Fertiliser Sub Total	3,584
Subtotal All Products	45,590

Stocks

Product stockpiles (at minesite, blended to specification)

Cement-grade:	35,500 tonnes shippable cement-grade
Fertiliser grade:	2,300 tonnes
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Subtotal product	37,800 tonnes

Mine stockpiles (grade controlled, ready for blending to customer specification)

Metallurgical grade	16,900 tonnes
Cement-grade:	50,700 tonnes
Fertiliser grade:	17,100 tonnes
<hr/>	
Subtotal product	84,700 tonnes

Total saleable processed stockpiles

Total stocks	122,500 tonnes
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In addition, there are approximately 33,000 tonnes of additional screened material awaiting grade control for classification into saleable or non-saleable product categories as and when required.

Broken Ore Stocks ready for screening

Mined ore stocks	36,700 tonnes
	unscreened bauxite ore

Validation feedback: All test results to date on ABx bauxite products by customers have been exemplary.

ABx's cement grade customers have advised ABx that they have, for the first time, operated their cement kilns at maximum throughput rates for 9 months with zero lost time and lower fuel costs by using ABx bauxite. All cement product has met the highest standards for cement.

ABx works with its customers to find ways to further improve production efficiencies.

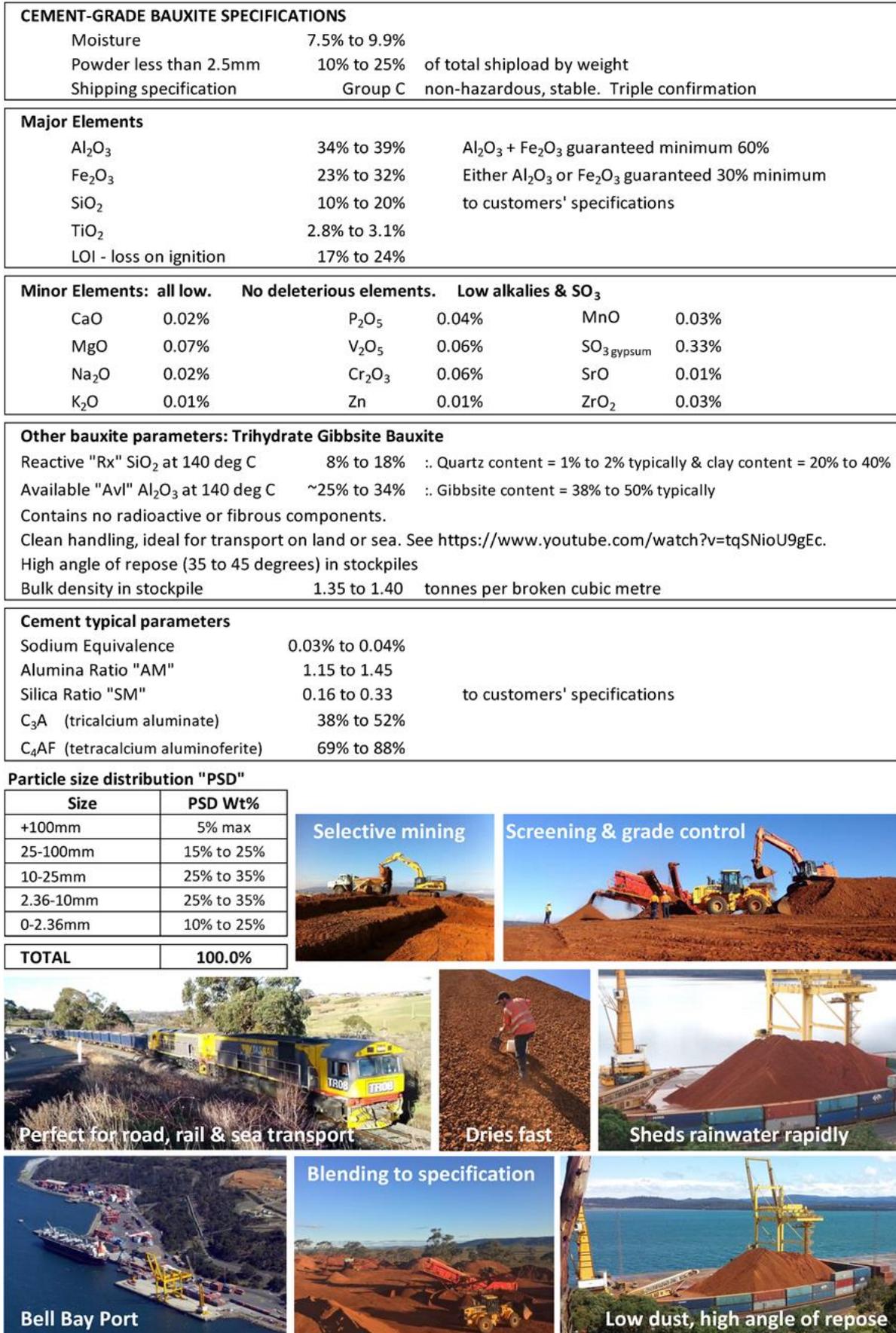


Figure 3: ABx's Cement Grade Specifications – tailored to suit each customer's requirements

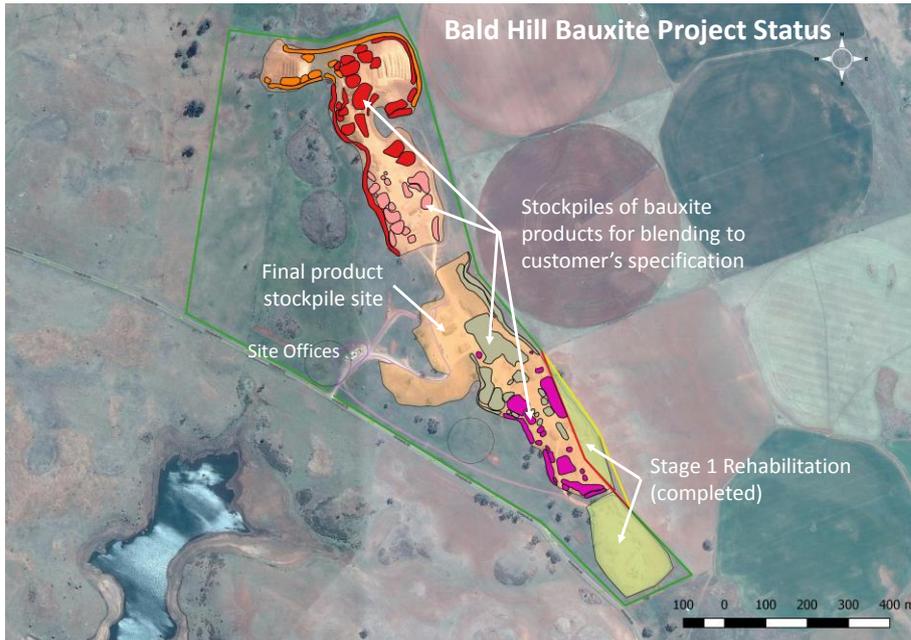


Figure 4
Aerial photograph showing Bald Hill mine stockpiles and mined areas



Figure 5
Blending 35,500 tonnes of cement-grade bauxite at Bald Hill Mine Site

Products are blended to each customer's specifications from more than 30 product stockpiles, each with specific grades and size characteristics, as can be seen in this image

Blended final products are assembled onto the final product stockpile sites ready for transport to Bell Bay Port



Figure 6
Loading fertiliser-grade bauxite from the Final Product Stockpile at Bald Hill mine in mid January 2017

Fertiliser-grade bauxite is sold directly at the Bald Hill mine

The final product stockpile and access roads are clean-areas to ensure there is no transmission of noxious weeds and plant diseases.

All vehicles are washed-down prior to site entry and all contractors must have the required accreditation



