AUSTRALIAN **BAUXITE** LIMITED
ASX: ABZ

ASX ANNOUNCEMENT
12 May 2011

Taralga Bauxite Resource Doubled to 25 Million Tonnes

- **Pre-feasibility baseline studies initiated for Goulburn Bauxite Project**
- **25.3 million tonnes of gibbsite-rich bauxite resources at Taralga, southern NSW**
- **Based on 577 drill holes into a representative selection of the bauxite targets**
- **40% of identified bauxite resources is DSO grade**
- **Four ore-types identified, predominately quartz-rich gibbsite-rich bauxite similar to bauxite from the Darling Ranges south of Perth, Western Australia**
- **Drilling of new targets and extensions is continuing at Taralga**
- **Preliminary processing tests and detailed product assessments are underway**
- **Drilling approved on nearby tenements in the Goulburn area where bauxite occurs adjacent to the main rail line to the minerals export port at Port Kembla.**

Australian Bauxite Limited (**ABx, ASX Code ABZ**) has 33 bauxite tenements in eastern Australia covering more than 7,500 km^2. (see Figure 4).

To clarify the marketability of the bauxite types found in the Taralga-Goulburn-Crookwell area in southern NSW, detailed drilling was recently conducted at spacings of approximately 100 metres in areas containing easily mined bauxite zones of Direct Shipping Ore ("DSO") grades because Taralga is located near a major railway line leading directly to Port Kembla export terminal (see Figures 2 & 3).

Two main bauxite types are recognised at Taralga as shown in Figure 1, namely:

1. Gibbsite rich, low silica bauxite that will be the main component of direct shipping ore (DSO);
2. Pisolitic, dehydrated hardcap bauxite, often forming a surface hardcap layer 2 metres thick .

Each bauxite type can have quartz-rich zones where quartz grains have mixed with the bauxite.

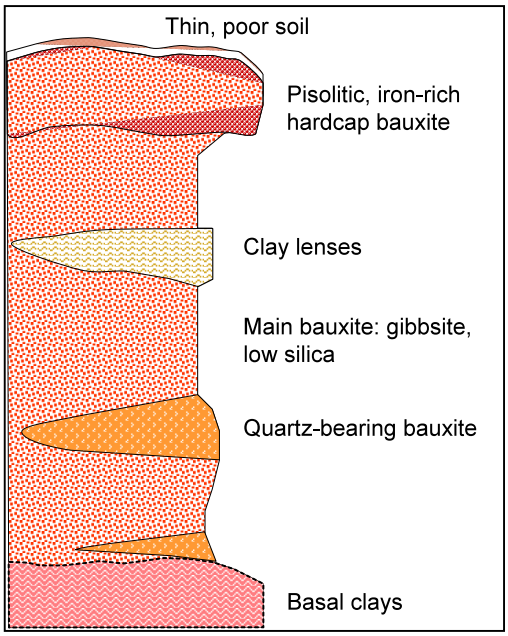
Figure 1: Taralga Bauxite Types

Bauxite types at Taralga – schematic section.

Main bauxite is gibbsite-rich, low silica bauxite.

Surface layer is commonly a 2 metre layer of pisolitic, iron rich bauxite that can be cemented into a hardcap layer.

Each bauxite type can have quartz-rich zones where quartz grains have mixed with the bauxite.



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Resources at Taralga based on drilling to date can be summarised as follows:

1. 10 Million Tonnes of DSO Bauxite

Main DSO Gibbsite Ore			Sieved at 0.26mm									
Resource category	**Tonnes millions**	Thick-ness	Al_2O_3avl %	Rx SiO_2 %	Avl/Sx Ratio	Al_2O_3 %	SiO_2 %	A/S Ratio	Fe_2O_3 %	TiO_2 %	LOI %	Yield %
Inferred	3.5	4.3 m	34.1	2.3	14.7	39.8	4.3	9.2	28.6	4.1	22.2	53%
Indicated	6.5	4.3 m	35.4	2.2	16.0	40.9	4.3	9.4	27.1	4.1	22.8	55%
TOTAL	**10.1**	**4.3 m**	**35.0**	**2.3**	**15.5**	**40.5**	**4.3**	**9.4**	**27.6**	**4.1**	**22.6**	**54%**

