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

Current trends in the metallurgical grade Chinese markets are encouraging (see below) and ABx is beginning to engage with potential customer refineries – but current prices still need to rise a bit yet.

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.

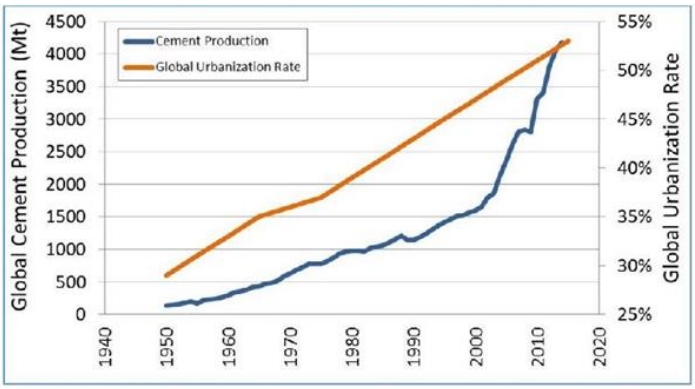

Figure 1: Graph showing cement production rising exponentially as global urbanisation increases.

Source: Urbanisation - increased demand for cement, steel, aluminium, copper.... 3.12.2016

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.

Validation feedback: The performance of ABx cement-grade bauxite through the kilns and resulting cement products have been exemplary. *"ABx bauxite is the best favour you can do for yourself and your cement plant"*

Figure 2: Blending cement-grade bauxite at Bald Hill Mine Site

Note the stocks of different types of bauxite: metallurgical bauxite (light colour), cement-grade and fertiliser-grade.

ABx continues to work with its customers to further improve production efficiencies and is introducing a proprietary technology called "TasTech" to produce 4 different product streams from each part of its orebodies, namely (1) +25mm metallurgical grade bauxite (2) Hi grade metallurgical or cement grade bauxite (3) Cement grade bauxite & (4) Iron cement grade, low LOI bauxite. **TasTech** will alow ABx to blend shiploads of bauxite to customers' specific requirements

Rapid implementation of new technology is a large part of **ABx's corporate identity**.

Metallurgical Grade Bauxite Market (for aluminium production) SIGNS OF RECOVERY?

Metallurgical-bauxite prices fell in 2015-16, steadied in late 2016, showed weak signs of improvement in early 2017 and have risen recently, especially since the Guinean government announced its intention to curb bauxite exports to encourage more alumina refining in Guinea, just as Indonesia did in 2010-14. However, this price increase could just be due to a seasonal increase in higher-priced bauxite from Guinea and a seasonal reduction in lower-priced Australian bauxite. Some reports suggest that price increases from some countries are due to tax rule changes

The following Figure 3 overleaf showing prices by country supports the "seasonal variation" explanation:

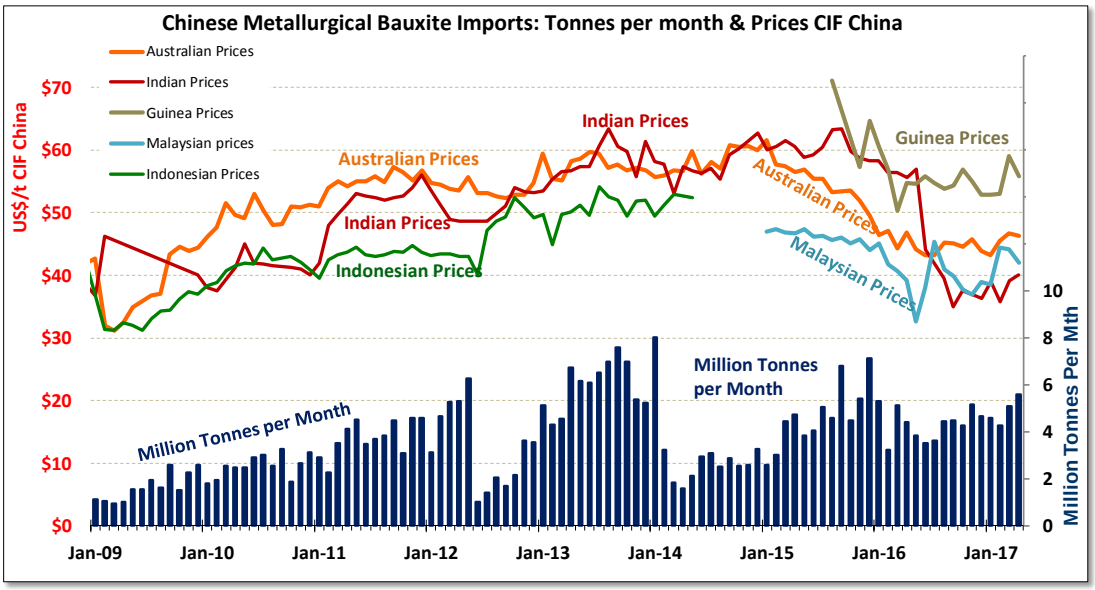

Figure 3

Chinese bauxite import prices in US$ by country of origin

Source: Chinese Customs, Bloomberg

Other than slight rises in average bauxite prices for **Indian bauxite** and **Malaysian bauxite** (both similar to ABx's bauxite), bauxite prices have been flat, but the quantity from Guinea has grown strongly (doubling in the last 6 months to 2.336 million tonnes in May'17) whilst lower-priced tonnes from Australia have fallen by 30%.