Stage 1 rehabilitation of mined-out areas proceeding as planned

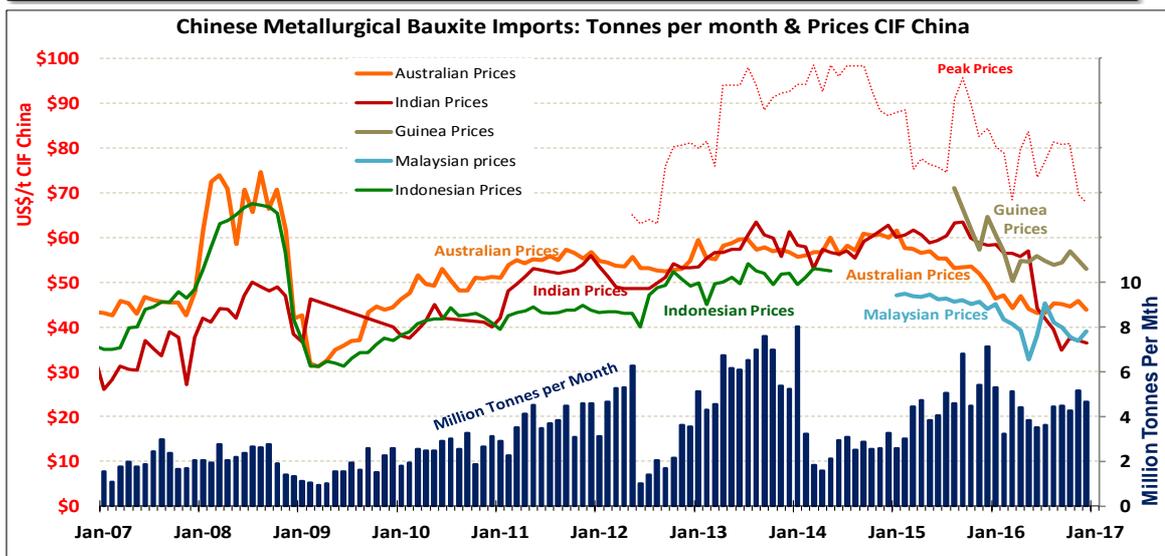
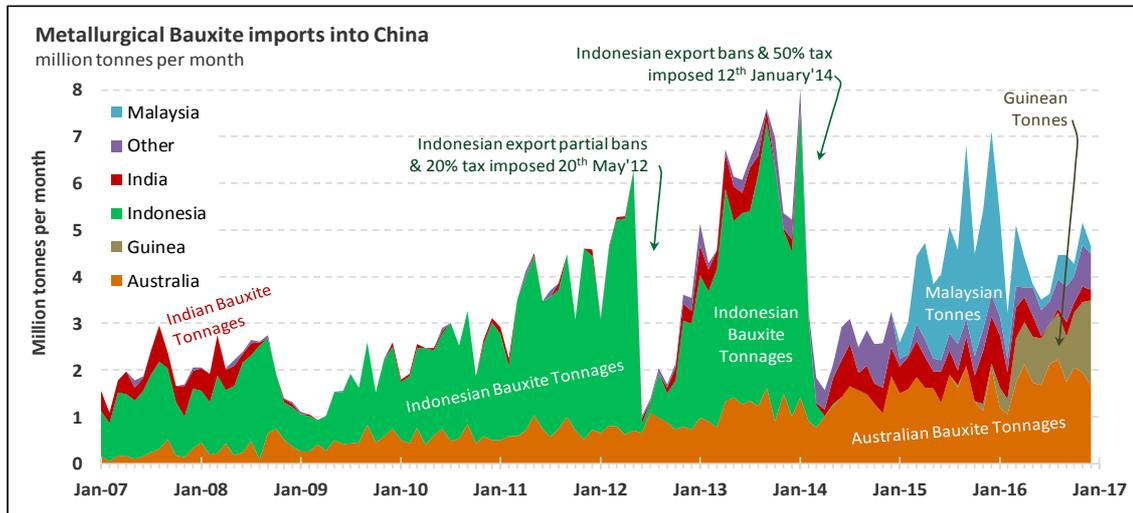


Figure 7: photographic record of rehabilitation processes, with Pit MB6 as the case study



Market summary: China bauxite import prices bottoming, flat demand in Dec'16

- **Tonnes stable** at 4.66Mt, down 34% on December 2015 as China's demand remains flat
- **Average price** CIF China stable at US\$48.98/t, down only 7% on 2015 because of expensive Guinean bauxite
- **Guinean Bauxite flooding market:** 1.82Mt at US\$52.89/t CIF price, exceeding Australian tonnes & prices
- **Malaysian & Indian tonnes & prices remain weak** as Chinese refineries buy Guinean bauxite instead



Australian bauxite tonnes were flat at 1.68Mt, mainly from Rio's Weipa and Gove mines. Prices fell to \$43.90/t or 19% lower than 2015.

Bauxite from Guinea in West Africa dominated at 1.82Mt in December at US\$52.89/t CIF China because:

1. Weiqiao, the largest bauxite buyer, opened its own bauxite mine & port in Guinea; and,
2. Guinea's main mine at Boce is dumping additional tonnages onto the market to compete; and,
3. Shipping rates for the very long shipping distance Guinea to China are at an all-time low.