Cut-off grades applied: 30% Al_2O_3 & 2m thickness. Leach conditions to measure available Al203avl & reactive Rx Si02 is 1g leached in 10ml of 90gpl NaOH at 143 degrees C for 30 mins. "Avl/Srx" ratio is (Al_2O_3 avl)/(Rx SiO_2). Values above 10 are excellent. "A/S" ratio is Al_2O_3)/SiO_2 but at Taralga, total Si02 includes quartz in some bauxite zones. Quartz is unreactive SiO_2. Tonnage is for bauxite in-situ. Yield is for screening at 0.26mm. If a different beneficiation method is used, yield will be different. Tonnages requiring no upgrade will have 100% yield.

This DSO gibbsite ore is considered to be the main type of bauxite in the Goulburn-Taralga-Crookwell district.

2. 10 million Tonnes of Pisolite Ore

In many locations, there is a 2 metre thick surface layer of "Pisolite Ore" above the main gibbsite bauxite. This is pisolitic (rounded gravels), iron-enriched, dehydrated bauxite which is cemented into a hardcap layer in places.

Pisolite Ore (dehydrated)			Sieved at 0.26mm									
Resource category	**Tonnes millions**	Thick-ness	Al_2O_3avl %	Rx SiO_2 %	Avl/Sx Ratio	Al_2O_3 %	SiO_2 %	A/S Ratio	Fe_2O_3 %	TiO_2 %	LOI %	Yield %
Inferred	3.7	3.3 m	20.8	1.6	13.0	36.1	4.5	8.1	43.0	3.4	12.2	73%
Indicated	6.4	3.5 m	20.5	1.4	15.1	35.8	4.6	7.7	42.8	3.7	12.2	66%
TOTAL	**10.1**	**3.4 m**	**20.6**	**1.5**	**14.2**	**36.0**	**4.6**	**7.9**	**42.9**	**3.6**	**12.2**	**69%**

Cut-off grades applied: 30% Al_2O_3 & 2m thickness. Leach conditions to measure available Al203avl & reactive Rx Si02 is 1g leached in 10ml of 90gpl NaOH at 143 degrees C for 30 mins. "Avl/Srx" ratio is (Al_2O_3 avl)/(Rx SiO_2). Values above 10 are excellent. "A/S" ratio is Al_2O_3)/SiO_2 but at Taralga, total Si02 includes quartz in some bauxite zones. Quartz is unreactive SiO_2. Tonnage is for bauxite in-situ. Yield is for screening at 0.26mm. If a different beneficiation method is used, yield will be different. Tonnages requiring no upgrade will have 100% yield.

Note that this material has elevated levels of iron (Fe_2O_3) and low loss-on-ignition (LOI) which indicates dehydration. Note also that 15% of the alumina (Al_2O_3) does not report as available Al_2O_3 at the leach temperatures used here. At moderately higher leach temperatures, it is expected that more of the total alumina would report as being available Al_2O_3. This will be tested as part of metallurgical testwork scheduled for June-July.

3. 5 million Tonnes of Quartz-Bearing Bauxite

At depth and laterally, both major bauxite types can become quartz-bearing bauxite in the form of sand grains and small layers of quartz-rich gravels mixed with bauxite. In places, this material is peripheral to the main deposits.

The major bauxite deposits in the Darling Ranges bauxite-alumina projects south of Perth, Western Australia are quartz-bearing and there are many similarities between the bauxites of the Eastern Australian Bauxite Province and the WA Darling Ranges bauxites.

Quartz is an inert, non-reactive form of silica (SiO_2) which does not affect the processing of the bauxite into alumina and aluminium. However, it does dilute the grades of the bauxite as shown by the following tables.

