ANNUAL REPORT / 2011

ASX : ABZ | ACN 139 494 885

AUSTRALIAN BAUXITE LIMITED

CORPORATE DIRECTORY

Australian Bauxite Limited

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ABN 14 139 494 885

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John Dawkins AO (Chairman)
Peter J Meers (Executive Deputy Chairman)
Ian Levy (Managing Director)
Rado Jacob Rebek
Vincent Tan
Wei Huang

Joint Company Secretaries

David L Hughes
Henry Kinstlinger

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ASX Code – ABZ

Australian Bauxite Limited shares are listed on the Australian Securities Exchange.

This financial report covers both Australian Bauxite Limited as an individual entity and the consolidated entity consisting of Australian Bauxite Limited and its consolidated entities.

Australian Bauxite Limited is a company limited by shares, incorporated and domiciled in Australia.

Contents

Annual General Meeting

The Annual General Meeting of Australian Bauxite Limited will be held at Hudson House, Level 2, 131 Macquarie Street, Sydney NSW 2000 on 28 May 2012 at 11.00 a.m.

CHAIRMAN'S REVIEW 2011

Dear Shareholders,

Australian Bauxite Limited (ASX: ABZ) achieved its objectives during 2011 and the outlook remains positive for 2012 as your company progresses from an explorer to a bauxite development-exploration company. Total company bauxite resources doubled to 84 million tonnes during the year and two potentially economic projects have been identified in the Goulburn area of southern New South Wales and the Binjour project 100km inland from Bundaberg Port in central Queensland. Two other projects are also showing potential as detailed in the operations review of this annual report.

Since listing at 20 cents on 24 December 2009, the Company's share price has been commendably robust in a volatile market – testimony to its basic strengths. Its 38 bauxite tenements in QLD, NSW and Tasmania covering 8,539km^2 were rigorously selected on 3 principles:

1. high quality bauxite that can be refined into alumina at low temperature — the type that is increasingly in short supply, especially for the large Chinese refineries that rely on bauxite imports.
2. proximity to infrastructure connected to export ports
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. Australian Bauxite Limited aspires to identify large bauxite resources in the Eastern Australian Bauxite Province, which is emerging as one of the world's best bauxite provinces, with the potential to create significant bauxite developments in three states — QLD, NSW and Tasmania.

Australian Bauxite Limited endorses best practices on agricultural land, striving to leave land and environment better than we find it. We operate only where welcomed.

The year ahead will create more opportunities and challenges. The recent destructive flooding in eastern Australia has had a small impact on our drill programs due to risk management by an experienced exploration team and the geographic diversity of the Company's exploration tenements.

Our most advanced project is the Goulburn Bauxite Project centred on Goulburn and Taralga in southern NSW. In conjunction with the Marubeni Group, we are currently conducting a $1.5 million pre-feasibility study to assess how best to progress that project. We will report the results of the pre-feasibility study in the second quarter.

Our projects will sell high quality bauxite, probably to alumina refineries in China, India and potentially within Australia. The bauxite market is not directly related to the aluminium metal market which is experiencing a significant reduction in the cost of making aluminium in the giant, new-age aluminium smelters that use new technologies and cheap electricity in China, Middle East, Iceland and Russia.

The world's largest markets for bauxite are the large, new Chinese alumina refineries which are increasingly importing bauxite from Australia and Indonesia to refine into alumina (aluminium oxide powder) which they then smelt into aluminium metal. Chinese bauxite imports have risen from zero in early 2005 to more than 45 million tonnes in 2011 – and still growing strongly. Bauxite prices have risen from US$27 per tonne in 2005 to US$75 per tonne in 2007 before the global financial crisis and are currently steadily rising towards US$60 and beyond. This has happened whilst aluminium prices have remained flat. Our forecast is for this strengthening in the bauxite market to continue because Indonesia has already started to apply restrictions on bauxite exports to China as it develops its own aluminium industry.

These market developments will continue to support seaborne trade of bauxite particularly from politically stable countries with reliable, efficient transport logistics.

The potential for substantial value accretion for the Company shareholders look promising.

The Directors would like to thank management, staff and our consultants for their enthusiastic teamwork and achievements over the past year. On behalf of the Board, shareholders and management I especially thank our founding Chairman, Peter Meers who has taken a supportive executive role and will serve as Deputy Chairman. We look ahead to another year of high achievement and growth.

John Dawkins AO
Chairman

REVIEW OF OPERATIONS

This Review of Operations covers the period to 31 December 2011.

Australian Bauxite Limited (**ABx**) is an emerging bauxite exploration and development company, which listed on the Australian Securities Exchange (**ASX**) on 24 December 2009 with ASX code ABZ.

As of 31 December 2011 ABx, through its wholly owned subsidiaries (ABx1 Pty Ltd, ABx2 Pty Ltd, ABx3 Pty Ltd, ABx4 Pty Ltd and ABx5 Pty Ltd), holds 38 bauxite tenements in Queensland, New South Wales and Tasmania covering 8,539 km^2.

Corporate

6 October 2011	ABx and Marubeni Corporation (**Marubeni**) concluded a Memorandum of Understanding to jointly conduct a pre-feasibility study at the Goulburn Bauxite Project (Taralga– Crookwell – Wingello areas) to investigate the market for bauxite and other credits produced from the project. Marubeni has contributed $525,000 towards the estimated pre-feasibility study funding. At the completion of the pre-feasibility study Marubeni can elect to acquire a 35% joint venture interest in the Goulburn Bauxite Project and to contribute 35% of the costs of the bankable feasibility and development costs.
7 December 2011	John Dawkins AO was appointed a director of ABx.
23 December 2011	John Dawkins AO was elected Chairman of the Board with Peter Meers taking the role of executive deputy Chairman.
24 December 2011	Release of 55.6 million fully paid shares and 9 million options from escrow.

Exploration

Exploration strategy

ABx applies three rigorously selection criteria to identify;

- Good quality bauxite
- Proximity to infrastructure connected to existing ports
- 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.

ABx's bauxite discoveries are high quality and can be processed into alumina at low temperature – the type that is in short-supply globally. Global resources declared to date total 84 million tonnes. At the company's first drilling prospect in Inverell, northern NSW, an interim resource of 36 million tonnes has been reported from drilling 15% to 20% of the area prospective for bauxite. A resource of 25 million tonnes of bauxite has been reported at the Taralga project in southern NSW with a further 6 million tonnes maiden resource was declared at Guyra and 16.8 million tonnes maiden resource has been declared at the Binjour Plateau in central Queensland, These combined resources confirm that ABx has discovered a significant bauxite deposit including some bauxite of outstandingly high quality. ABx aspires to identify large bauxite resources in the Eastern Australian Bauxite Province, which is emerging as 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 favorably 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 and we only operate where welcomed.

Land Access

ABx's major bauxite drilling program is proceeding without interruption and with 100% approval by landholders of drill site rehabilitation work done by the ABx field crew. Landholder support has been positive in all areas. Because ABx is not limited to one or two project areas it is able to mitigate land access risks such as native title, local landholder resistance or environmental legislation.

Exploration Sequence

ABx has developed an exploration technology that is successfully discovering bauxite, even deeply concealed bauxite.

REVIEW OF OPERATIONS continued

Our drilling sequence commences with first-pass drilling at wide spacing to confirm the existence of good quality bauxite. Follow-up drilling then assesses the continuity of good quality bauxite over a reasonably large areal extent. Maiden resource estimates can arise during the follow-up drilling if a small part of the bauxite is drilled to sufficient drill-density for estimation. Maiden resource estimations help ABx assess the variability and consistency of the bauxite but should not be taken as an indication of the total tonnage potential from the entire area.

In-fill drilling and resource-estimation drilling is then carried out in project areas where the bauxite results are encouraging in both areal extent and quality. It will usually take many months of drilling to arrive at a total resource estimate and none of ABx's projects have even been 50% drilled-out to date. Overall, ABx has tested only 10% to 35% of the currently identified bauxite areas within ABx tenements.