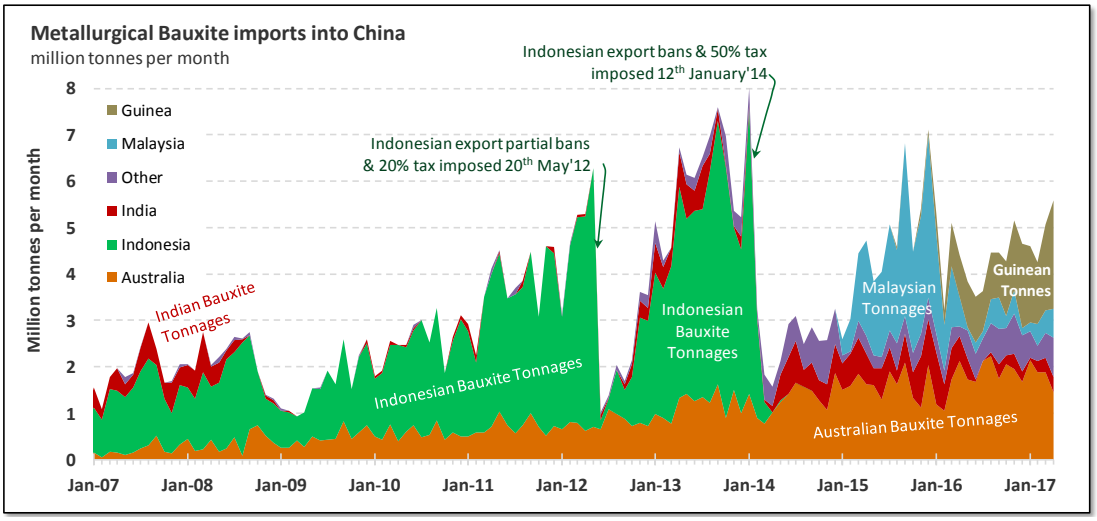

Figure 4

Chinese bauxite import tonnes are rising again

Source: Chinese Customs, Bloomberg

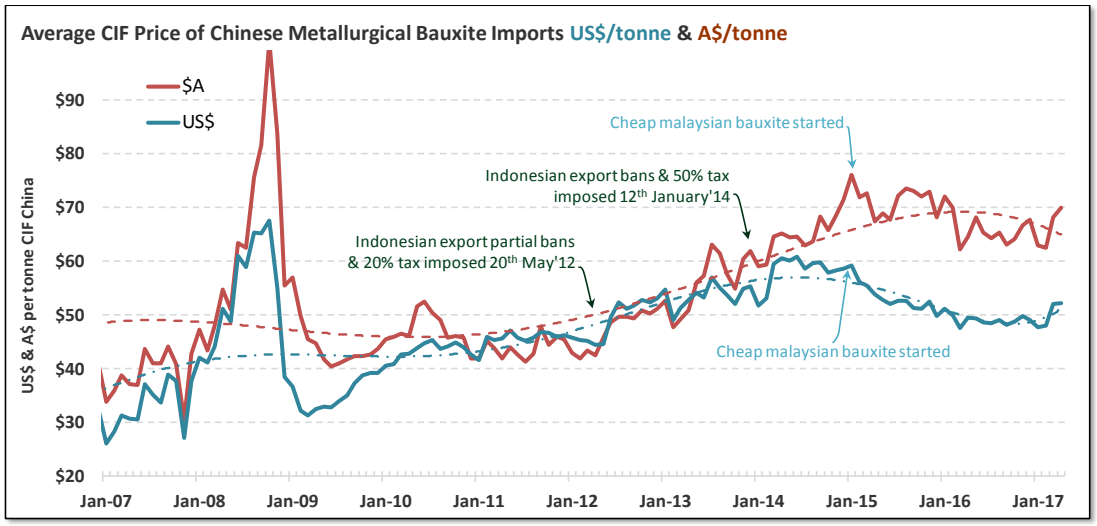

Figure 5

Chinese bauxite import prices are rising again in US$ and A$/tonne CIF China

Source: Chinese Customs, Bloomberg

The Chinese metallurgical bauxite market was severely disrupted in 2015 & 2016 by oversupply from Malaysia, Guinea and Australia when Chinese demand was weakening. Demand is catching up, prices have stabilised and are expected to improve in 2018. ABx will sell metallurgical bauxite when prices and demand are attractive.

Leading Price Indicator Remains Positive: CBIX

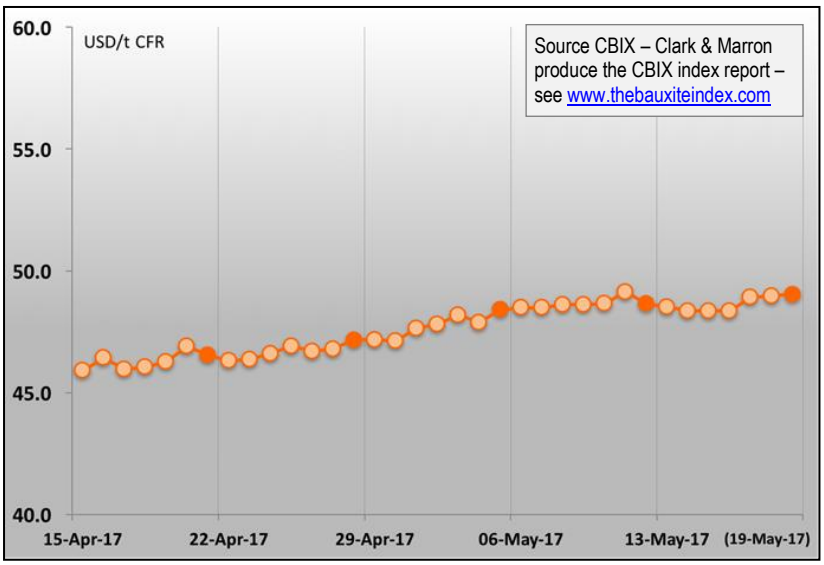

Figure 6

Graph of latest Chinese bauxite import prices on a value-in-use index basis ("CBIX")

The CBIX leading price indicator (left) shows a rising average bauxite price in April and May 2017 but this could be seasonal as tonnages of higher-priced bauxite supply increases?

Prices for metallurgical bauxite remain unattractive to build new mines dedicated to only supplying Chinese alumina refineries. This is why ABx continues to develop its cement markets for cement-grade bauxite and to diversify its range of customers.

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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 km^2 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 in 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 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.