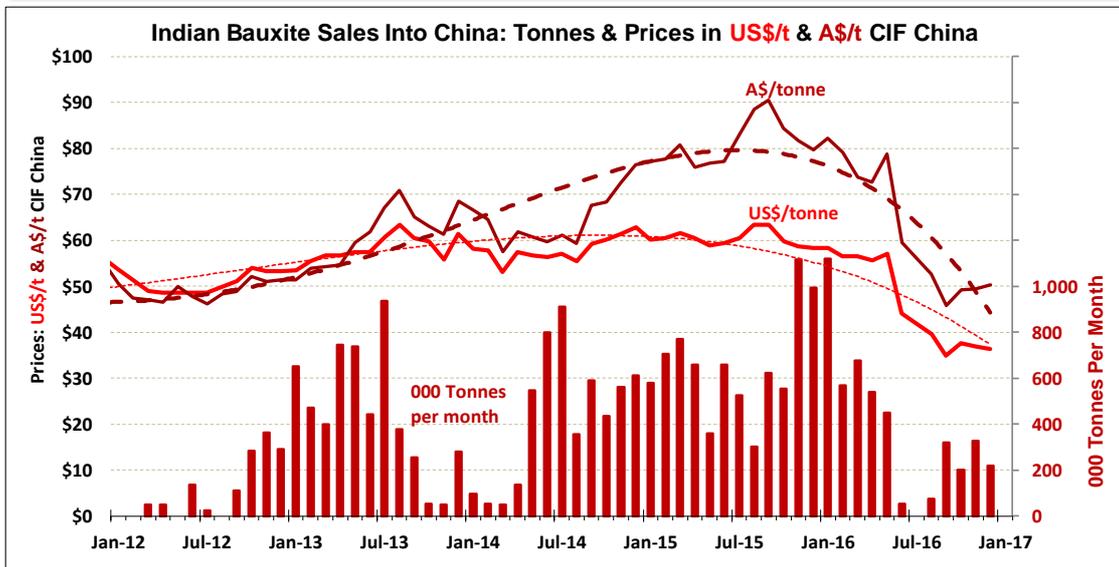
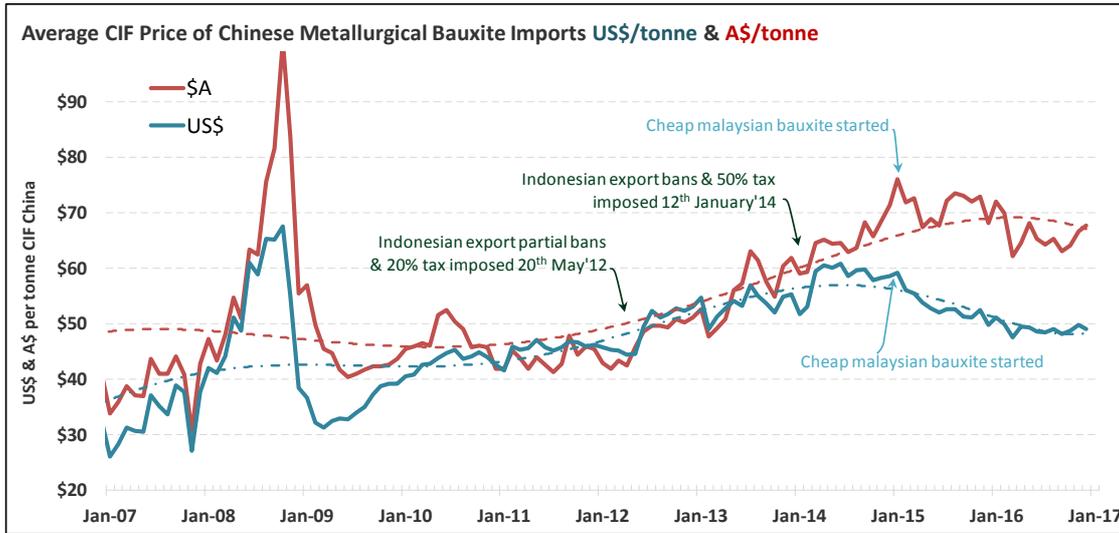
Indian & Malaysian bauxite sales into China remain very weak with tonnages down 42% and 68% from 2015 and prices down 14% to US\$36.36/t and 10% to US\$38.96/t CIF China respectively from 2015.

Commentary on Chinese Market for Metallurgical Bauxite

The Chinese metallurgical bauxite market remains significantly oversupplied mainly due to flooding supplies from Guinea and Australia, effectively buying market dominance. Chinese buyers stopped sourcing from the three countries that applied bans and additional taxes on bauxite, namely Indonesia, India and Malaysia.