Discoveries continuing

ABx continues to discover more bauxite areas by applying its exploration technology. ABx has applied for several new exploration tenements to secure these new discoveries. Drill testing will commence once the new tenements are granted.

Tenement Status

Tenements are 100% in good standing.

Exploration outcomes

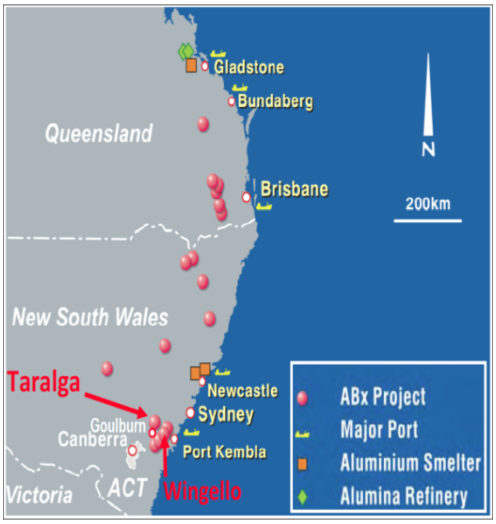
During the year ABx focussed its exploration on the Goulburn Bauxite Project, the Guyra project both located in NSW and the Binjour project in Queensland.

Drilling in these areas continues to define additional resources. To the end of this reporting period, 812 holes have been drilled at Taralga, 71 holes at Guyra and 700 holes at Binjour.

Project status

Goulburn Bauxite Project

Taralga- Crookwell – Wingello Areas



ABx is conducting a pre-feasibility study, estimated to complete by March 2012, with the participation of Marubeni to investigate the market for bauxite produced from the Goulburn Bauxite Project. Como Engineers from Perth have been appointed to coordinate cost estimations and prepare the pre-feasibility study.

Metallurgical tests on large samples have been done by METS Engineers from Perth coordinating and summarising the testwork. At the completion of the pre-feasibility study, Marubeni can elect to acquire a 35% joint venture interest in the Goulburn Bauxite project and to contribute 35% of the costs of the bankable feasibility and development costs.

From a maiden resource declared in September 2010, exploration and resource definition of the Taralga area has been ABx's priority. The initial maiden resource was doubled later in 2010 and doubled again during 2011. The exploration target resource is 40 million tonnes with an additional 20 – 35 million tonnes in other tenements forming the Goulburn Bauxite Project. The upgraded resource of 25.4 million tonnes of gibbsite-rich bauxite resources at Taralga, southern NSW was declared by ABx in May 2011 was based on 577 drill holes drilled into a representative selection of the bauxite targets, 40% of identified bauxite resources is Direct Shipping Ore (**DSO**) grade. There were four bauxite-types identified, predominately quartz-rich gibbsite-rich bauxite similar to bauxite from the Darling Ranges south of Perth, Western Australia.

Most Australian bauxite deposits are less than 4 metres thick and some areas are less than 2 metres thick. ABx has announced drill results at several holes with 30 – 33 metres true thickness of continuous bauxite at Mount Rae, Taralga.

Drilling of new targets and extensions will continue at Taralga. Preliminary processing tests and detailed product assessments are underway. Drilling is 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.

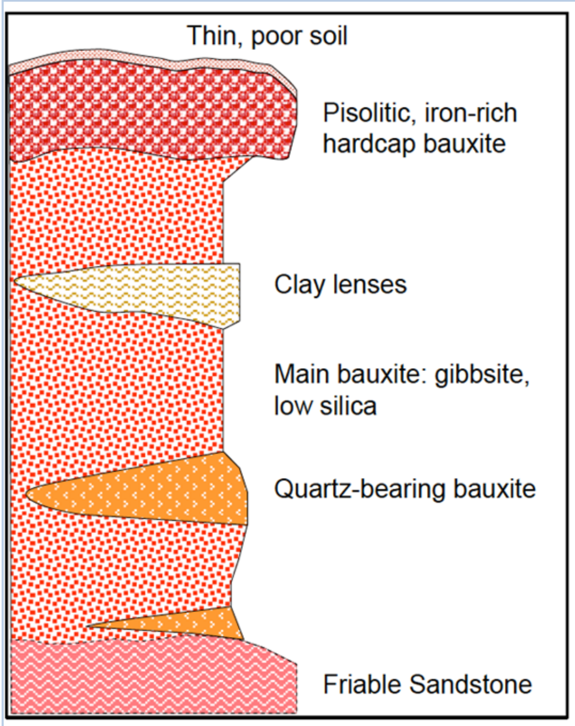
To clarify the marketability of the bauxite types found in the Taralga-Goulburn-Crookwell - Wingello area in southern NSW, detailed drilling was conducted at spacings of approximately 100 metres in areas containing easily mined bauxite zones of DSO grades because Taralga is located near a major railway line leading directly to Port Kembla export terminal.

REVIEW OF OPERATIONS continued

Two main bauxite types are recognised at Taralga as shown below, namely:

1. Gibbsite rich, low silica bauxite that will be the main component of 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.



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.

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

1. 10 Million Tonnes of DSO Bauxite

Main DSO Gibbsite Bauxite			Sieved at 0.26mm									
Resource category	Tonnes millions	Thick-ness	Al_2O_3avl %	Rx SiO_2 %	Avl/Rx 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 Al2O3avl & reactive Rx SiO2 is 1g leached in 10ml of 90gpl NaOH at 143 degrees C for 30 mins. "Avl/Rx" 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.

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

2. 10 Million Tonnes of Pisolite Bauxite

In many locations, there is a 2 metre thick surface layer of "Pisolite Bauxite" 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 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). 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.

REVIEW OF OPERATIONS continued

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 Al2O3 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 is being tested as part of metallurgical testwork.

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 (WA) 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 (SiO2) which does not affect the processing of the bauxite into alumina and aluminum. However, it does dilute the grades of the bauxite as shown by the following tables.

Quartz-Bearing Gibbsite Bauxite			Sieved at 0.26mm									
Resource category	Tonnes millions	Thick-ness	Al_2O_3avl %	Rx SiO_2 %	Avl/Rx 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%**

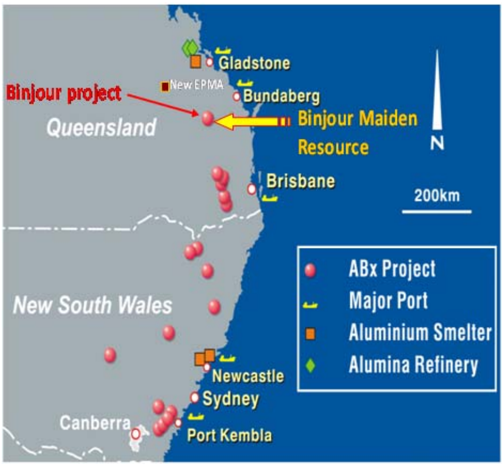
Cut-off grades applied: 30% Al_2O_3 & 2m thickness. Leach conditions to measure available Al2O3avl & reactive Rx SiO2 is 1g leached in 10ml of 90gpl NaOH at 143 degrees C for 30 mins. "Avl/Rx" ratio is (Al_2O_3 avl)/(Rx SiO_2). Values above 10 are excellent. "A/S" ratio is Al_2O_3/SiO_2 but at Taralga, 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.

Quartz-Bearing Pisolite Bauxite			Sieved at 0.26mm									
Resource category	Tonnes millions	Thick-ness	Al_2O_3avl %	Rx SiO_2 %	Avl/Rx 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 Al2O3avl & reactive Rx SiO2 is 1g leached in 10ml of 90gpl NaOH at 143 degrees C for 30 mins. For dehydrated bauxite, higher leach temperatures will achieve higher available Al_2O_3 values. "Avl/Rx" 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

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).