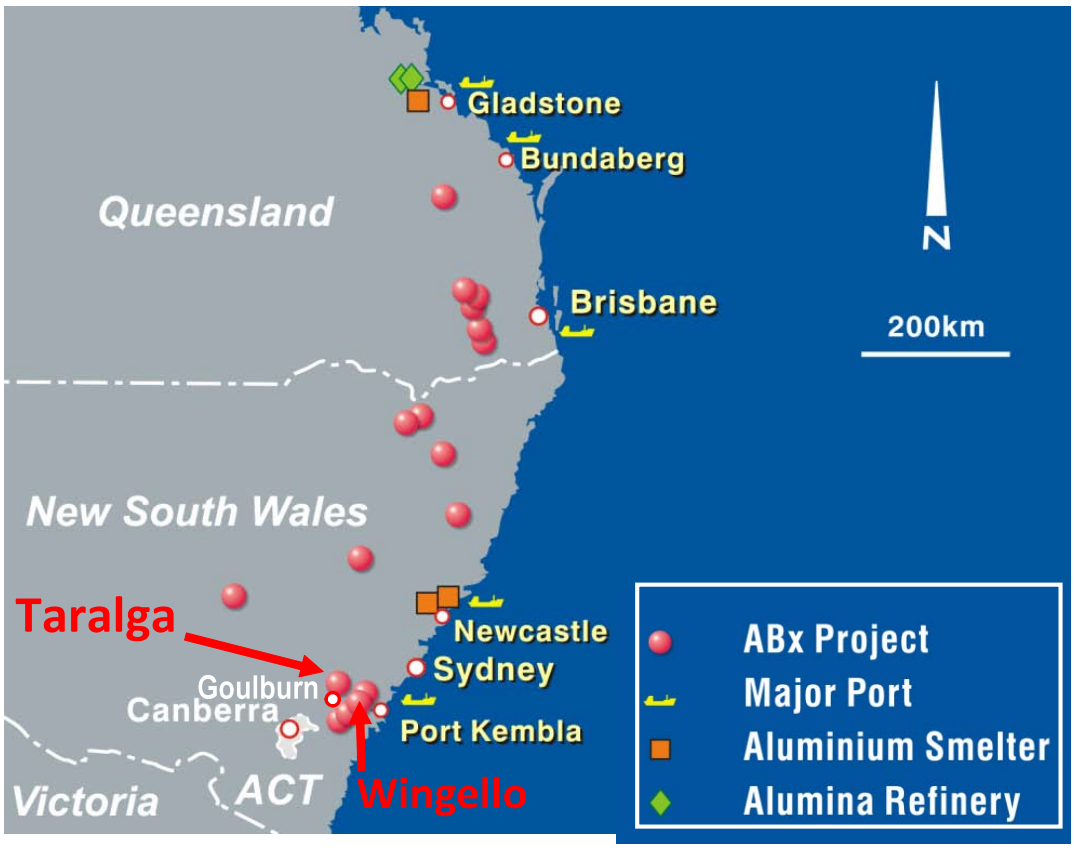
Quartz-Bearing Gibbsite Ore			Sieved at 0.26mm									
Resource category	**Tonnes millions**	Thick-ness	Al_2O_3avl %	Rx SiO_2 %	Avl/Sx Ratio	Al_2O_3 %	SiO_2 %	A/S Ratio	Fe_2O_3 %	TiO_2 %	LOI %	Yield %
Inferred	1.7	2.8 m	30.4	2.2	14.0	36.4	20.0	1.8	20.2	3.9	18.8	54%
Indicated	0.5	2.2 m	32.3	1.9	16.8	38.2	20.0	1.9	17.9	3.5	19.8	55%
TOTAL	**2.2**	**2.7 m**	**30.8**	**2.1**	**14.5**	**36.8**	**20.0**	**1.8**	**19.7**	**3.8**	**19.0**	**54%**

Qtz-Bearing Pisolite Ore			Sieved at 0.26mm									
Resource category	**Tonnes millions**	Thick-ness	Al_2O_3avl %	Rx SiO_2 %	Avl/Sx Ratio	Al_2O_3 %	SiO_2 %	A/S Ratio	Fe_2O_3 %	TiO_2 %	LOI %	Yield %
Inferred	2.1	3.4 m	20.0	2.4	8.4	32.8	19.7	1.7	31.5	2.9	12.3	57%
Indicated	0.9	3.4 m	19.6	3.1	6.4	33.1	18.5	1.8	31.3	3.3	12.8	62%
TOTAL	**3.0**	**3.4 m**	**19.8**	**2.6**	**7.6**	**32.9**	**19.3**	**1.7**	**31.4**	**3.1**	**12.5**	**59%**

