

Australian Bauxite Ltd.: March 2017 Quarterly Activities Report

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Sydney - [Australian Bauxite Ltd.](#) (ASX:ABX) is pleased to provide the Company's March 2017 Quarterly Activities Report.

Corporate

- Current group available cash is \$1.40 million. ABx has lines of credit for working capital as and when required.
- ABx has 121,300 tonnes of bauxite stocks ready for sale and has received 6 expressions of interest in long-term offtake sales arrangements to sell bauxite into 4 countries - see page 3 (in the link below).
- ABx has commenced a demonstration mining and processing project at its second mine at Fingal Rail in Tasmania to confirm that ABx's TasTech processing technology can produce and supply cement-grade bauxite of high specification in large tonnages for long-term contracts.
- ABx is also well-advanced in assessing a bauxite refining technology to increase the value of its bauxite tenfold, capitalising on the clean chemistry of ABx bauxite and the hydro-electricity and skills in Tasmania.
- A potential partner for the development of the large Binjour Project in Queensland has approached ABx and will commence site assessments and government discussions in June.

Operations: sales verification tests

- Physical dispatches of sales in the March quarter were 1,250 tonnes of fertiliser-grade bauxite whilst long-term offtake sales contracts were being negotiated with major traders of cement-grade bauxite.
- Rehabilitation of mined-out areas at the Bald Hill Bauxite Project has been inspected by EPA and other government agencies and is proving successful. The company's continuous improvement policy which it adopted at the outset of operations is working as planned.
- To assist sales negotiations, ABx is demonstrating to potential customers that it can blend products to suit each customer's requirements. ABx has sufficient processed bauxite to supply a further 2 large shipments.
- Thus far, ABx has dispatched 6 sales to 2 repeat customers and is in negotiation with 6 possible customers.
- Trial mining and processing at the Fingal Rail mine site is expected to confirm ABx's ability to easily supply a 5-year contract and will also provide samples for testing the new value enhancement technology.

Emerging cement market boosted by US infrastructure construction

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 for the next few years (see market summary). The clean chemistry of ABx's bauxite has allowed ABx to sell cement-grade bauxite which:

1. Increases the late strength of concrete and meets the strictest quality specifications;
2. Is quartz-free, base metal-free and alkali salt-free for exceptional corrosion-resistance and strength;
3. Eliminates stoppages & pressure problems in kilns, lowers kiln temperatures & reduces emissions;
4. Helps cement-makers to high-specification standards that now apply in modern economies.

USA infrastructure construction is increasing cement demand and US cement-makers can maximise cement production by eliminating stoppages and increasing late strength of the cement. ABx's cement-grade bauxite does both. Furthermore, as cement-makers convert from coal to gas-fired production, demand increases for

cement-grade bauxite to add aluminium oxide and iron oxide that would have been provided by the coal.

TasTech Technology bulk testing project commenced ABx has secured a processing plant (see Figure 1 in the link below) and obtained approvals to conduct a bulk-scale mining and processing project to confirm the effectiveness of ABx's TasTech technology at Fingal Rail which is the company's 2nd bauxite mine, located 12km north of the Bald Hill Bauxite Project in Tasmania (see Figure 2 in the link below). TasTech separates ABx's bauxite into metallurgical, cement and fertiliser-grade bauxite products at low cost. Results will be reported in coming weeks.

Refractory-abrasive grade bauxite discovered 90kms from Port Kembla

ABx announced during the quarter 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 is approaching the grant stage.

Bauxite Refining Technology

During research associated with TasTech technology, ABx encountered a bauxite refining technology that is ideally suited to processing Tasmanian-type bauxite. ABx has assessed this remarkable technology in detail. This bauxite refining technology produces the following products from Tasmanian-type bauxite:

1. Pure bauxite $\text{Al}_2\text{O}_3 \cdot 3\text{H}_2\text{O}$ with very high Al_2O_3 grades and zero SiO_2 silica (called Zero Silica Bauxite). Silica is the main deleterious contaminant of bauxite used in alumina refineries. Pure bauxite is also ideal for making synthetic corundum for abrasives and refractories when low in iron and alkalis.

Estimated value: US\$ 100 per tonne

2. Pure iron-ore Fe_2O_3 totally free of deleterious contaminants Al_2O_3 , SiO_2 and P_2O_5 .

Estimated value: US\$ 100 per tonne

3. Pure silica SiO_2 for specialist glass or silicon metal production.

Estimated value: US\$2,700 per tonne

4. Pure titania TiO_2 for pure white titanium pigment applications.

Estimated value: US\$2,500 per tonne

5. Aluminium fluoride AlF_3 for feedstock into aluminium smelters at 99.9% purity

Estimated value: US\$1,000 per tonne

Summary: Bauxite refining converts Tasmanian bauxite valued at US\$50 to US\$70 per tonne into a suite of products worth in excess of US\$800 per tonne of bauxite processed. This represents a more than 10-times increase in value per tonne. The clean chemistry of ABx's bauxite is ideal for this technology.

