AUSTRALIAN BAUXITE LIMITED
ASX: ABZ

ASX ANNOUNCEMENT
6 December 2010

Taralga Bauxite Resource Doubles to 12 Million Tonnes

- **12 million tonnes of gibbsite-rich bauxite resources at Taralga, Southern NSW**
- **Resource is based on 210 exploration holes testing some of the many bauxite targets**
- **90% of targets tested contain bauxite; 50% of which is DSO grade**
- **New ore-types identified, including quartz-rich gibbsite-rich bauxite similar to bauxite from the Darling Ranges south of Perth, Western Australia**
- **Drilling of new targets to commence in late December, early January.**

Australian Bauxite Limited (**ABx, ASX Code ABZ**) has 32 bauxite tenements in eastern Australia covering more than 7,500 km². (see Figure 4) and is near to completing first-pass exploratory drilling of all project areas during calendar year 2010 – 6 months ahead of schedule.

ABx has commenced commercial discussions with potential partners and/or offtake customers for a few of its 30 project areas including Taralga EL 7357 located near Goulburn, southern NSW. ABx is announcing the latest resources identified at Taralga from the follow-up drilling in October that assessed the general potential for easily mined bauxite zones of Direct Shipping Ore ("DSO") grades. Taralga is located near a major railway line leading directly to Port Kembla export terminal (see Figures 1 & 2).

A more extensive resource drilling program is to commence this month – weather permitting. A Review of Environmental Factors has been completed, thus clearing the way for a more extensive testing program.

Resource estimates on the initial deposits tested at Taralga are summarised as follows:

Total in-situ bauxite (screened 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 %	LOI %	Yield %
Inferred	4.79	4.5m	28.1	1.6	18.1	38.8	5.6	6.9	33.5	17.5	64%
Indicated	7.17	4.5m	28.1	1.6	18.1	38.8	5.6	6.9	33.5	17.5	64%
TOTAL	**11.95**	**4.5m**	**28.1**	**1.6**	**18.1**	**38.8**	**5.6**	**6.9**	**33.5**	**17.5**	**64%**

Part of this total bauxite resource is an easily mined, thick layer of DSO grade gibbsite as follows:

Gibbsite DSO bauxite (screened at 0.26mm & unscreened grades)

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 %	LOI %	Yield %
Inferred	2.45	4.2m	34.9	1.9	18.4	40.9	4.7	8.7	27.1	22.4	58%
Indicated	4.37	4.2m	34.9	1.9	18.4	40.9	4.7	8.7	27.1	22.4	58%
TOTAL	**6.82**	**4.2m**	**34.9**	**1.9**	**18.4**	**40.9**	**4.7**	**8.7**	**27.1**	**22.4**	**58%**
Unsieved in-situ raw grades											
TOTAL	**6.82**	**4.2m**	**31.4**	**4.3**	**7.3**	**38.8**	**6.6**	**6.0**	**26.7**	**21.6**	**100%**

Cut-off grades applied: 30% Al_2O_3 & 2m thickness. Leach conditions to measure available Al2O3avl & 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). "A/S" ratio is Al_2O_3)/SiO_2. Values above 10 are excellent. 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.

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In places, there is a thin top layer of iron-rich, quartz-bearing, dehydrated bauxite (technically described as pisolite layers) which has been included in the Total In-Situ Bauxite estimate quoted above. Available alumina values may increase if a higher-temperature leach is used. Within the resource drilled to date, this unit totals as follows:

Pisolitic bauxite (screened 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 %	LOI %	Yield %
Inferred	1.13	2.3m	21.1	1.0	**21.2**	38.0	5.0	**7.7**	40.5	12.3	74%
Indicated	1.01	2.3m	21.1	1.0	**21.2**	38.0	5.0	**7.7**	40.5	12.3	74%
TOTAL	**2.15**	**2.3m**	**21.1**	**1.0**	**21.2**	**38.0**	**5.0**	**7.7**	**40.5**	**12.3**	**74%**

Cut-off grades applied: 30% Al_2O_3 & 2m thickness. Leach conditions to measure available Al2O3avl & 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). "A/S" ratio is Al_2O_3)/SiO_2. Values above 10 are excellent. 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.