Binjour



A maiden resource of 16.8 million tonnes of gibbsite-rich bauxite was declared at Binjour, central Queensland in October 2011. The resource is based on the original 88 infill exploration holes that intersected a thick bauxite layer that is largely concealed beneath a surface clay horizon. ABx has drilled significantly more holes and is awaiting assay results.

Most of the bauxite resources identified in this estimation were of superior quality bauxite suitable for sweetening circuits in refineries. ABx refers to such high grade bauxite as “Brown Sugar” which commands a large price premium. A high grade core totalling 9 million tonnes contains extremely high grade bauxite.

New bauxite areas at Binjour have been drill tested.

Resource estimates after application of cut-off grades for the drilled resource areas on the initial deposits tested at Binjour are summarised as follows:

REVIEW OF OPERATIONS continued

Bauxite Resources				Sieved at 0.26mm									
Resource category	**Tonnes millions**	Thick-ness	Over-burden	Al_2O_3 Avl %	Rx SiO_2 %	Avl/Rx Ratio	Al_2O_3 %	SiO_2 %	A/S Ratio	Fe_2O_3 %	TiO_2 %	LOI %	Yield %
Inferred	6.8	3.7 m	8.1 m	37.7	3.7	10.3	43.4	4.1	10.5	24.2	3.6	24.1	61%
Indicated	10.0	5.3 m	10.6 m	39.9	2.7	14.9	44.7	3.0	14.8	22.8	3.8	25.0	60%
TOTAL	**16.8 Mt**	**4.5 m**	9.3 m	**39.0**	**3.1**	**12.7**	**44.2**	**3.5**	**12.7**	**23.4**	**3.7**	**24.6**	**61%**

Cut-off grades applied: Minimum 30% Al_2O_3, 2m thickness, 45% yield. Maximum strip ratio (metres overburden:bauxite) 4.5:1. Leach conditions to measure available alumina "Al2O3 Avl" & reactive silica "Rx SiO2" is 1g leached in 10ml of 90gpl NaOH at 143 degrees C for 30 mins. "Avl/Rx" ratio is (Al_2O_3 Avl)/(Rx SiO_2). Values above 10 are excellent. "A/S" ratio is Al_2O_3/SiO_2. Tonnage is for bauxite in-situ. Yield is for screening all samples at 0.26mm. The significant tonnages requiring no upgrade will have 100% yield.

The Binjour deposit lies near the top of a plateau which has been widely cleared for farming but large parts are now left uncultivated because of the dry, poor soil that develops on bauxite. The bauxite in the resource area is consistently high quality and most is “Brown Sugar” bauxite, being a superior quality, low silica, gibbsite bauxite suitable for sweetening circuits in refineries.

New areas of bauxite have been discovered and are being drilled to expand resource extent.

High grade bauxite results from a further drill holes were received after the resource estimation process was well-in-hand and they will be included in the next Binjour resource update.

Figure 2: Binjour Drillhole & Resource Locations

Scale: 500m grid squares (9km x 5km)

Hole Legend:

Red diamonds (solid) = High grade holes

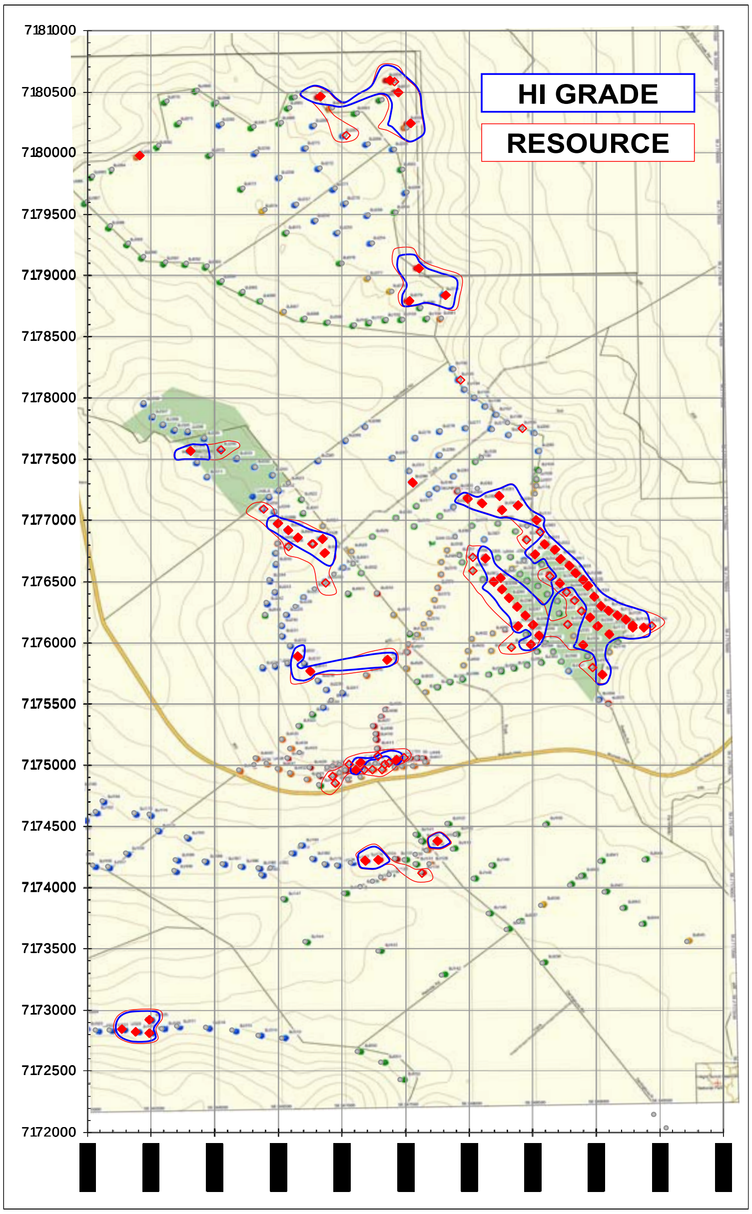
Red diamonds (open) = Resource holes

Grey dots = subgrade bauxite or no bauxite

Resource Outlines:

Blue lines = High grade bauxite

Red lines = Bauxite resources



REVIEW OF OPERATIONS continued

In places, otherwise good bauxite is rendered subgrade due to the presence of a white gelatinous-clay substance in the bauxite. Tests are underway to find a way to remove this material by simple washing methods. If, after low cost washing, this material subsequently becomes bauxite-resource grade, the extent and continuity of Binjour bauxite resources will expand materially. Recent discoveries of bauxite in outcrops suggests that several of the irregular resource outlines may coalesce into sizeable resource blocks when drilled in future.

Detailed mapping and reinterpretations suggest that there may be more than one bauxite layer at Binjour. Additional drill rods are being sourced so that the geometric distribution of bauxite can be better defined.

Regional exploration has found more bauxite in the district – these areas are being assessed.

Core Zone of Very High Grade Bauxite

As part of this resource estimation process, a high-grade core zone of bauxite was identified and estimated to total 9.3 million tonnes as follows:

Bauxite High Grade Core Zone				Sieved at 0.26mm									
Resource category	**Tonnes millions**	Thick-ness	Over-burden	Al_2O_3 Avl %	Rx SiO_2 %	Avl/Rx Ratio	Al_2O_3 %	SiO_2 %	A/S Ratio	Fe_2O_3 %	TiO_2 %	LOI %	Yield %
Inferred	4.2	2.9 m	9.3 m	42.1	3.6	11.6	46.9	3.6	13.0	19.5	3.6	25.8	59%
Indicated	5.1	4.4 m	11 m	44.1	2.0	22.1	47.6	2.0	23.8	19.6	3.6	26.6	63%
TOTAL	**9.3 Mt**	**3.7 m**	10.2 m	**43.2**	**2.7**	**15.9**	**47.3**	**2.7**	**17.4**	**19.6**	**3.6**	**26.2**	**61%**

