



AUSTRALIAN **BAUXITE** LIMITED
ASX:ABZ

9 August 2010

Mr Kobe Zheng Li
Adviser, Issuers
ASX Compliance Pty Limited
ABN 26 087 780 489
20 Bridge Street
Sydney NSW 2000

By email: Zheng.Li@asx.com.au

Dear Mr Zheng

In reply to your letter of 9 August 2010;

1. the Company is not aware of any information not previously announced to explain recent trading in the securities of the company;
2. the Company is not able to offer any explanation for their price change, other than:
 - a. it would appear that the increase in the share price of the company coincides with the release of the Company's June quarterly report on 30 July 2010 and the market is responding to the drilling progress and the campaign results;
 - b. the market was informed in the June quarterly that commercial negotiations were to commence in September 2010;
 - c. we also note that recently a number of independent analysts have reviewed and commented on the Company's progress and issued a *buy* recommendation and set a target price of \$0.73;

it would appear that the market is responding to these factors; and

3. to the best of its knowledge and belief, the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'H. Kinstlinger'.

Henry Kinstlinger
Company Secretary

AUSTRALIAN **BAUXITE** LIMITED
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09 August 2010

Mr. Henry Kinstlinger
Company Secretary
131 Macquarie Street
Sydney NSW 2000

By Email

Dear Henry,

Australian Bauxite Limited (the "Company")

RE: PRICE QUERY

We have noted a change in the price of the Company's securities from a close of \$0.43 on 2 August 2010 to an opening of \$0.56 today. We have also noted an increase in the volume of trading in the securities over this period.

In light of the price change and increase in volume, please respond to each of the following questions.

1. Is the Company aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company?

Please note that as recent trading in the Company's securities could indicate that information has ceased to be confidential, the Company is unable to rely on the exceptions to listing rule 3.1 contained in listing rule 3.1A when answering this question.

2. If the answer to question 1 is yes, can an announcement be made immediately? If not, why not and when is it expected that an announcement will be made?

Please note, if the answer to question 1 is yes and an announcement cannot be made immediately, you need to contact us to discuss this and you need to consider a trading halt (see below).

3. Is there any other explanation that the Company may have for the price change and increase in volume in the securities of the Company?

4. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Your response should be sent to me by e-mail at Zheng.Li@asx.com.au or by facsimile on facsimile number **(02) 9241 7620**. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than half an hour before the start of trading (ie before 9.30 a.m. A.E.S.T.) on Tuesday, 10 August 2010.



Under listing rule 18.7A, a copy of this query and your response will be released to the market, so your response should be in a suitable form and separately address each of the questions asked. If you have any queries or concerns, please contact me immediately.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in listing rule 3.1A.

In responding to this letter you should consult listing rule 3.1 and Guidance Note 8 – Continuous Disclosure: listing rule 3.1.

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond by the time requested, or if the answer to question 1 is yes and an announcement cannot be made immediately, you should consider a request for a trading halt in the Company's securities. As set out in listing rule 17.1 and Guidance Note 16 – Trading Halts, we may grant a trading halt at your request. We may require the request to be in writing. We are not required to act on your request. You must tell us each of the following.

- The reasons for the trading halt.
- How long you want the trading halt to last.
- The event you expect to happen that will end the trading halt.
- That you are not aware of any reason why the trading halt should not be granted.
- Any other information necessary to inform the market about the trading halt, or that we ask for.

The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. If a trading halt is requested and granted and you are still unable to reply to this letter before the commencement of trading, suspension from quotation would normally be imposed by us from the commencement of trading if not previously requested by you. The same applies if you have requested a trading halt because you are unable to release information to the market, and are still unable to do so before the commencement of trading.

If you have any queries regarding any of the above, please let me know.

Yours sincerely,

[Sent electronically without signature]

Kobe Zheng Li
Adviser, Issuers (Sydney)