NEW BAUXITE STYLE DISCOVERED

Taralga contains a quartz-bearing bauxite, much of which has not been sent for laboratory analysis because it was considered unlikely to be saleable bauxite. However, the results from this material received to date show that there are potentially large tonnages of this material at Taralga.

This quartz-rich, low reactive-silica bauxite has strong similarities with the world-famous bauxite deposits in the Darling Ranges south of Perth Western Australia which is the world's largest bauxite-alumina production province, producing the world's lowest-cost alumina because the aluminium ore mineral is exclusively gibbsite which can be processed at low temperatures and pressures.

Resource estimations for this new style of bauxite based on results to date are:

Quartz-bearing, gibbsite-rich bauxite (screened 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 %	LOI %	Yield %
Inferred	0.52	3.6m	33.2	2.2	**15.2**	39.6	15.0	2.6	20.4	20.6	57%
Indicated	0.65	3.6m	33.2	2.2	**15.2**	39.6	15.0	2.6	20.4	20.6	57%
TOTAL	**1.16**	**3.6m**	**33.2**	**2.2**	**15.2**	**39.6**	**15.0**	**2.6**	**20.4**	**20.6**	**57%**

Cut-off grades applied: 30% Al_2O_3 & 2m thickness. Leach conditions to measure available Al2O3avl & 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). "A/S" ratio is Al_2O_3)/SiO_2. Values above 10 are excellent. 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 the total silica (SiO_2) is 15% but only 2.2% of that is reactive silica (ie. Rx SiO_2). Therefore, 12.8% of the bauxite is non-reactive silica, probably in the form of quartz particles.

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 has been recently discovered (Area A in Figure 2).

During August 2010, 98 holes were drilled totalling 710 metres and during September-October, a further 112 holes were drilled totalling 985 metres. 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 was done by a polygonal modelling using maximum extrapolations of 50 metres for Indicated Resources category and 100 metres for Inferred Resources. Bauxite density was conservatively assumed at 1.8 dry tonnes per cubic metre in-situ.