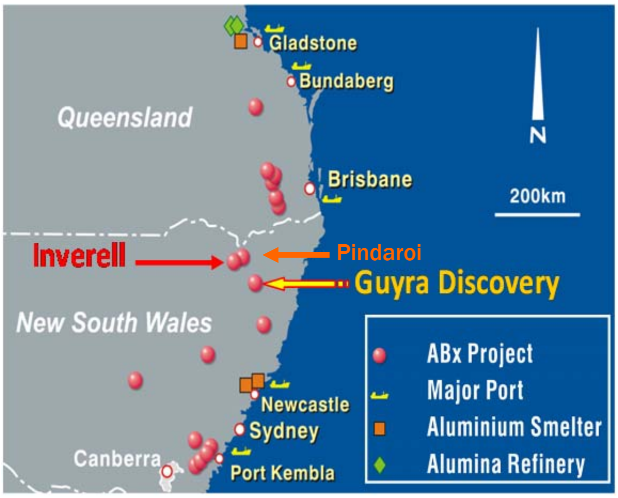
Cut-off grades applied: Minimum 30% Al_2O_3, 2m thickness, 45% yield. Maximum strip ratio (metres overburden:bauxite) 4.5:1. Leach conditions to measure available alumina "Al2O3 Avl" & reactive silica "Rx SiO2" is 1g leached in 10ml of 90gpl NaOH at 143 degrees C for 30 mins. "Avl/Rx" ratio is (Al_2O_3 Avl)/(Rx SiO_2). Values above 10 are excellent. "A/S" ratio is Al_2O_3/SiO_2. Tonnage is for bauxite in-situ. Yield is for screening all samples at 0.26mm. The significant tonnages requiring no upgrade will have 100% yield.

Guyra

A maiden resource of 6 million tonnes of high-grade bauxite was declared in August 2011 at Guyra New South Wales. The resource is based on 71 first-pass exploration holes that intersected a thick bauxite layer that is concealed beneath a thin surface clay horizon.

The majority of the 71 bauxite intercepts were of superior quality bauxite suitable for sweetening circuits in refineries, termed "Brown Sugar" bauxite by ABx. The deposit sits next to a rail siding on a recently decommissioned rail line.

A thick layer of bauxite lies near surface beneath a thin clay horizon. Results from 71 holes into the bauxite include some exceptionally high grade, thick gibbsite bauxite, ideal as a "sweetener" to any bauxite refinery which commands a large price premium.



Resource estimates after application of cut-off grades for the drilled resource areas on the initial deposits tested at Guyra are summarised as follows:

				Sieved at 0.26mm									
Resource category	**Tonnes millions**	Thick-ness	Over-burden	Al_2O_3 Avl %	Rx SiO_2 %	Avl/Rx Ratio	Al_2O_3 %	SiO_2 %	A/S Ratio	Fe_2O_3 %	TiO_2 %	LOI %	Yield %
Inferred	2.3	4.2 m	3.4 m	35.0	2.8	12.5	41.4	3.6	11.6	26.2	3.3	24.6	56%
Indicated	3.8	5.9 m	4.4 m	37.4	2.0	18.3	43.1	2.6	16.3	27.3	3.9	24.5	61%
TOTAL	**6.0 Mt**	**5.3 m**	4.0 m	**36.5**	**2.3**	**15.8**	**42.5**	**3.0**	**14.3**	**26.9**	**3.7**	**24.5**	**59%**

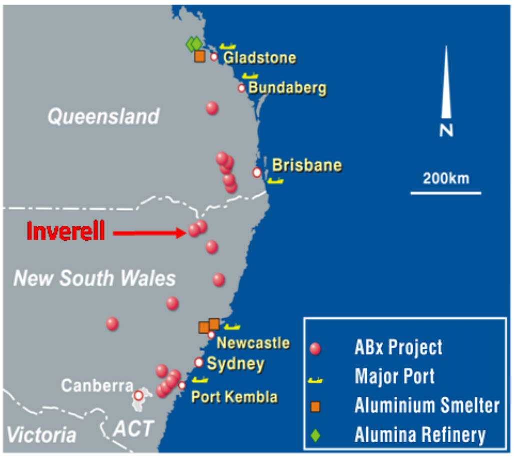
Cut-off grades applied: Minimum 30% Al_2O_3, 2m thickness, 45% yield. Maximum strip ratio (metres overburden:bauxite) 3:1. Leach conditions to measure available alumina "Al2O3 Avl" & reactive silica "Rx SiO2" is 1g leached in 10ml of 90gpl NaOH at 143 degrees C for 30 mins. "Avl/Rx" ratio is (Al_2O_3 Avl)/(Rx SiO_2). Values above 10 are excellent. "A/S" ratio is Al_2O_3/SiO_2. Tonnage is for bauxite in-situ. Yield is for screening all samples at 0.26mm. The significant tonnages requiring no upgrade will have 100% yield.

The deposit lies at surface, commonly on topographic high points which have been cleared for grazing but left uncultivated because of the poor soil that develops on bauxite.

REVIEW OF OPERATIONS continued

Other tenements

During the reporting period, community concerns regarding mineral exploration not associated with ABx were such that ABx considered it prudent to suspend exploration activities in those areas until such time as community sentiment was more amenable to mineral exploration activities.



EL 6997 (20km NW of Inverell NSW)

Total drilling completed at Inverell during the reporting period was 384 drill-holes totalling 4,367 metres. A resource calculation for this drilling campaign is yet to be completed.

Drilling in the initial resource area encountered a remarkably uniform bauxite layer typically 3.5 to 9 metres thick with a thin soil profile. Most of this very thick deposit lies at surface with no overburden.

The declared Inferred and Indicated Resources of the bauxite deposit at Inverell is 36 million tonnes of gibbsite-rich bauxite. A total of 196 holes with 2,748 metres have been drilled and sampled in the deposit.

Parts of the deposit have been confirmed as high grade, DSO bauxite up to 9.4 metres thick and averaging 6 metres thick. The deposit is a relatively consistent, thick, high quality bauxite deposit averaging 5.4 metres in bauxite thickness and approximately 1 metre of overburden.

Resource estimates after application of cut-off grades for the drilled resource areas on the deposit are summarised as follows:

In situ bauxite (unscreened):

In-situ bauxite - unscreened			Unsieved									
Resource category	**Tonnes millions**	Thick-ness	Al_2O_3avl %	Rx SiO_2 %	Avl/Rx Ratio	Al_2O_3 %	SiO_2 %	A/S Ratio	Fe_2O_3 %	TiO_2 %	LOI %	Yield %
Inferred	11.7	5.4 m	34.3	5.6	6.1	39.3	6.1	6.5	27.5	4.5	21.7	100%
Indicated	24.4	5.4 m	31.8	5.4	6.0	37.5	6.1	6.2	25.7	4.2	20.7	100%
TOTAL	**36.1**	**5.4 m**	**32.8**	**5.5**	**6.0**	**38.1**	**6.1**	**6.3**	**26.3**	**4.3**	**21.1**	**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/Rx" 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. Tonnages requiring no upgrade have 100% yield.

Cut-off grades applied: 2 metres minimum thickness, 32% minimum Al_2O_3 & 8% maximum SiO_2

REVIEW OF OPERATIONS continued

DIRECTORS' REPORT

Your directors present their report together with the financial statements of the parent entity and the consolidated entity (referred to hereafter as the Group) consisting of Australian Bauxite Limited (the Company) and the entities it controlled at the end of or during the year ended 31 December 2011.

Principal activities

The principal continuing activities of the Group for the financial year were conducting the bauxite exploration and development programs in Queensland, New South Wales, and Tasmania.

Consolidated results

The net consolidated loss of the Group for the year ended 31 December 2011 was $810,483 (2010: net losses $834,631). The consolidated loss arises largely from the exploration activities during the year in Eastern Australia.

Total Shareholders' Funds as at 31 December 2011 are $12.99 million.

Additional information on the operations of the Group is disclosed in both the Chairman's Review and the Review of Operations section of this report.

Review of operations

Information on the operations and financial position of the Group and its business strategies and prospects are set out in the Review of Operations on pages 3 to 10 of this annual report.