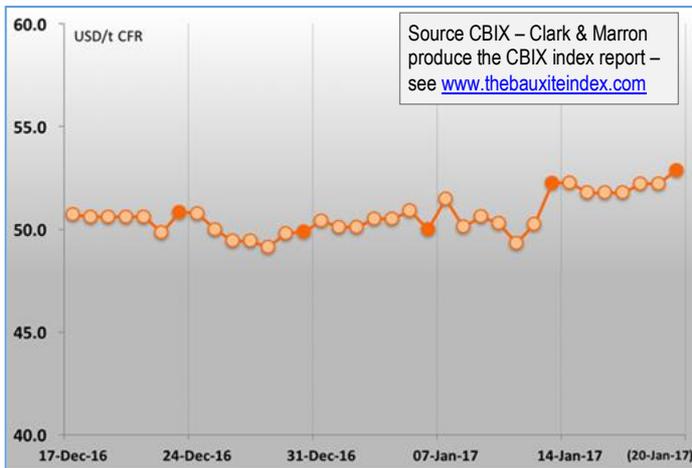
As the outlook for the Chinese aluminium industry remains flat, prices for metallurgical-grade bauxite will naturally will remain weak for some time, possibly for 12 to 18 months.

As the global economy recovers, shipping costs should rise so that bauxite from Guinea in West Africa will become expensive and China will return to buying from its reliable suppliers in the Indo-Pacific basin.



Note: The pattern of falling tonnages and falling prices in this graph of Indian bauxite sales into China is even starker for Malaysian bauxite, and is a total zero for Indonesia. The governments of Indonesia, Malaysia and India unilaterally applied export bans and taxes on bauxite – so Chinese buyers looked elsewhere for their long-term supplies. Reliable supply is essential.

Prices rising in January '17, possibly due to increased proportion of Guinean Bauxite



The CBIX leading indicator (left) shows a rising average bauxite price in January 2017 but this could be seasonal as tonnages of lower-priced bauxite from northern Australia falls during the northern Australian wet season and tonnages of higher priced bauxite from Guinea rises.

Prices for metallurgical bauxite remain unattractive to build new mines



ABx is selling into the strengthening Cement and growing Fertiliser markets until China's demand recovers

ABx plans to enter the metallurgical bauxite market only when bauxite prices increase to profitable levels. In the meantime, ABx will grow its business by supplying cement-grade bauxite for making high-strength cement and supplying fertiliser-grade bauxite for making superphosphate fertiliser.

ABx's cement-grade bauxite supplies the right forms of Al_2O_3 , Fe_2O_3 and SiO_2 in the correct ratio to increase the production rate of extra-strong, corrosion-resistant Portland cement, by stopping kiln blockages, reduces fuel consumption and saves wear and tear on the kiln refractory brick linings.

Several North American cement-grade bauxite customers are reporting bullish outlooks for high-strength cement as the new President Donald Trump embarks on a major rebuilding of the USA's infrastructure. ABx will be a beneficiary should this promise become reality.

The demand for fertiliser also continues to grow in Australia and internationally.

Technology

ABx is accelerating the development of TasTech technology which allows ABx to separate Tasmanian bauxite into 3 product-types at good tonnages all year round, namely:

1. high grade metallurgical-grade gibbsite bauxite exceeding 45% Al_2O_3 for the aluminium industry
2. cement-grade bauxite for the production of cement
3. fertiliser-grade and other bauxite-types.

During the development of this technology, ABx encountered ways to make higher-value products from its type of bauxite. This will be pursued during 2017, starting with independent proof-of-concept tests.

Gibbsite-trihydrate bauxite demand is most critical – Technical Explanations

Gibbsite-rich trihydrate (THA) bauxites like Indian, Malaysian, Gove, Guinea and ABx bauxite is in strongest demand because it can be processed at "low temperature" around $140^{\circ}C$ thus achieving major cost savings. Other bauxite can be "high-temperature" bauxite, often called MHA or monohydrate bauxite that must be processed at above $245^{\circ}C$ at higher cost than the low-temperature refineries. Gibbsite is the alumina trihydrate mineral which reacts with caustic soda in refineries at $140^{\circ}C$ whilst the MHA-bauxites contain alumina monohydrate minerals boehmite or diaspore which react with caustic soda at much higher temperatures.

ABx can also increase its bauxite value by lowering its content of SiO_2 which consumes caustic soda and has other processing problems. ABx bauxite is "clean" - free of radioactivity, CaO, P_2O_5 and all deleterious elements.

