

CHAIRMAN'S ADDRESS TO ANNUAL GENERAL MEETING

28 May 2010

Since successfully listing on the ASX on 24 December 2009, Australian Bauxite Limited (**ABx**) has established itself as a new force in the Australian bauxite industry. It commenced an aggressive drilling program in April this year that will continue for some time and has already begun to deliver positive bauxite results in Inverell-Pindaroi in northern NSW and Pechey-Hampton in southern Queensland that were announced two days ago.

Your company is benefitting from the judicious tenement selection which has given ABx dominance of the Eastern Australian Bauxite Province which was discovered by our Chief Geologist during the 3 years, 2006 to 2009. ABx's 25 bauxite tenements in Queensland, NSW and Tasmania cover 6,600 km² and were rigorously selected on 3 principles:

- **Quality** – good quality bauxite with potential for significant resource tonnages;
- **Proximity** – easy access to infrastructure connected to export ports; and
- **Accessibility** – free of socio-environmental or native title land constraints.

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

Typically, it takes 5 tonnes of bauxite to be refined into 2 tonnes of alumina which are, in turn smelted into 1 tonne of aluminium in an aluminium smelter. The Refineries and Smelters are massive industrial plants that must operate at a steady state to be economic. Consequently, aluminium companies have invested heavily to secure long-term supply of reliable bauxite feedstock, especially the high quality types of bauxite encountered in ABx tenements in drilling to date.

Consequently, ABx owns an important resource base which will deliver significant shareholder value as its exploration work proves-up large tonnages of bauxite.

Aluminium is a modern metal with a positive growth outlook – its consumption grows faster than overall industrial growth rates because the emerging economies are using aluminium at increasing intensity. Strong growth in the aluminium industry is assured.

Activities

ABx has discovered many bauxite deposits but exploration upside remains high. The best demonstration of this upside was the discoveries of extensive bauxite in Tasmania during the first quarter of this year which justified a further capital raising of \$3.5 million by the issuing of 10 million ordinary shares in mid March to sophisticated and institutional investors so that exploration can be expanded to Tasmania and so that exploration can be accelerated across the whole bauxite province. The shares were placed through State One Stockbroking Limited a member of the State One Capital Group, who recently became a substantial shareholder of ABx.

At the company’s first drilling prospect in Inverell, northern NSW, a maiden JORC-compliant resource of 22 million tonnes at good grades has been reported from 118 drillholes completed in 2009 covering less than 10% of the identified bauxite deposit. In April-May 2010, a further 162 drillholes have been completed and the thickest bauxite intercept in the 2010 drill campaign has been 9.4 metres in the centre of the tenement – a similar result to the 9.5 metres maximum thickness encountered in the 2009 drill campaign at the southern end of the tenement.

Resource estimation work will commence during July once all assay and analytical results are received from the laboratory. This new estimation will still only relate to perhaps 10% to 20% of the known bauxite area at Inverell but will give a better appreciation of variability within that bauxite deposit, that to date, has appeared relatively consistent and good quality.

Other deposits at Pindaroi near Inverell and at Pechey near Toowoomba, southern Queensland are starting to be drilled and thickness results to date are very encouraging. However, the analytical results from the laboratory will take several weeks and detailed interpretations will commence then.

The company also took the opportunity during the second quarter of this year to extinguish a significant portion of the outstanding convertible note. The note provided that \$783,934 could be paid in cash and the balance of the \$2.4 million note in shares. The cash component was paid to Hudson Resources, thereby saving interest accruing on that note.

Outlook

As stated on several occasions, Australian Bauxite Limited aspires to identify bauxite resources in excess of 200 million tonnes in one of the world’s best bauxite provinces.



ABx has the potential to create three state-significant bauxite processing projects in Queensland, New South Wales and Tasmania and also has several bauxite deposits that are favourably located for direct shipping of bauxite to export customers.

Our business plan is to prove-up the largest tonnages of high quality bauxite resources of any comparable company and to market premium-priced bauxite products into the rapidly growing Asia-Pacific region (especially China) and the large eastern Australian aluminium industry.

From a small beginning on the Australian Stock Exchange on 24 December 2009 at 20 cents per share, the Company is already creating shareholder value - and the best is yet to come.

I would like to acknowledge the successful work of all employees, contractors and Directors. In closing I look forward to what I hope will be a highly successful future for a business making a significant contribution to the Australian economy and to its shareholders.

Peter Meers
Chairman