Dividends

The Directors of the Company do not recommend that any amount be paid by way of dividend. The Company has not paid or declared any amount by way of dividend since the commencement of the financial year.

Directors

The following persons were directors of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated:

John Dawkins AO	Non-Executive Chairman Appointed 7 December 2011 as a director and Chairman on 23 December 2011
Peter J Meers	Executive Deputy Chairman
Ian Levy	Managing Director
Rado Jacob Rebek	Executive Director
Vincent Tan	Non-Executive Director
Wei Huang	Non-Executive Director

INFORMATION ON DIRECTORS & MANAGEMENT

Directors

Non-Executive Chairman
John Dawkins AO, BEc, RDA – Appointed a Director on 7 December 2011

John Dawkins AO is a former Federal Government Treasurer and he brings substantial business and political acumen to the Company.

Since leaving politics, he has had an active business career including Chair of Elders Rural Bank (now Rural Bank), Integrated Legal Holdings Limited, Sovereign Gold Company Ltd & non-executive director of MGM Wireless Ltd and Archer Exploration Limited.

Other Current Directorships

None

Former directorships in the last three years of listed companies

None

Special Responsibilities

Chairman of the Board of Directors

Interests in Shares and Options

John Dawkins does not hold any shares or options in the Company.

DIRECTOR'S REPORT continued

Executive Deputy Chairman
Peter J Meers, BA (Economics), FAIB ─ Appointed a Director on 23 September 2009

Peter Meers has broad business experience across a range of industries including consumer, commercial and investment banking, securities trading and origination, mining and exploration and building materials. He is CEO of Tiaro Coal Limited, a subsidiary of Hudson Resources Limited.

Mr Meers held senior executive positions and portfolio management roles in agribusiness, mining, property and trade finance during a career spanning 25 years with ANZ Bank in Australia and Asia. Past directorships include appointment on company Boards in Malaysia, Indonesia and Singapore.

Other Current Directorships

Mr Meers is Executive Chairman of Hudson Resources Limited, Executive Director of Tiaro Coal Limited, Non-Executive Director of Sovereign Gold Company Limited, Hudson Investment Group Limited and Precious Metal Resources Limited.

Former directorships in the last three years of listed companies

None

Special Responsibilities

Member of the Audit Committee

Interests in Shares and Options

Peter Meers has an indirect interest in 10,000 shares held by a related party. 55,653,217 shares held by Hudson Resources Ltd by virtue of his position as a director of Hudson Resources Ltd. He has no power to vote these shares. He has 1,000,000 employee share options due to expire 15 October 2012.

Managing Director
Ian Levy, BSc (Hons), MSc DIC FAusIMM FAIG ─ Appointed a Director on 23 September 2009

Ian Levy has thirty years senior management experience with small to large mining companies, including WMC, Pancontinental Mining, Gympie Gold and CEO of Allegiance Mining, involving development of bauxite, gold, coal, base metals, nickel and industrial minerals projects from discovery to marketing. He is the former non-executive Chairman of Dynasty Metals Australia and a former founding Director of Gloucester Coal. He was a member of the Joint Ore Reserves Committee (JORC) for 11 years including 4 years as Vice Chairman and Federal President, Australian Institute of Geoscientists.

Other Current Directorships

Nil

Former directorships in the last three years of listed companies

Director of Gloucester Coal, Non-Executive Director of Raffles Capital Limited, Chairman of D'Aguilar Gold and Chairman of Dynasty Metals Australia.

Special Responsibilities

Ex-officio member of sub-committees

Interests in Shares and Options

Ian Levy has an indirect interest in 470,000 shares held by a related entity. Mr Levy also holds 2,000,000 employee share options due to expire 15 October 2012.

Executive Director & Chief Geologist
Rado Jacob Rebek ─ Appointed a Director on 23 September 2009.

Jacob Rebek is a leading Australian geologist with forty years' experience in exploration. From 1970 to 2003 he worked at CRA Exploration and Rio Tinto in various parts of Australia and overseas. His roles included that of Exploration Manager for Papua New Guinea in the 1970's, South Australia and Northern Territory from 1981 to 1984, Eastern Australia from 1987 to 1993 and Exploration Director for South America from 1997 to 2000. He led teams which discovered new zinc, copper and gold deposits. Since 2003 he worked for emerging companies, generating new projects. In 2006 he started working for Hudson Resources Limited as Chief Geologist and led the team which discovered the bauxite deposits.

Other Current Directorships

Mr Rebek is Non-Executive Director of Tiaro Coal Limited and Sovereign Gold Company Limited

Former directorships in the last three years of listed companies

Xtreme Resources Ltd (NSX)

DIRECTOR'S REPORT continued

Special Responsibilities

Chief Geologist

Member of the Audit Committee

Interests in Shares and Options

Rado Jacob Rebek holds a direct interest in 70,000 shares and 1,000,000 employee share options due to expire on 15 October 2012.

Non-Executive Director
Vincent Tan BCom and Admin CA ─ Appointed a Director on 23 September 2009

Vincent Tan is a chartered accountant and has over the past 35 years worked in a range of industries, including insurance, securities trading, finance and property.

Mr Tan has held senior management positions in a number of public and non-government organisations and has broad experience in corporate structuring.

Other Current Directorships

Executive Director of Raffles Capital Limited

Former Directorships in Last Three Years of Listed Companies

Hudson Investment Group Limited, Hudson Resources Limited, Non-Executive Director of Sovereign Gold Company Limited and Tiaro Coal Limited

Special Responsibilities

Member of the Audit Committee

Member of the Remuneration Committee

Interests in Shares and Options

Vincent Tan has an indirect interest in 60,000 shares held by related parties and 1,000,000 employee share options due to expire 15 October 2012.

Non-Executive Director
Wei Huang BEcon MCom CPA ─ Appointed a Director on 23 September 2009

Wei Huang graduated with a Bachelor of Economics from Macquarie University and a Master of Commerce from University of New South Wales. He is a member of CPA Australia.

He has experience in financial control, new business start-ups and development within the mining, construction, financial services, and retail and textile industries both in Australia and overseas.

Mr Huang also has extensive experience in promoting and facilitating two-way investment between China and Australia and is familiar with the business cultures of both China and Australia.

Other Current Directorships

Non-Executive Director of Thomas Bryson International Limited and Non-Executive Director of Tiaro Coal Limited.

Former Directorships in Last Three Years of Listed Companies

Non-Executive Director of Hudson Resources Limited.

Special Responsibilities

Member of the Audit Committee

Member of the Remuneration Committee

Interests in Shares and Options

Wei Huang has an indirect interest in 1,000,000 employee share scheme options due to expire 15 October 2012.

Officers

Joint Company Secretary
David L Hughes

Mr Hughes has held similar positions with other listed companies for over 20 years. He is currently the Company Secretary of the following other ASX listed public companies; Latrobe Magnesium Limited, Hudson Investment Group Limited , and Joint Company Secretary of Empire Energy Group Limited, Hudson Resources Limited, Tiaro Coal Limited, Sovereign Gold Company Limited and Raffles Capital Limited.

DIRECTOR'S REPORT continued

Joint Company Secretary
Henry Kinstlinger

Henry Kinstlinger has the past twenty-five years been actively involved in the financial and corporate management of a number of public companies and non-governmental organisations. He is a corporate consultant with broad experience in investor and community relations and corporate and statutory compliance.

Chief Financial Officer
Francis Choy M. Comm MBA FCPA (HK) FCPA

Francis Choy has held a number of senior positions in corporate financial management roles throughout Australia and South East Asia. He has extensive experience in project finance, compliance, acquisition and investment appraisals. He has been involved in project financial, financial management of property development and telecommunication projects in South East Asia. He held senior financial roles for numerous public listed companies both in Hong Kong and Australia.