CEMENT-GRADE BAUXITE SPECIFICATIONS		
Moisture	7.5% to 9.9%	
Powder less than 2.5mm	10% to 25%	of total shipload by weight
Shipping specification	Group C	non-hazardous, stable. Triple confirmation

Major Elements		
Al_2O_3	34% to 39%	Al_2O_3 + Fe_2O_3 guaranteed minimum 60%
Fe_2O_3	23% to 32%	Either Al_2O_3 or Fe_2O_3 guaranteed 30% minimum
SiO_2	10% to 20%	to customers' specifications
TiO_2	2.8% to 3.1%	
LOI - loss on ignition	17% to 24%	

Very low alkalies.		Minor elements: all low or below detection.		No deleterious elements.		No base metals.
Na_2O	0.02%	P_2O_5	0.04%	MnO	0.03%	
K_2O	0.01%	V_2O_5	0.06%	SO_3	0.33%	
CaO	0.02%	Cr_2O_3	0.06%	SrO	0.01%	
MgO	0.07%	Zn	0.01%	ZrO_2	0.03%	

Other bauxite parameters: Trihydrate Gibbsite Bauxite		
Reactive "Rx" SiO_2 at 140 deg C	8% to 18%	:. Quartz content = 1% to 2% & clay content = 20% to 40%
Available "Avl" Al_2O_3 at 140 deg C	~25% to 34%	:. Gibbsite content = 38% to 50% typically
Contains no radioactive or fibrous components. No base metals. Chemically inert.		
Clean handling, ideal for transport on land or sea. See https://www.youtube.com/watch?v=tqSNioU9gEc.		
High angle of repose (35 to 45 degrees) in stockpiles & forms thin crust to supress dust		
Bulk density in stockpile	1.35 to 1.40	tonnes per broken cubic metre

Cement typical parameters		
Sodium Equivalence	0.03% to 0.04%	always low
Alumina Ratio "AM"	1.15 to 1.45	to customers' specifications
Silica Ratio "SM"	0.16 to 0.33	to customers' specifications
C_3A (tricalcium aluminate)	38% to 52%	
C_4AF (tetracalcium aluminoferite)	69% to 88%	

Particle size distribution "PSD"

Size	PSD Wt%
+100mm	5% max
25-100mm	15% to 25%
10-25mm	25% to 35%
2.36-10mm	25% to 35%
0-2.36mm	10% to 25%
TOTAL	**100.0%**

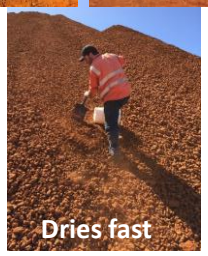

Figure 7: ABx's Cement Grade Specifications – tailored to suit each customer's requirements