Cut-off grades applied: 30% Al_2O_3 & 2m thickness. Leach conditions to measure available Al203avl & reactive Rx SiO2 is 1g leached in 10ml of 90gpl NaOH at 143 degrees C for 30 mins. "Avl/Srx" ratio is (Al_2O_3 avl)/(Rx SiO_2). Values above 10 are excellent. "A/S" ratio is Al_2O_3)/SiO_2 but at Taralga, total SiO2 includes quartz in some bauxite zones. Quartz is unreactive SiO_2. Tonnage is for bauxite in-situ. Yield is for screening at 0.26mm. If a different beneficiation method is used, yield will be different. Tonnages requiring no upgrade will have 100% yield.

Note that total silica (SiO_2) is approximately 20% in these bauxites, but only 1.9% to 3.1% is reactive silica (Rx SiO_2 in the above tables).

Figure 2: Taralga Project Location & Other Tenements in the Goulburn Bauxite Project



RESOURCE ESTIMATE METHOD

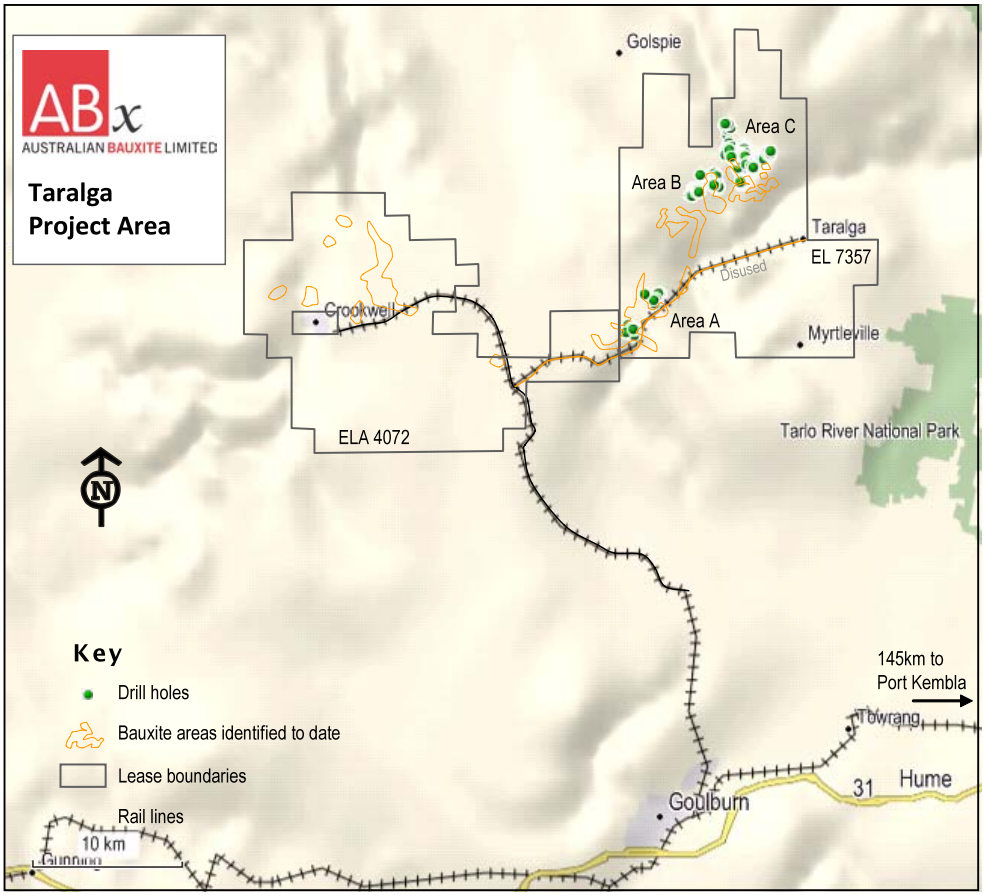
Drilling on a random pattern governed by site availability was done predominantly in the northeastern parts of EL 7357 (Areas B & C in Figures 2 & 3) where bauxite plateaus were obvious and some in the southwestern parts of EL 7357 where unexpectedly thick, good quality bauxite was discovered (Area A in Figure 2) in late 2010.