Meetings of directors

The number of Directors' Meetings and Directors' Committee Meetings held, and the number of meetings attended, by each of the Directors of the Company during the financial year were:

Directors	Directors Meetings		Remuneration Committee[2]		Audit Committee[3]	
	Attended	Held whilst in office	Attended	Held whilst in office	Attended	Held whilst in office
John Dawkins[1]	1	1	-	-	-	-
Peter Meers	9	9	-	-	2	2
Ian Levy	9	9	-	-	-	-
Vincent Tan	9	9	1	1	-	-
Wei Huang	9	9	1	1	2	2
Rado Jacob Rebek[4]	7	9	-	-	-	-

[1] Hon. John Dawkins AO was appointed on 7 December 2011

[2] The Remuneration Committee is made up of Vincent Tan and Wei Huang

[3] The Audit Committee is made up of Peter Meers and Wei Huang

[4] Chief Geologist Rado Jacob Rebek travels extensively on Company business

Likely developments

Information on likely developments in the operations of the Group, known at the date of this report has been covered generally within the report. In the opinion of the Directors providing further information would prejudice the interests of the Group.

Significant changes in state of affairs

Please refer Review of Operations section for details.

Matters subsequent to balance date

At the date of this report there are no other matters or circumstances, which have arisen since 31 December 2011 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 December 2011, of the Group;
- the results of those operations; or,
- the state of affairs, in financial years subsequent to 31 December 2011, of the Group.

Environmental regulations

The Group is subject to significant environmental regulation in respect of its exploration activities as follows:

- The Company's operations in the State of Queensland involve drilling operations. These operations are governed by the *Queensland Government Environmental Protection Act (1994)* as reprinted February 2007.
- The Company's operations in the State of NSW involve exploration activities including drilling. These operations are governed by the *Environment Planning and Assessment Act 1979.*

DIRECTOR'S REPORT continued

- The Company operates within the resources sector and conducts its business activities with respect for the environment while continuing to meet the expectations of the shareholders, employees and suppliers.
- The Company aims to ensure that the highest standard of environmental care is achieved, and that it complies with all relevant environmental legislation. The Directors are mindful of the regulatory regime in relation to the impact of the Company's activities on the environment.
- To the best of the directors' knowledge, the Group has adequate systems in place to ensure compliance with the requirements of all environmental legislation described above and are not aware of any breach of those requirements during the financial year and up to the date of the Directors' Report.

Environmental Code of Practice for Bauxite Mineral exploration, adopted March 1, 2010

The Company is committed to conducting its exploration programs by following industry best practice in accordance with published government guidelines and codes.

The following policy is specific to bauxite exploration on the Company's eastern Australian bauxite province.

Access to Land

Prior to the commencement of any work, the Company makes contact with landholders/leaseholders and discusses the general aims and types of work likely to be conducted.

Discussion with landowners, leaseholders and Native Title Claimants is ongoing. It commences prior to any work being conducted and continues throughout the program and beyond the cessation of exploration work.

The Company establishes conditions of access with landholders and where practicable, signs a written access agreement that sets out conditions and includes a schedule of agreed compensation payments.

The Company endeavours to provide landholders with ample warning prior to commencing any work and landholders are kept informed upon commencement, during and upon completion of an exploration program.

Type of Land

The type of land is determined and its inhabitants are assessed to identify areas of particular environmental concern including identification of sensitive areas or areas prone to erosion, water catchment, heritage sites, and areas home to vulnerable and endangered species.

Land use is taken into consideration and land under cultivation is not disturbed without the express consent of the landholder.

Mineral Exploration Programs

Access

The Company utilises existing tracks for access where possible.

Climatic conditions are considered when assessing areas to avoid access during extreme conditions such as during bush fire risk during hot, windy conditions and damage to tracks after heavy rain.

Surface disturbances are kept to a minimum.

Drilling

Drilling programs include rehabilitation and where possible holes are positioned in areas requiring little or no clearing.

Small, manoeuvrable drill rigs are used to minimise the need for track clearing and to reduce ground compaction.

Where required, topsoil is removed and stored separately so that it can be replaced during rehabilitation of the site.

Ground sheets are used where required to avoid oil/fuel spills contaminating the soil.

Rehabilitation

Drill sites are rehabilitated as soon as practicable and drill holes are filled and capped where necessary.

Landholders are asked to confirm at the end of each program that exploration has been conducted to their satisfaction and that sites have been rehabilitated.

DIRECTOR'S REPORT continued

REMUNERATION REPORT – Audited

This information provided in this Remuneration Report has been audited as required under section 308 (3C) of the *Corporations Act 2001.*

This report outlines the remuneration arrangements in place for Directors and Executives of the Company.

Remuneration committee

The Remuneration Committee reviews and approves policy for determining Executive's remuneration and any amendments to that policy.

The Committee makes recommendations to the Board on the remuneration of Executive Directors (including base salary, incentive payments, equity awards and service contracts) and remuneration issues for Non-Executive Directors.

The members of the Remuneration Committee during the period were:

- Vincent Tan
- Wei Huang

The Committee meets as often as required but not less than once per year.

The Committee met once during the year as disclosed in the table of Directors Meetings disclosed on page 14.

Options granted to directors and key management personnel do not have performance conditions. As such the Group does not have a policy for directors and key management personnel removing the "at risk" aspect of options granted to them as part of their remuneration.

Directors' and other Key Management Personnel remuneration

The following persons were Directors of the Company during the whole financial year, unless otherwise stated.

John Dawkins AO (Non-Executive Chairman)- Appointed on 7 December 2011

Peter J Meers (Executive Deputy Chairman)

Ian Levy (Managing Director)

Rado Jacob Rebek (Executive Director)

Vincent Tan (Non-Executive Director)

Wei Huang (Non-Executive Director)

The following persons were other key management personnel of the Company during the financial year:

David L Hughes (Joint Company Secretary)

Henry Kinstlinger (Joint Company Secretary)

Francis Choy (Chief Financial Officer)

Executive's remuneration and other terms of employment are reviewed annually having regard to relevant comparative information and independent expert advice. As well as basic salary, remuneration packages include superannuation. Directors are also able to participate in an Employee Share Option Plan.

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Group's operations.

Consideration is also given to reasonableness, acceptability to shareholders and appropriateness for the current level of operations.

Remuneration of Non-Executive Directors is determined by the Board based on recommendations from the Remuneration Committee and the maximum amount approved by shareholders from time to time.

Performance conditions

The elements of remuneration as detailed within the Remuneration Report are dependent on the satisfaction of the individual's performance and the Group's financial performance.

The Board undertakes an annual review of its performance and the performance of the Board Committees.

Details of the nature and amount of each element of the remuneration of each Director of the Company and each specified executive of the Company and the Group receiving the highest remuneration are set out in the following tables. The remuneration amounts are the same for the Company and the Group.

DIRECTOR'S REPORT continued

REMUNERATION REPORT – Audited continued

Directors and Other Key Management Personnel of Australian Bauxite Limited

Consolidated 2011	**Short Term employee Benefits**		**Post Employment**	**Long Term Employee Benefits**		
	Salary & other fees	**Travelling Allowance**	**Super-annuation**	**Long Service Leave**	**Share based payments**	**Total**
Directors	**$**	**$**	**$**	**$**	**$**	**$**
John Dawkins AO	-	-	-	-	-	-
Peter Meers	**32,500**	-	-	-	-	**32,500**
Ian Levy	**200,000**	-	-	-	-	**200,000**
Rado Jacob Rebek	**114,375**	**2,700**	-	-	-	**117,075**
Vincent Tan	-	-	-	-	-	-
Wei Huang	**17,500**	-	-	-	-	**17,500**
Total-Directors	**364,375**	**2,700**	-	-	-	**367,075**
						-
Other Key Management Personnel						-
David L Hughes	-	-	-	-	-	-
Henry Kinstlinger	**100,206**	**9,000**	-	-	-	**109,206**
Francis Choy	-	-	-	-	-	-
Total-KMP	**100,206**	**9,000**	-	-	-	**109,206**

Directors and Other Key Management Personnel of Australian Bauxite Limited

Consolidated 2010	**Short Term employee Benefits**		**Post Employment**	**Long Term Employee Benefits**		
	Salary & other fees	**Travelling Allowance**	**Super-annuation**	**Long Service Leave**	**Share based payments**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Directors						
Peter J Meers	25,000	-	-	-	-	25,000
Ian Levy	200,000	1,800	-	-	-	201,800
Rado Jacob Rebek	182,250	5,400	-	-	-	187,650
Vincent Tan	-	2,700	-	-	-	2,700
Wei Huang	15,000	6,300	-	-	-	21,300
Total-Directors	**422,250**	**16,200**	**-**	**-**	**-**	**438,450**
Other Key Management Personnel						
David L Hughes	-	-	-	-	-	-
Henry Kinstlinger	115,600	-	-	-	-	115,600
Francis Choy	-	-	-	-	-	-
Total-KMP	**115,600**	**-**	**-**	**-**	**-**	**115,600**

The amounts reported represent the total remuneration paid by entities in the Australian Bauxite Group of companies in relation to managing the affairs of all the entities within the Australian Bauxite Group.