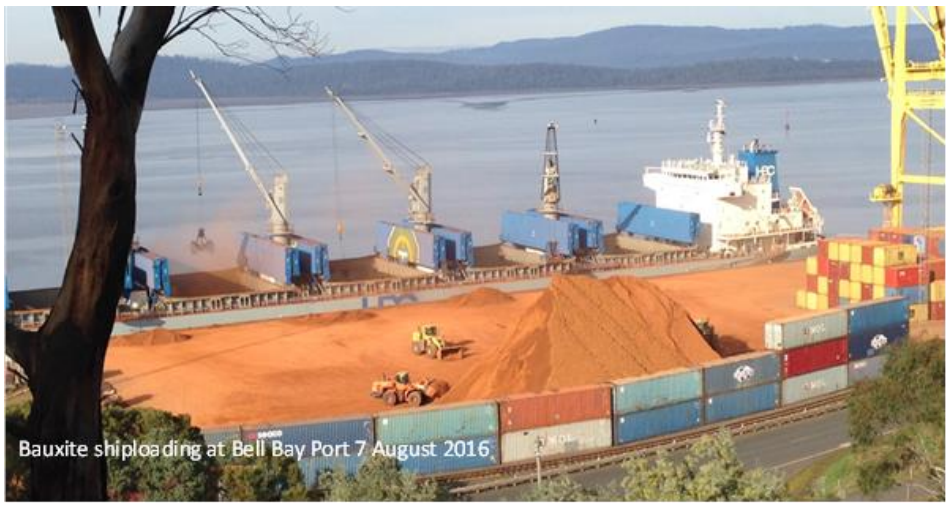

Figure 8

Loading 35,500 tonnes of bauxite at Bell Bay port

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 in mid-2016

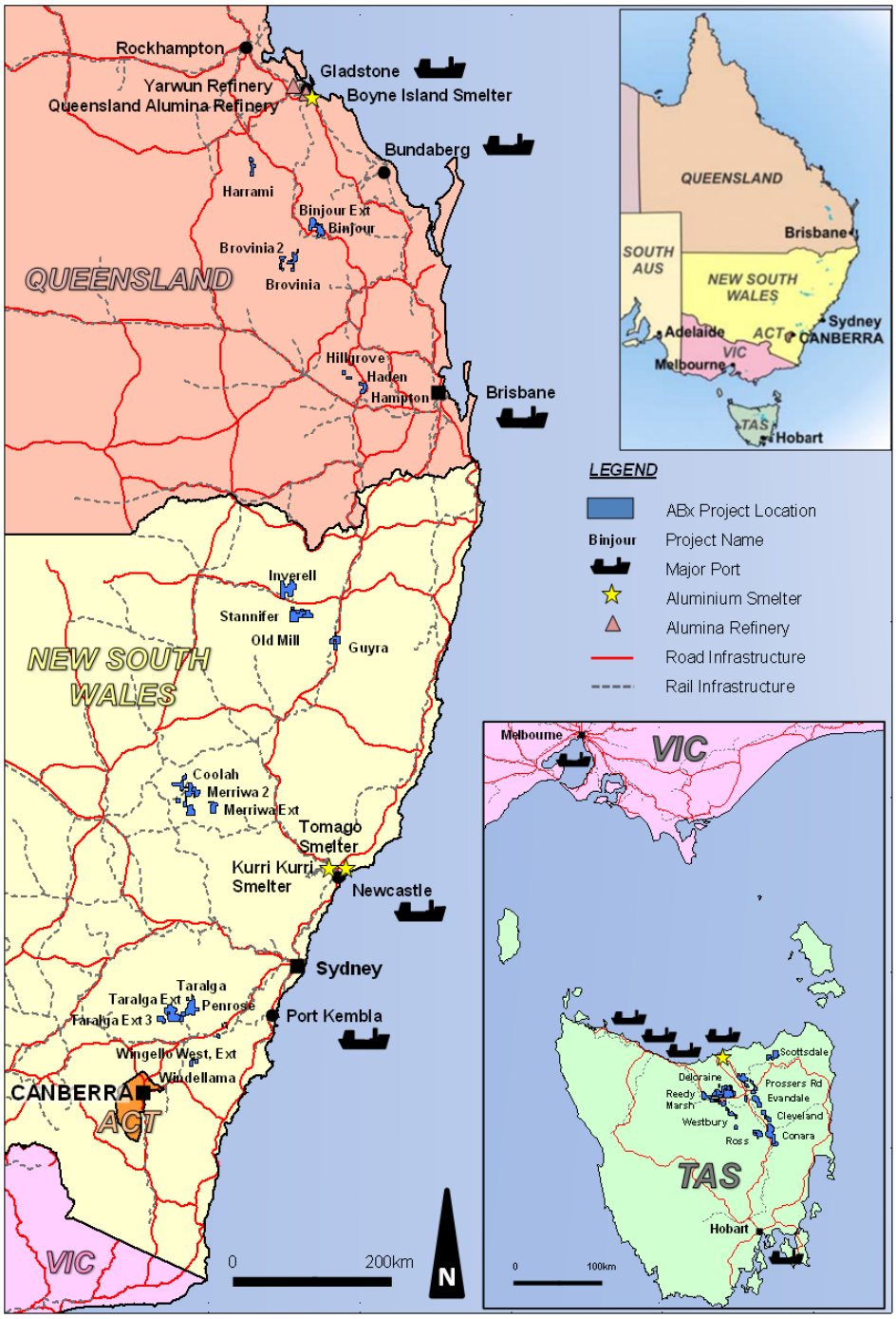

Figure 9

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