Australian Bauxite Limited's long-term plan

The ABx strategy is to export low temperature, gibbsite trihydrate metallurgical bauxite with low SiO_2 and excellent processing qualities from its Tasmanian mines and eventually building a very large bauxite project at Binjour in central QLD, 115kms inland from Bundaberg. ABx aspires to become a significant supplier of bauxite into China, India, the Middle East and Australia over the next 6 years, specialising in the gibbsite-rich trihydrate bauxite market niche.

ABx's emergence will supplement Australia's reliable supply of a range of bauxites to customers throughout the Pacific Basin.

ABx will differentiate itself as an all-year round consistent supplier of clean gibbsite trihydrate metallurgical bauxite that can improve the blend with all other bauxites and as a supplier of cement and fertiliser-grades of bauxite to suit each customer's requirements.

ABx's research will lead to additional value-adding to its suite of bauxite products.

For further information please contact:

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Mobile: +61 (0) 407 189 122

Resource Statement, Definitions and Qualifying Statement

Tabulated below are the Mineral Resources for each ABx Project. The initial ASX disclosure for these Resources is given in the footnotes to the table. Refer to these announcements for full details of resource estimation methodology and attributions.

Table 1: ABx JORC Compliant Resource Estimates

Region	Resource Category	Million Tonnes	Thickness (m)	Al ₂ O ₃	SiO ₂	A/S	Fe ₂ O ₃	TiO ₂	LOI	Al ₂ O ₃ Avl	Rx SiO ₂	Avl/Rx	% Lab Yield	O'Burden (m)	Int.Waste (m)
				%	%	ratio	%	%	%	@ 143°C %	%	ratio	%	(m)	(m)
CAMPBELL TOWN AREA TASMANIA ⁷	Inferred	1.3	3.0	42.6	3.5	12	25.4	3.5	24.6	36.7	3.0	12	50	2.1	0.1
	Indicated	1.4	3.2	42.5	3.2	14	26.4	3.0	24.5	36.2	2.8	14	55	1.8	0.1
	Total	2.7	3.1	42.5	3.3	13	25.9	3.3	24.5	36.5	2.9	13	52	2.0	0.1
Fingal Rail Cement-Grade Bauxite ⁸	Inferred	2.4	3.3	30.9	19.5	--	35.4	3.9	16.7	--	--	--	--	1.9	0.1
	Indicated	3.9	3.8	31.1	19.0	--	35.2	4.0	16.9	--	--	--	--	1.7	0.1
	Total	6.3	3.6	31.0	19.2	--	35.3	4.0	16.8	--	--	--	--	1.8	0.1
DL-130 AREA TAS ¹	Inferred	5.7	3.8	44.1	4.3	10	22.8	3.1	25.0	37.6	3.2	12	55	1.5	0.1
	Total Tas	14.7	3.6	38.2	10.5	n.a.	28.7	3.5	21.4	n.a.	n.a.	n.a.	54	1.7	0.1
BINJOUR QLD ²	Inferred	9.0	3.9	43.7	4.5	10	22.4	3.6	24.2	38.0	3.8	10	59	8.2	0.3
	DSO Indicated	15.5	5.3	44.2	3.1	15	23.4	3.7	24.9	39.5	2.6	15	62	9.4	0.3
	Total	24.5	4.8	44.1	3.6	12	23.1	3.7	24.6	39.0	3.0	13	61	8.9	0.3
TOONDOON QLD ³	Inferred	3.5	4.9	40.2	7.2	6	25.3	4.9	21.7	32.8	5.2	6	67	1.5	0.0
TARALGA S. NSW ⁴	Inferred	9.9	3.1	40.4	5.7	7	24.6	4.1	22.2	35.2	1.9	18	54	0.1	0.2
	Indicated	10.2	3.7	41.3	5.3	8	25.9	4.0	22.9	36.1	1.9	19	55	0.7	0.4
	Total	20.1	5.6	40.8	5.5	7	25.3	4.0	22.6	35.7	1.9	19	55	0.5	0.3
	PDM-DSO* Inferred	7.6	2.5	37.0	6.0	6	38.4	3.5	13.3	22.1*	1.3	17	72	0.2	0.1
	Indicated	10.3	3.1	37.6	3.9	10	40.4	3.7	13.5	22.4*	1.1	20	71	0.7	0.4
	Total Taralga	17.8	5.8	37.3	4.8	8	39.6	3.6	13.5	22.3*	1.2	18	72	0.5	0.3
INVERELL N. NSW ⁵	Inferred	17.5	4.7	39.8	4.8	8	27.7	4.3	22.2	31.0	4.2	7	61	2.3	
	Indicated	20.5	4.8	40.6	4.7	9	26.9	4.1	22.5	32.0	4.0	8	60	2.4	
	Total	38.0	4.8	40.2	4.7	9	27.3	4.2	22.4	31.6	4.1	8	61	2.4	
GUYRA N. NSW ⁶	Inferred	2.3	4.2	41.4	3.6	12	26.2	3.3	24.6	35.0	2.8	13	56	3.4	
	Indicated	3.8	5.9	43.1	2.6	16	27.3	3.9	24.5	37.4	2.0	18	61	4.4	
	Total	6.0	5.3	42.5	3.0	14	26.9	3.7	24.5	36.5	2.3	16	59	4.0	
GRAND TOTAL ALL AREAS		124.6													