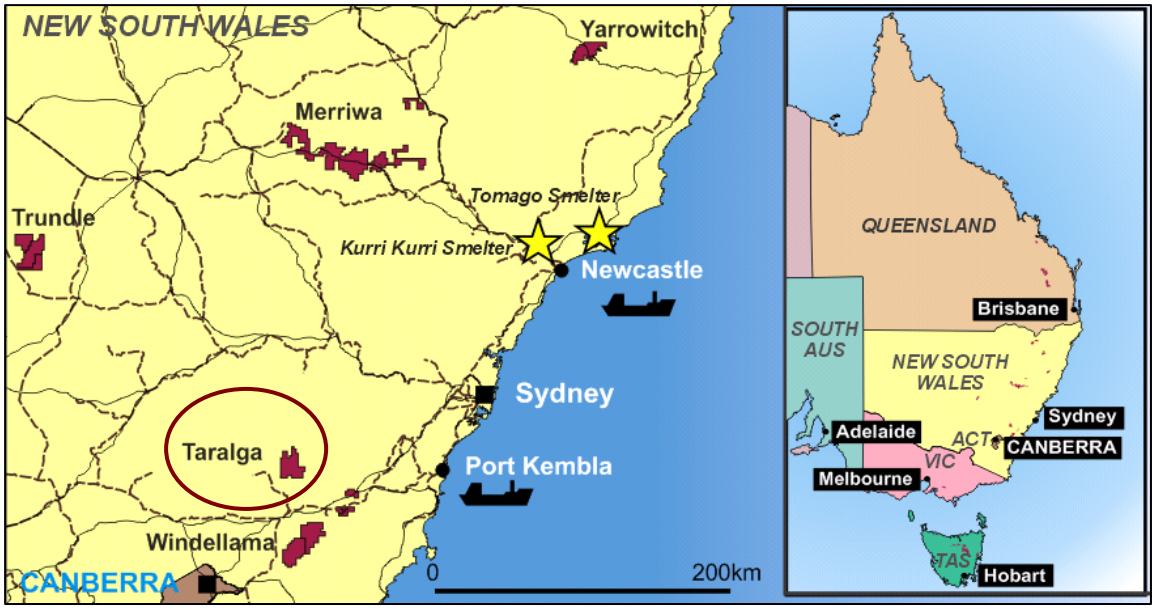

Figure 1: Taralga Project (circled) Location

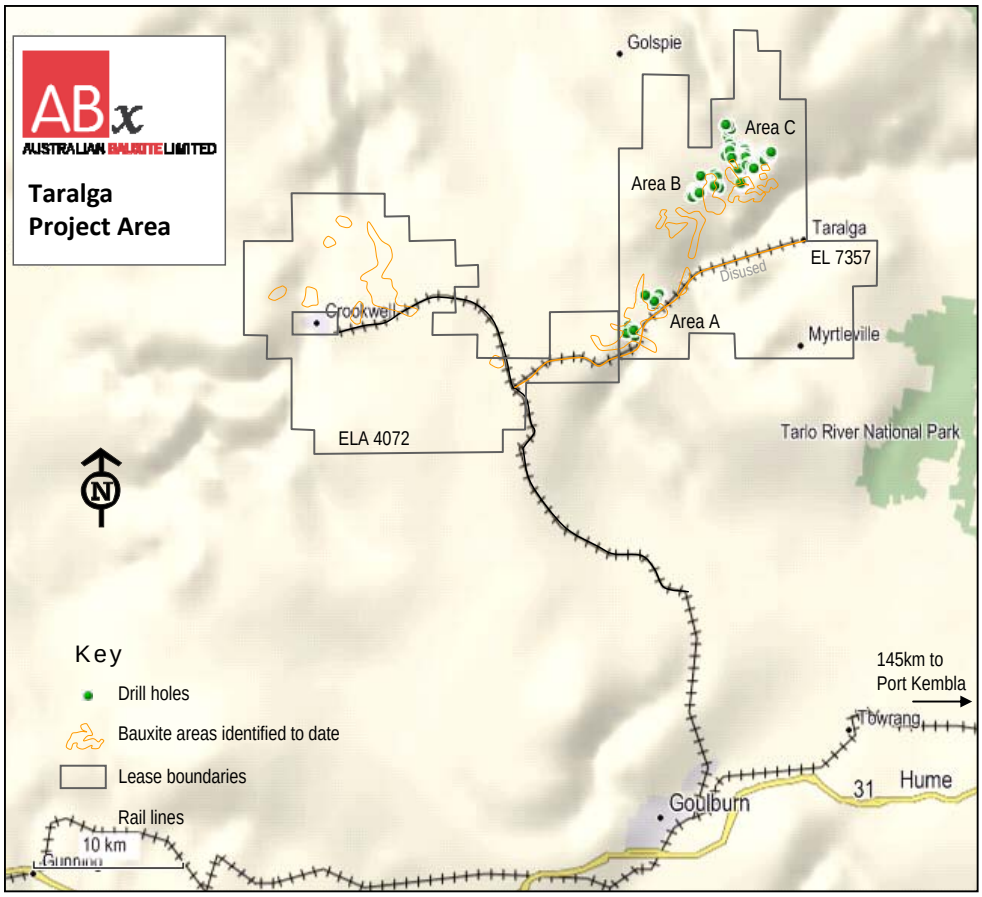

Figure 2

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 recently discovered in Area A.

The western application area ELA 4072 covers possible extensions.

The Taralga rail line is disused. The Crookwell rail line is not in operation but can be reopened.