ABx CEO, Ian Levy said; "We have supported the evolution of this exciting technology for over 2 years and feel that it now warrants a detailed feasibility study by independent consultants.

Estimation of refining costs per tonne of bauxite will require some further low-cost chemical engineering tests but initial indications are that a substantial operating cashflow surplus is achievable. However the optimum size and capital cost of the bauxite refining plant is dependent on market and technical factors. The availability of reagents, hydroelectricity, infrastructure and skilled employees in Tasmania is excellent, so the key factor will probably be the tonnages of products that can be sold from a bauxite refinery to reliable customers.

We will keep shareholders advised as this assessment progresses."

ABx is selling into the strengthening cement & fertiliser markets until Chinese demand recovers

ABx will re-enter the metallurgical bauxite market if and when bauxite prices increase. In the meantime, ABx will grow its bauxite business by supplying cement-grade bauxite for making high-strength cement and supplying fertiliser-grade bauxite for making superphosphate fertiliser. As demand for stronger, low alkali cement increases for infrastructure construction (especially in the USA), demand should increase for cement-grade bauxite of the type marketed by ABx. ABx bauxite is exceptionally low in alkali salts and is quartz-free.

Infrastructure construction markets

ABx may sell more cement-grade bauxite because of the proposed increase in infrastructure construction

that is being proposed by the new US administration. ABx bauxite is suitable for all infrastructure construction, be it bridges, tunnels or roads.

ABx's low-sodium, low alkali 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 American administration 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.

Validation feedback: All test results to date on ABx bauxite products by customers have been exemplary, and are summarised by one expression; "ABx bauxite is the best thing you can do for your cement kiln."

ABx's main cement grade customer has advised ABx that it has, for the first time, operated their cement kilns at maximum throughput rates for 12 months with zero lost time, stronger cement, lower fuel costs and substantially reduced wear on refractories by using ABx bauxite. All cement product has met the highest standards for cement.

ABx continues to work with its customers to further improve production efficiencies.

Rehabilitation

ABx and its contractor, Stornoway completed stage 1 of the rehabilitation at the Bald Hill bauxite project on schedule and to a high standard. The Company's expertise in effective rehabilitation is growing strongly.

Exploration

On 25 August 2016 ABx announced that it had increased the size of its Fingal Rail cement-grade bauxite resource 5-fold to 6.3 million tonnes bringing the total national bauxite resource to over 124 million tonnes (see resource statement in ASX release 25 August 2016 and at the end of this report). This increase in resource tonnage will allow ABx to enter into long-term supply contracts with major cement-grade customers.

On 27 February 2017, ABx announced to the ASX the discovery of high quality refractory-grade, low-iron grey-white bauxite at Penrose Pine Plantation some 90kms inland from Port Kembla. Refractory- grade bauxite is used for heat containment and abrasives and can sell up to 5 times the current price of metallurgical grade bauxite - possibly a new high-priced market for ABx's bauxite products. This tenement is close to transport infrastructure and suited to quarrying during forest harvest cycles and was granted in late 2015. Extensions of the deposit have been secured by a new exploration lease application (see Table 2 in the link below) that is at the grant stage.

Technology: TasTech mining and processing trial at Fingal Rail mine site

TasTech technology separates 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; and,
3. fertiliser-grade and other bauxite-types.

ABx has commenced a trial mining and processing using TasTech technology at Fingal Rail mine site.

To view tables and figures, please visit:
<http://abnnewswire.net/lnk/56NX2RGV>

About Australian Bauxite Ltd:

[Australian Bauxite Ltd.](#) (ABx) (ASX:ABX) has started its first bauxite mine in Tasmania and holds the core of the Eastern Australian Bauxite Province. ABx's 37 bauxite tenements in Queensland, New South Wales and Tasmania exceed 5,000 km² and were rigorously selected for (1) good quality bauxite; (2) near infrastructure connected to export ports; and (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 and expertise grows. The Company's bauxite is

high quality gibbsite trihydrate (THA) bauxite and can be processed into alumina at low temperature.

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

In Tasmania, at Bald Hill, the Company's first bauxite mine commenced operations on schedule 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.

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