* PDM is Al₂O₃ spinel. Al₂O₃ Avl at 225°C is >35%

Explanations: All resources 100% owned & unencumbered. Resource tonnage estimates are quoted as in-situ, pre-mined tonnages. All assaying done at NATA-registered ALS Laboratories, Brisbane. **Chemical definitions:** Leach conditions to measure available alumina "Al₂O₃ Avl" & reactive silica "Rx SiO₂" is 1g leached in 10ml of 90gpl NaOH at 143°C for 30 minutes. LOI = loss on ignition at 1000°C. "Avl/Rx" ratio is (Al₂O₃ Avl)/(Rx SiO₂) and "A/S" ratio is Al₂O₃/SiO₂. Values above 6 are good, above 10 are excellent. **Lab Yield** is for drill dust samples screened by ALS lab at 0.26mm screen size. Production yields are not directly related to Lab Yield and are typically between 50% and 70%. Tonnages requiring no upgrade will have 100% yield.

Resource estimates exclude large tonnages of potential extensions that would be drilled during production to extend tonnages.

The information above relates to Mineral Resources previously reported according to the JORC Code (see Competent Person Statement) as follows:

- ¹ Maiden Tasmania Mineral Resource, 5.7 million tonnes announced on 08/11/2012
- ² Binjour Mineral Resource, 24.5 million tonnes announced on 29/06/2012
- ³ QLD Mining Lease 80126 Maiden Resource, 3.5 million tonnes announced on 03/12/2012
- ⁴ Goulburn Taralga Bauxite Resource Increased by 50% to 37.9 million tonnes announced on 31/05/2012
- ⁵ Inverell Mineral Resource update, 38.0 million tonnes announced on 08/05/2012
- ⁶ Guyra Maiden Mineral Resource, 6.0 million tonnes announced on 15/08/2011
- ⁷ Initial resources for 1st Tasmanian mine, 3.5 million tonnes announced on 24/03/2015
- ⁸ Resource Upgrade for Fingal Rail Project, Tasmania announced on 25/08/2016

Tabulated Resource numbers have been rounded for reporting purposes. The Company conducts regular reviews of these Resources and Reserve estimates and updates as a result of material changes to input parameters such as geology, drilling data and financial metrics. **Global Mineral Resources declared to 25/08/2016 total 124.6 million tonnes.**



Qualifying statements

General

The information in this report that relate to Exploration Information and Mineral Resources 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 Mr Levy is a director of Australian Bauxite Limited.

Mainland

The information relating to Mineral Resources on the Mainland was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

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 Reserves. Mr Rebek and Mr Levy have consented in writing to the inclusion in this report of the Exploration Information in the form and context in which it appears.

Tasmania

The information relating to Exploration Information and Mineral Resources in Tasmania has been prepared or updated under the JORC Code 2012.

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 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Rebek and Mr Levy have consented in writing to the inclusion in this report 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.

Tenement information required under LR 5.3.3

Tenement No.	Location
New South Wales	
EL 6997	Inverell
EL 7361	Guyra
EL 7597	Merriwa - 2
EL 8370	Penrose Forest
EL 7357	Taralga
EL 7681	Taralga Extension
EL 8440	New Stannifer
Queensland	
EPM 17790	Hampton
EPM 17830	Haden
EPM 17831	Hillgrove
EPM 18014	Binjour
EPM 18772	Binjour Extension
ML 80126	Toondoon ML
EPM 25146	Toondoon EPM
EPM 19427	Brovinia 2

Tasmania	
EL 4/2010	Evandale
EL 7/2010	Conara
EL 9/2010	Deloraine
EL 37/2010	Westbury
EL 3/2012	Ross
EL 12/2012	Scottsdale
EL 16/2012	Reedy Marsh
ML 1961 P/M	Bald Hill Bauxite
EL 18/2014	Prosser's Road

Note:

During the quarter, two tenements were disposed of and one was consolidated with another existing tenement

All tenements are in good standing, 100% owned and not subject to Farm-in or Farm-out agreements, third-party royalties nor encumbered in any way.