Goulburn-Port Kembla rail is heavy duty

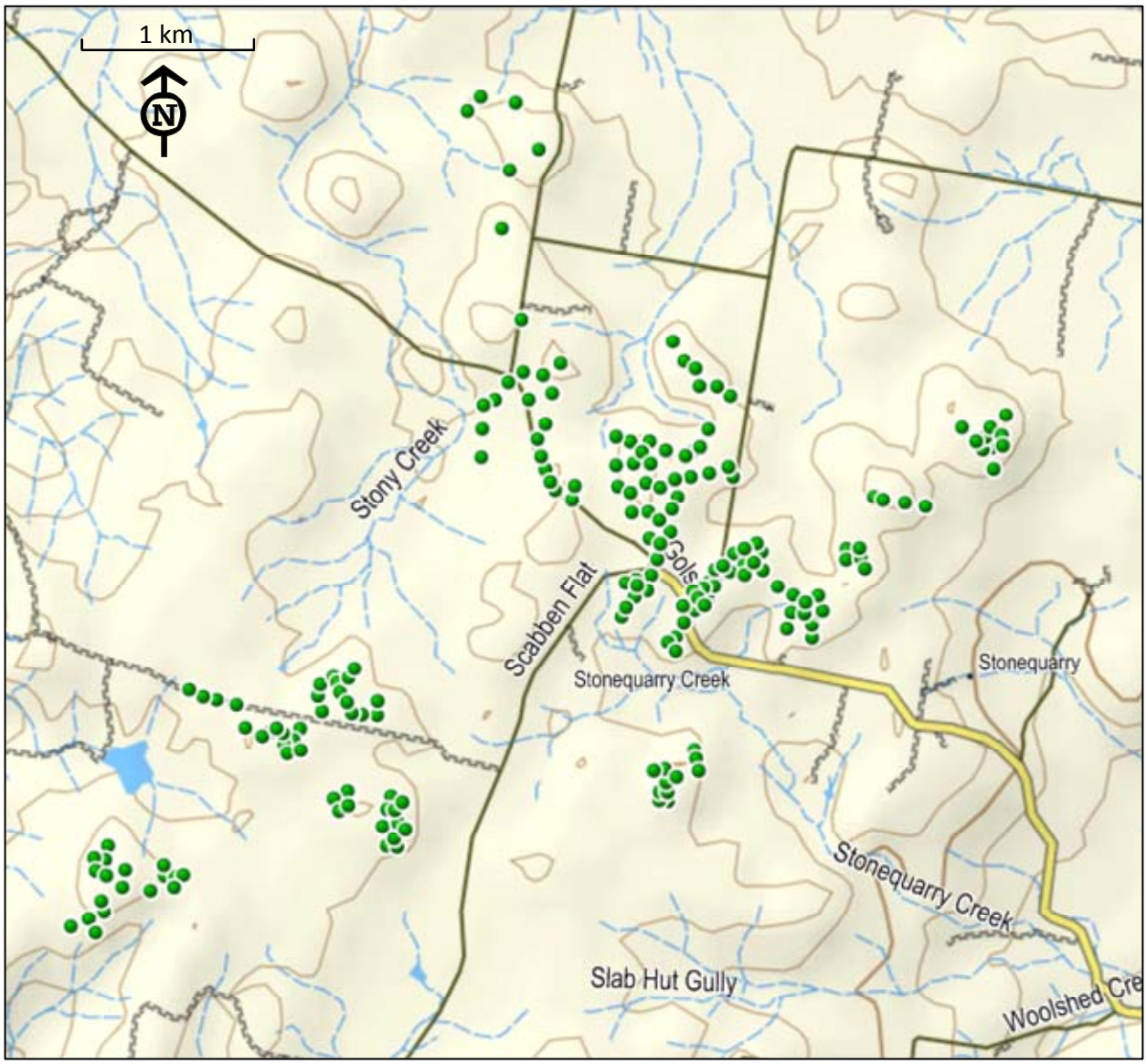

Figure 3: Drillhole Locations in Areas B & C With Topographic Contours

Note that most, but not all, topographic highs are bauxite in this area. Pisolitic and iron-rich bauxite layers tend to occur at the peaks of the ridges but are absent in many locations.

For the resource estimates reported herein, the maximum extrapolation used was 50 metres for Indicated Resources and 100 metres for Inferred Resources.