During August 2010, 98 holes were drilled totalling 710 metres and during September-October 2010, a further 112 holes were drilled totalling 985 metres. Infill drilling done during the first Quarter of 2011 brought the total drilling at Taralga to 577 drillholes totalling 4,575 metres drilled.

Drill samples were collected at 1 metre intervals from the aircore drillholes and analysed at ALS Laboratories in Brisbane including trihydrate (THA) available alumina (Avl Al_2O_3) and reactive silica (SiO_2 Rx) measurements. Leach conditions to measure available Avl Al_2O_3 and reactive SiO_2 Rx were 1g leached in 10ml of 90gpl NaOH at 143 degrees C for 30 minutes

Estimation of grades and thicknesses was done by an inverse distance squared modelling method using maximum extrapolations of 100 metres for Indicated Resources category and 150 metres for Inferred Resources. Bauxite density was conservatively assumed at 1.8 dry tonnes per cubic metre in-situ.

Figure 3: Taralga Project Location



Taralga Tenements, Bauxite Areas, Drillhole Locations & Infrastructure

Drilling commenced in Areas B & C because of obvious bauxite plateaus.

Unexpectedly good bauxite (some with non-reactive quartz) was discovered in Area A in late 2010.

The western application area ELA 4072 covers possible extensions.

The Taralga and Crookwell rail lines are disused.

Goulburn-Port Kembla rail is heavy duty

Figure 4: ABx Project Tenements

About Australian Bauxite Limited: ASX Code ABZ

Australian Bauxite Limited (**ABx**) holds the core of the newly discovered Eastern Australian Bauxite Province. Its 33 bauxite tenements in Queensland, NSW and Tasmania covering more than 7,500 km^2 were rigorously selected on 3 principles:

1. good quality bauxite;
2. proximity to infrastructure connected to export ports; and,
3. free of socio-environmental or native title land constraints.

All tenements are 100% owned and free of obligations for processing and third-party royalties. ABx has already discovered many bauxite deposits and new discoveries are still being made as knowledge and expertise grows.

The company's bauxite is high quality and can be processed into alumina at low temperature – the type that is in short-supply globally. At the company's first drilling prospect in Inverell, northern NSW, a resource of 36 million tonnes has been reported from drilling 15 to 20% of the area prospective for bauxite and a 12 million tonne resource at Taralga near Goulburn, southern NSW. 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 significant bauxite developments in three states - Queensland, New South Wales and Tasmania. Its bauxite deposits are favourably located for direct shipping of bauxite to both local and export customers. Laboratory results from recent drilling of the ABx discoveries of bauxite in Tasmania are yet to be evaluated, however, bauxite is confirmed to extend over relatively large areas.

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Qualifying Statement

The information in this announcement that relate to bauxite classifications is based on results and interpretations compiled by Ian Levy who is a member of The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Mr Levy is a qualified geologist and employed as CEO of Australian Bauxite Limited.

Geostatistical block modelling was carried out by independent consultant, Scott McManus using Gemcom mining software. Mr McManus is an experienced resource modelling consultant and a member of the Australian Institute of Geoscientists.

Mr Levy has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is 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 Resources. Mr McManus and Mr Levy have consented in writing to the inclusion in this announcement of the Exploration Information in the form and context in which it appears.

Exploration Target Statement

ABx has an exploration target of 200 to 300 million tonnes of bauxite (40-50 million tonnes is the exploration target for the Goulburn Bauxite Project area), based on the Mineral Resources totalling 36 million tonnes of bauxite from 196 drillholes drilled across an area that is less than 15% of the known bauxite deposits on a single Exploration Lease EL 6997 at Inverell in northern NSW. Furthermore, Mineral Resources totalling 25 million tonnes of bauxite have been estimated from 577 drillholes that have tested approximately 60% of the known bauxite deposits at Taralga on EL 7357. In accordance with the JORC Code, readers are advised that with regards this exploration target of 200 to 300 million tonnes, "the potential quality and grade is conceptual in nature, that there has been insufficient exploration to define full Mineral Resources and that it is uncertain if further exploration will result in the determination of a Mineral Resource". Inverell tenement EL 6997 was the first of 30 tenements to be drilled and has since discovered sizeable, good quality bauxite occurrences on several other tenements.