There is no performance conditions related to any of the above payments.

There is no other element of Directors and Executives remuneration.

DIRECTOR'S REPORT continued

REMUNERATION REPORT – Audited continued

Executive services agreement

In addition the Company has agreed with Mr Ian Levy as Managing Director in providing the services to the Company at an agreed rate of $200,000 for the calendar year 2011.

Service agreements

The Company has entered into a Service Agreement with Hudson Corporate Limited pursuant to which Hudson Corporate Limited has agreed to provide its management, registered office, administrative accounting and secretarial services.

The term of the Services Agreement is two years and the fee payable is that amount agreed between the parties from time to time. The terms of the Services Agreement provide that Hudson Corporate Limited shall act in accordance with the directions of the Board.

In addition the Company has agreed with Ian Levy as the services of Managing Director will be provided to the Company at an agreed rate of $200,000 for the calendar year 2011.

Share options granted to Directors and Other Key Management Personnel

For details please refer to Note 24 of the financial statements.

End of audited remuneration report.

DIRECTOR'S REPORT continued

Loans to Directors and Key Management Personnel

Details of individuals with loans above $100,000 during the year are set out below.

	Balance at the start of the year	Advance/ (Repayments)	Interest payable for the year	Balance as at the end of the year	Highest indebtedness during the year	Additional interest otherwise payable*
Key management personnel	$	$	$	$	$	$
2011						
Henry Kinstlinger	524,274	-	45,731	570,005	570,005	11,112
2010						
Henry Kinstlinger	-	520,000	4,274	524,274	524,274	2,137

* Market interest rate 7.0% (2010: 6%). This represents the difference between interest charged at the latter and interest paid.

Terms and conditions of loans

The loan partly relates to the individual's participation in the Company's Employee Share Option Plan. Loans are secured against the shares only. Loans are repayable should the employee leaves the Company. None were written down during the year.

There were no other loans made to Directors or Specified Executives of the Company and the Group during the period commencing at the beginning of the financial year and up to the date of this report.

Shares under option

Unissued ordinary shares of Australian Bauxite Limited under option at the date of this report are as follows:

Class	Date options granted	Expiry Date	Exercise Price	No. of Options
Employee Share Options	15 October 2009	15 October 2012	$0.30	6,400,000
Performance Options* - unallocated			$0.30	1,380,000
Performance Options - allocated	8 December 2010	30 November 2013	$0.30	420,000
IPO - Success Option	24 December 2009	21 December 2012	$0.30	3,000,000
Success Option		15 August 2013	$0.55	500,000
				11,700,000

* Unallocated options under the Employee Share Option Plan, expiry date is three years from date of issue.

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

Shares Issued on the exercise of options

In 2010, 800,000 options, expiring 15 October 2012, were exercised at $0.30 during the financial year ending 31 December 2010 under the Company Employee Share Option Plan.

No other options have been exercised and no options expired during the financial year and in the period up to the date of this report.

Directors' and Officers' indemnities and insurance

During the financial year Australian Bauxite Limited (holding company) paid an insurance premium, insuring the Company's Directors, (as named in this report), Company Secretary, Executive officers and employees against liabilities not prohibited from insurance by the *Corporations Act 2001*.

A confidentiality clause in the insurance contract prohibits disclosure of the amount of the premium and the nature of insured liabilities.

Proceedings on behalf of the Company

No person has applied to the Court under Section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in or on behalf of the Company with leave of the Court under Section 237 of the *Corporations Act 2001*.

DIRECTOR'S REPORT continued

Auditor's independence declaration

The auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 21.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditor (K.S. Black & Co) for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

During the year the following fees were paid or payable for services provided by the auditor of the parent entity:

	Consolidated		Parent Entity	
	2011	2010	**2011**	2010
	$	$	**$**	$
Audit services:				
Amounts paid or payable to auditors for audit and review of the financial report for the entity or any entity in the Group				
Audit services	**14,945**	13,245	**14,945**	13,245
Taxation and other advisory services:				
Amounts paid or payable to auditors for non audit taxation and advisory services for the entity or any entity in the Group				
Taxation	**7,745**	7,200	**7,745**	7,200
Advisory services	**-**	-	**-**	-
	7,745	7,200	**7,745**	7,200

The Directors' Report, incorporating the Remuneration Report, is signed in accordance with a Resolution of the Board of Directors.

Peter J Meers
Executive Deputy Chairman

Ian Levy
Chief Executive Officer

Signed at Sydney
29 March 2012

Level 6
350 Kent Street
Sydney NSW 2000

K.S. Black & Co.

ABN 57 446 398 808

Level 1, 460 Church Street
North Parramatta NSW 2151

PO Box 2210
North Parramatta NSW 1750

AUDITOR'S INDEPENDENCE DECLARATION

Declaration of independence to the Directors of Australian Bauxite Limited and Controlled Entities

As lead auditor of Australian Bauxite Limited for the year ended 31 December 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Australian Bauxite Limited and the entities it controlled during the year.

KS Black & Co
Chartered Accountants

Faizal Ajmat
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Sydney, 29 March 2012

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CORPORATE GOVERNANCE STATEMENT

Australian Bauxite Limited (the Company) provides the following statement disclosing the extent to which the Company has followed the best practice recommendations set by the ASX Corporate Governance Council and where the Company has not followed all of the recommendations, those recommendations that have not been followed have been identified and reasons for not following them given.

Overview

The Company and the Board of Directors are committed to achieving and demonstrating the highest standards of corporate governance and aim to comply with the "Principles of Good Corporate Governance and Best Practice recommendations" set by the ASX Corporate Governance Council.

However, given the current size of both the Company's operations and the Board of Directors, it is not appropriate, cost effective or practical to comply fully with those principles and recommendations.

Consistent with the ASX best practice recommendations, the Company's corporate governance practices have been disclosed in the Annual Report and are regularly reviewed and will be available on the Company's website.

Compliance with ASX Corporate Governance Council best practice recommendations

The ASX Listing Rules require public listed companies to include in their annual report a statement regarding the extent to which they have adopted to ASX Corporate Governance Council best practice recommendations.

This statement provides details of the Company's adoption of the best practice recommendations.

Principle 1 – Lay solid foundations for management and oversight

Companies should establish and disclose the respective roles and responsibilities of Board and management.

Board responsibilities

The Board of directors is accountable to shareholders for the performance of the group. In carrying out its responsibilities, the Board undertakes to serve the interest of shareholders honestly, fairly and diligently.

The Board's responsibilities will be encompassed in a formal charter to be published on the Company's website. The charter will be reviewed annually to determine whether any changes are necessary or desirable.