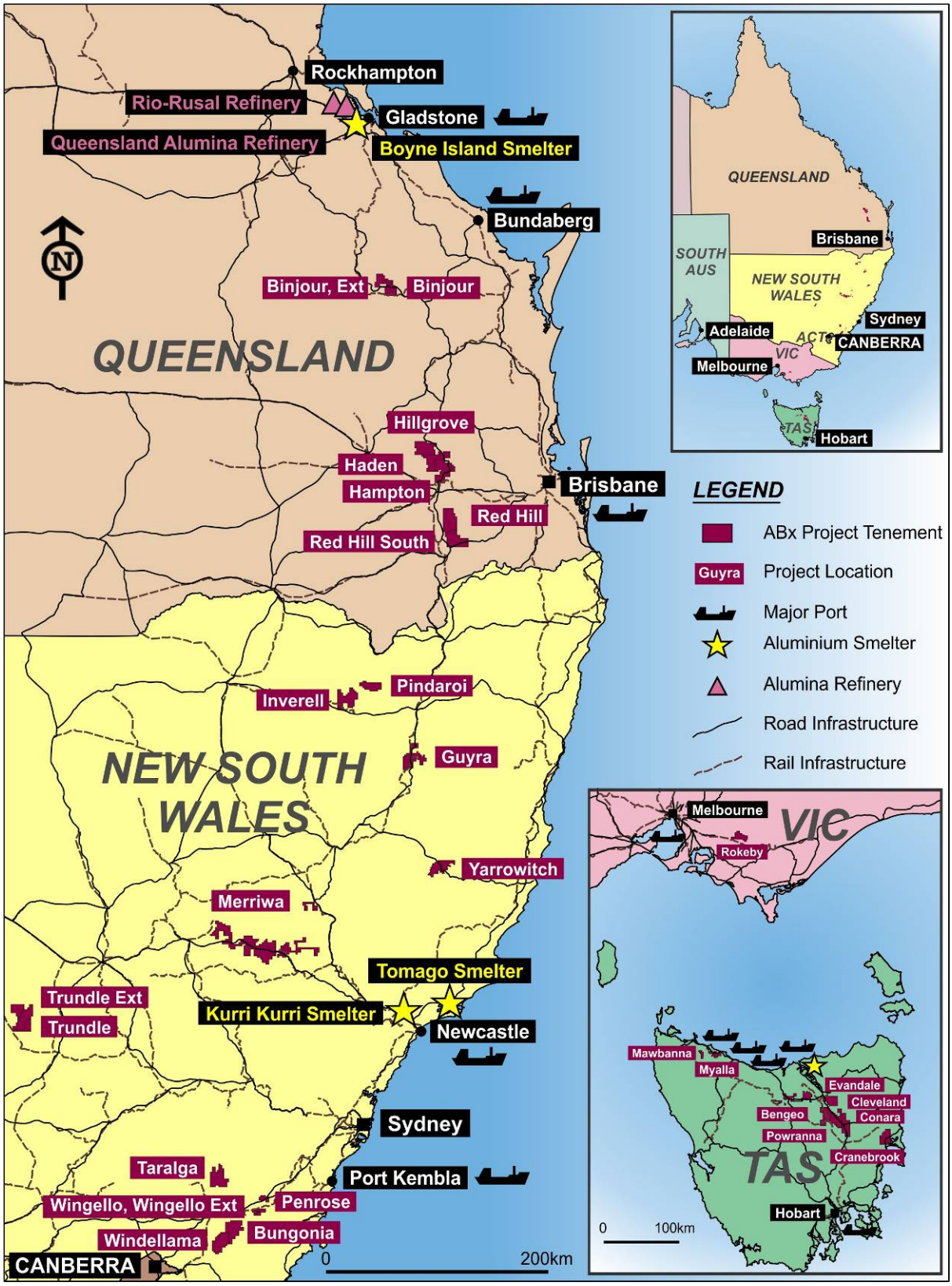

Figure 4: ABx Project Tenements

About Australian Bauxite Limited: ASX Code ABZ

Australian Bauxite Limited (**ABx**) holds the core of the newly discovered Eastern Australian Bauxite Province. Its 32 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.

For further information please contact:

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Qualifying statement

The information in this announcement that relate to Exploration Information 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 are directors of Australian Bauxite Limited.

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 Resources. Mr Rebek 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, 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 12 million tonnes of bauxite have been estimated from 210 drillholes that have tested less than 10% 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.

ABx sees no reason to vary its exploration target.