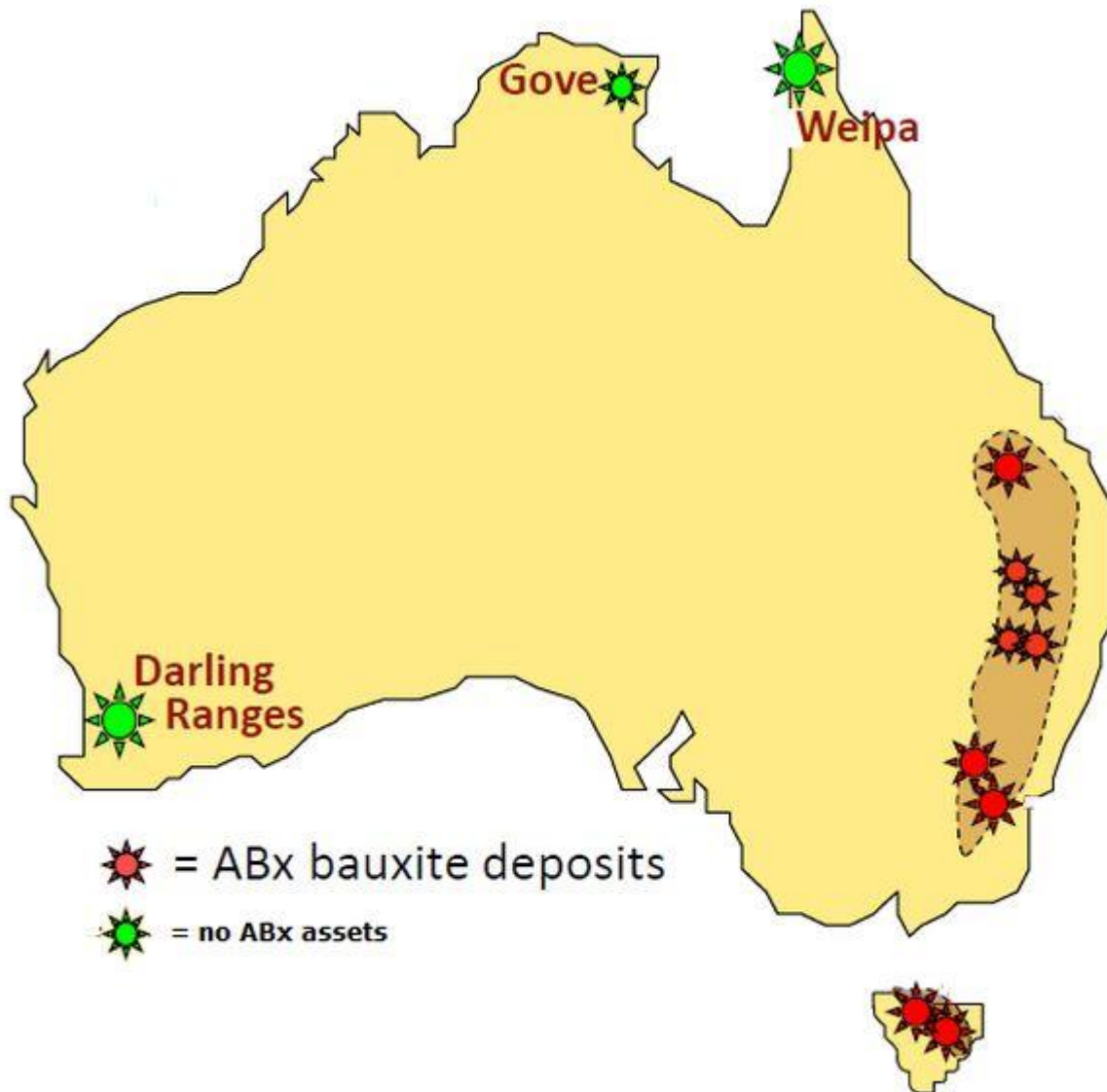


AUSTRALIAN BAUXITE

HIGH **B**

Production ahead; ahead of schedule

Australian Bauxite has been quietly advancing work on its stage 1 ALCORE project, situated in Berkeley Vale on the central coast of New South Wales (NSW). The company is now acquiring the final pieces of equipment that will allow production to get under way by the end of 2018, and ahead of schedule. The following figure shows the location of the company's bauxite assets:

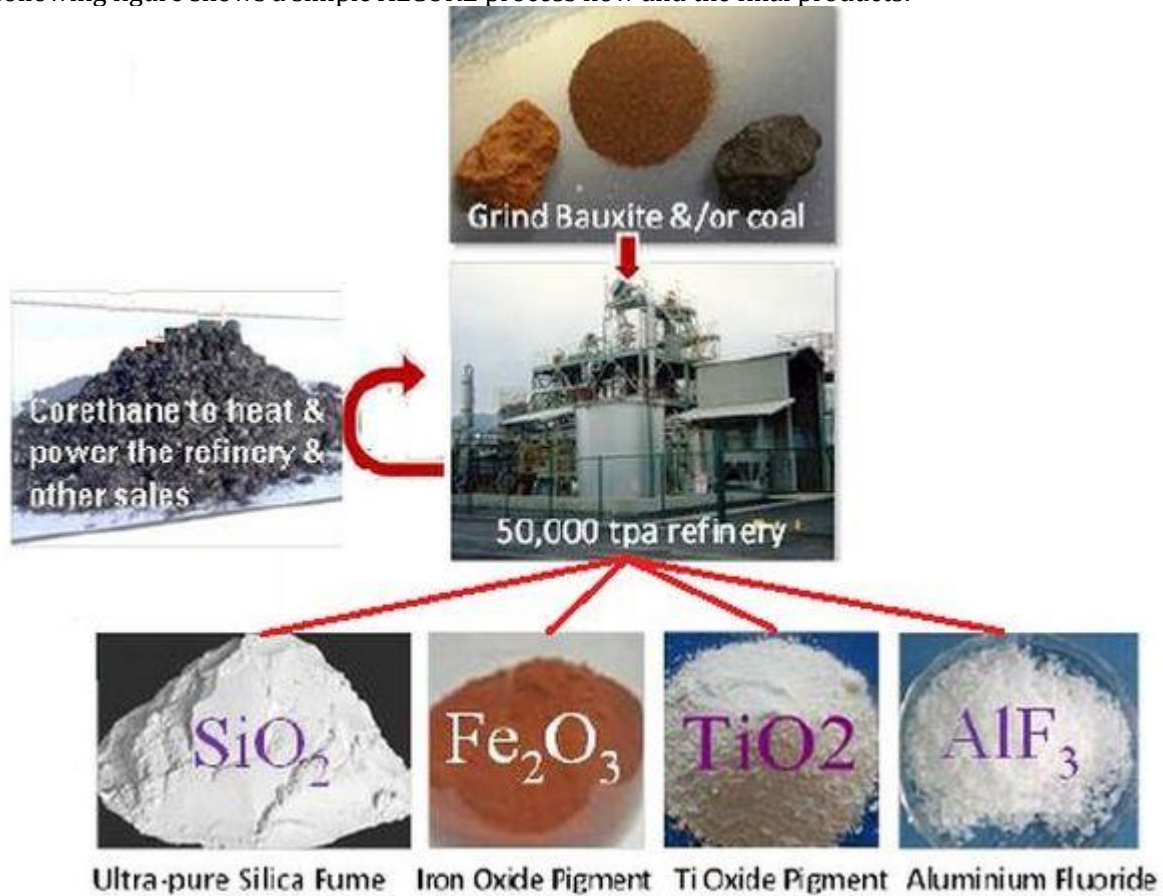


Source: Australian Bauxite

The company is now in the final stages to complete its ALCORE project and will be looking to get production underway at the site by the end of this year. Stage 1 will be sample size production runs, with the company already planning stage 2.

Stage 1 has a capital cost estimate in the range of A\$5.5 to A\$5.6 million and will produce sample size lots. Operating costs will be low as the process can use lower priced refining quality bauxite compared to the traditional and more expensive sources of using alumina and/or aluminium hydroxide. The process flow is also low risk, as the reactions occur at a low temperature and in a low-pressure environment. The stage 1 site is at Berkeley Vale on the central coast of NSW, a high population region adjacent to Sydney.

The ALCOR site will produce high-end value aluminium fluoride  $\text{AlF}_3$  and other high value elements including  $\text{TiO}_2$  pigment and silica fume. The ALCORE process will also produce corethane. The following figure shows a simple ALCORE process flow and the final products:

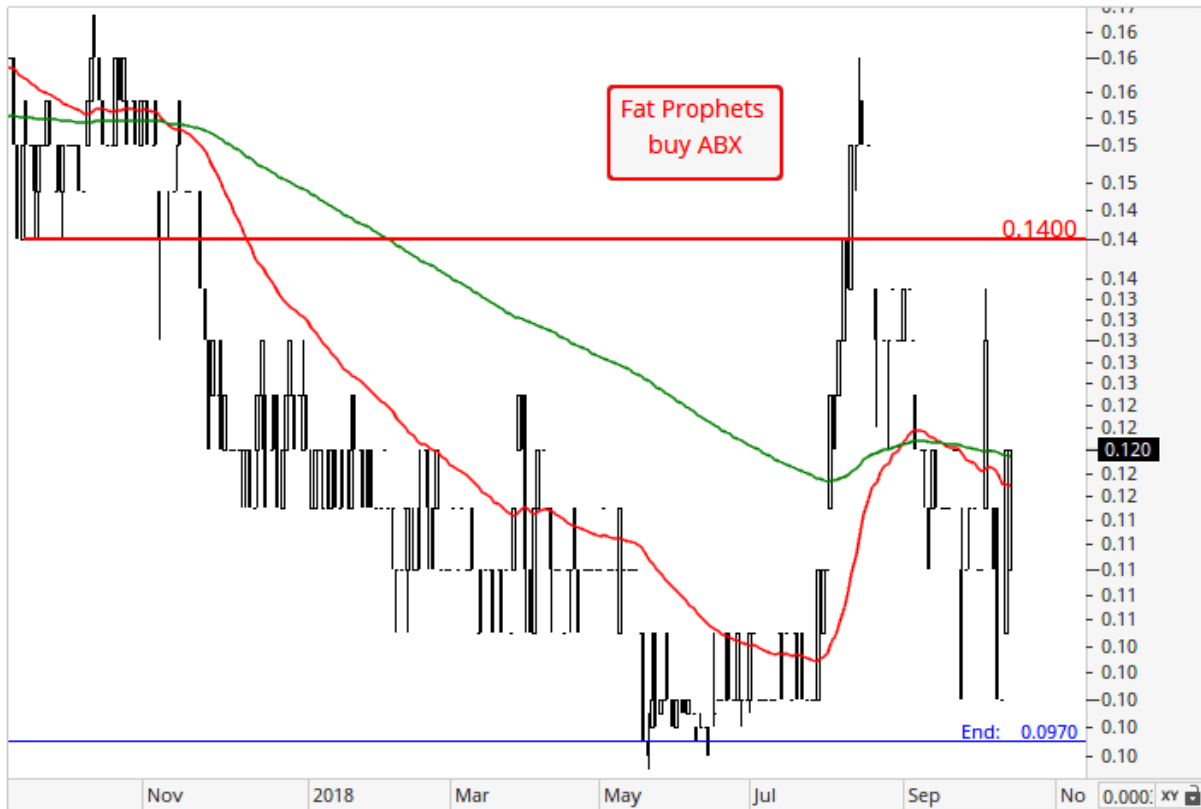


Source: Australian Bauxite

Stage 2 of the ALCORE project will be a full commercial plant, with a processing capacity of 50,000 tonnes of bauxite per annum. The plant will carry a capital cost of circa A\$50 million. A timetable for stage 2 has yet to be fleshed out by the company, with the outcomes from stage 1 of critical importance. The company initially envisaged Stage 1 would have a life of up to 18-months. **Certainly, the ALCORE project will, we believe, be a significant game changer for the company.**

The company is now in the early stages of planning to get trial mining underway at its Binjour bauxite deposit in Queensland. Negotiations are now underway with the authorities and governments, financiers, customers along with consultants including engineers and contractors for an early start. Binjour hosts a resource of 37 million tonnes of ore graded at plus 44% aluminium oxide. The company has had success with its approach to mining in Tasmania and will look to transfer this success to Binjour.

Australian Bauxite Limited - ABX (ASX) - 1 Day CandleStick Chart - AUD



We have been of the view that news regarding regular bauxite shipments of volume would be welcome news and a price catalyst. The advent of production by the ALCORE project has changed our view on what news may be a major price catalyst. **Certainly, the opportunity to generate higher margins than traditional seen in the bauxite market could be a real company changer.** The ALCORE process also opens markets that would not have been traditionally the domain of bauxite producers, and therefore flexibility and diversification. We will be monitoring, over the months ahead, actual operational numbers with considerable interest.

The company's foresight to deviate from the traditional bauxite markets and the delivery of the ALCORE project ahead of schedule, warrants our support for Australian Bauxite. **The company will produce value-add commodities from its bauxite.**

Australian Bauxite Limited - ABX (ASX) - 1 Month CandleStick Chart - AUD



The company's significant bauxite resource base adds blue sky appeal to the share price as the company has enjoyed exploration success.

**Consequently, we continue to recommend Australian Bauxite as a buy for Members with no exposure to the stock.**

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