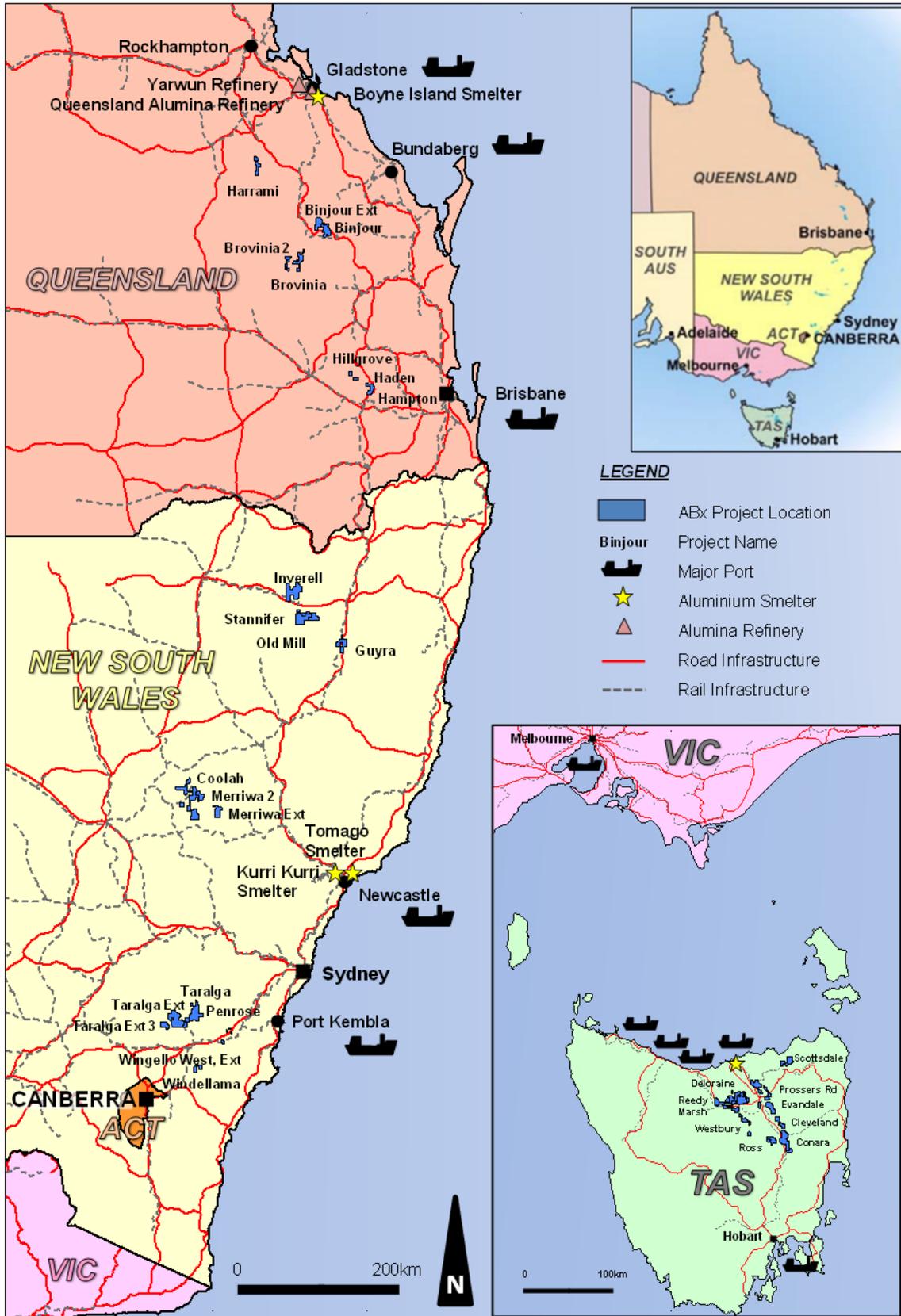


Figure:13: ABx Project Tenements and Major Infrastructure in Tasmania, NSW and Qld, Eastern Australia