The responsibilities of the Board include:

- Reporting to shareholders and the market;
- Ensuring adequate risk management processes exist and are complied with;
- Reviewing internal controls and external audit reports;
- Ensuring regulatory compliance;
- Monitoring financial performance, including approval of the annual and half-yearly financial reports and liaison with the Company auditors;
- Reviewing the performance of senior management;
- Monitoring the Board composition, Director selection and Board processes and performance;
- Validating and approving corporate strategy;
- Reviewing the assumptions and rationale underlying the annual plans; and
- Authorising and monitoring major investment and strategic commitments.

Directors' education

The Company issues a formal letter of appointment for new directors setting out the terms and conditions relevant to that appointment and the expectations of the role of the director.

The Company also provides a formal induction process which provides key information on the nature of the business and its operations

Continuing education is provided via the regular Board updates provided by the divisional chief executives.

Role of Chairman

The Chairman is appointed by fellow Board members and acts as the link between the Board and the Chief Executive Officer (CEO).

He acts as the link between the Board and the Company, establishing and maintaining an effective working relationship with the CEO. The Chairman sets the tone for the Board, including the establishment

CORPORATE GOVERNANCE STATEMENT continued

of a common purpose. He is responsible for chairing Board meetings and shaping the agenda in relation to goals, strategy, budget and executive performance.

The Chairman ensures all Board members contribute and reach consensus in making decisions. He also assists in the selection of Board committee members.

The Chairman provides direction to the Board in matters of corporate governance.

Role of Chief Executive Officer

The Board delegates responsibility for implementing the strategic direction and for managing the day to day operations of the Company to the CEO.

There are clear lines of communication established between the Chairman and CEO to ensure that the responsibilities and accountabilities of each are clearly understood.

The CEO has a formal service contract in place setting out duties, responsibilities, and rights, conditions of service and termination entitlements. Performance will be assessed against pre-determined objectives on an annual basis or more frequently if required.

The assessment and monitoring of the CEO is the responsibility of the Chairman. The Chairman provides an initial assessment and recommendation to the Board. The matter is then considered by the Board and their views are communicated to the CEO by the Chairman.

Principle 2 – Structure the Board to add value

Companies should have a Board of an effective composition, size and commitment to efficiently discharge its responsibilities and duties.

Composition of the Board

The Board of Directors is comprised of three Executive directors and three Non-Executive directors, all of whom have a broad range of skills and experience.

In determining independence the Board has regard to the guidelines of directors' independence in the ASX Corporate Governance Council and Best practice Recommendations and other best practice guidelines.

Each director's independent status is regularly assessed by the Board.

The Company does not comply with recommendation 2.1 which provides that a majority of the Board be independent directors.

At this stage of the Company's development, the Board considers it is neither appropriate nor cost effective for there to be a majority of independent directors.

This matter continues to be under review and as circumstances allow, consideration will be given to the appropriate time to move to adopting the ASX Corporate Governance Guidelines.

The Board considers that its composition provides for the timely and efficient decision making required for the Company in its current circumstances.

The Board's size and composition is subject to limits imposed by the Company's constitution which provides for a minimum of three directors and a maximum of ten. Details of the Board, their experience, expertise and qualifications are set out in the Directors Report on pages 11-13.

The position/status and time in office of each director at the date of Annual Report is as follows:-

Name of Director	Position/Status		Time in office
John Dawkins AO	Non-Executive Chairman	-Independent	4 months
Peter Meers	Executive Deputy Chairman	-Non Independent	2 years 6 Months
Ian Levy	Managing Director	-Non Independent	2 years 6 Months
Rado Jacob Rebek	Executive Director	-Non Independent	2 years 6 Months
Vincent Tan	Non-Executive Director	-Independent	2 years 6 Months
Wei Huang	Non-Executive Director	-Independent	2 years 6 Months

The Board currently holds 9 scheduled meetings each year together with any ad hoc meetings as may be necessary. The Board met 9 times during the year and Directors attendance is disclosed on page 14 of the Directors' Report.

Access to independent professional advice

All directors are required to bring an independent judgement to bear on Board decisions.

To facilitate this, the Board has adopted a procedure which allows each Director the right of access to all relevant Company information and to the Company's Executives. The directors also have access to

CORPORATE GOVERNANCE STATEMENT continued

external resources as required to fully discharge their obligations as Directors of the Company. The use of these resources is co-ordinated through the Chairman of the Board.

Corporate Governance Statement continued

Nomination Committee

The role of the Nomination Committee is undertaken by the full Board.

The Board will review its composition on an annual basis to ensure that the Board has the appropriate mix of expertise and experience. When a vacancy exists, for whatever reasons, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board will select appropriate candidates with relevant qualifications, skills and experience. External advisors may be used to assist in such a process. The Board will then appoint the most suitable candidate who must stand for election at the next general meeting of shareholders.

For directors retiring by rotation the Board assesses that Director before recommending re-election.

The Company does not comply with recommendation 2.4 in that does not consist of a majority of independent directors. The Board considers the Company and the Board are currently not of sufficient size to justify the establishment of a Separate Nomination Committee.

Board performance evaluation

The Company has processes in place to review the performance of the Board and its committees and individual directors. Each year the Board of Directors will give consideration to broad corporate governance matters, including the relevance of existing committees and to reviewing its own and individual directors' performance. The Chairman is responsible for monitoring the contribution of individual directors and consulting with them in any areas of improvement.

Principle 3 – Promote Ethical and Responsible Decision making

Companies should actively promote ethical and responsible decision making.

Code of conduct

The Board acknowledges the need for continued maintenance of the highest standards of Corporate Governance Practices and ethical conduct by all Directors and employees of the consolidated entity.

The Company has established a code of conduct applicable to all Directors and employees. The requirement to comply with the code is mandatory and is communicated to all employees. The code sets out standards of conduct, behaviour and professionalism.

The shareholder communications policy, the securities trading policy, the continuous disclosure policy collectively form a sold ethical foundation for the Company's ethical practices.

A copy of these documents has been posted on the Company's website.

Policy on dealing in Company securities

The Company has a policy on how and when the Directors and employees may deal in the Company's securities.

In addition to these legal and regulatory restrictions, the Company has adopted a robust trading policy whereby trading in Company shares are prohibited under certain circumstances, and short-term trading is discouraged.

The purpose of this policy is to ensure that the Directors and employees deal in the Company's securities in a manner which properly reflects their fiduciary duty, and that they do not transact in those securities whilst in possession of price sensitive information.

This policy requires that all Directors and Senior Executives to disclose their share trade intentions to the Managing Director or Chairman prior to dealing in the Company's securities.

The Company maintains compliance standards and procedures to ensure that the policy is properly implemented. In addition there is also an internal review mechanism to assess compliance and effectiveness.

Details of both the Company's Code of Conduct and Share Trading Policy which, among other things, describes 'closed periods' and 'prohibited periods' that describes when trading is restricted. Share Trading Policy has been lodged with the ASX and is contained on the Company's website under Corporate Governance.

Approach to diversity

The Board recognises the benefits of diversity at Boards in senior management and within the organisation generally and recognises the organisational strengths, deeper problem solving ability and opportunity for innovation that diversity brings to an organisation.

CORPORATE GOVERNANCE STATEMENT continued

The Company has established a diversity policy which set out the beliefs, goals and strategies of the Company and makes reference to all the characteristics that makes individuals different from each other. The policy sets out the positive steps taken to ensure that current and prospective employees are not discriminated against, either directly or indirectly on such characteristics as gender, age, disability, marital status, sexual orientation, religion, ethnicity or any other area of potential difference. The Company is committed to gender diversity at all levels of the organisation. Gender equality is a key component of the Company's' diversity strategy. The implementation of this policy aims to reflect both the circumstances of the Company and the industry in which it operates.

The Company's diversity policy includes a requirement that:

- the Board establish measurable objectives for achieving gender diversity; and
- the Board assess annually the objectives set for achieving gender diversity; and
- the Board assess annually the progress made towards achieving the objectives set.
- Representation of female employees in the organisation workforce is as follows:

	Actual at 31 December 2011		Company Objective		Progress towards meeting objective	
	Number	Percentage	Number	Percentage	Number	Percentage
Whole organisation	-	-	-	12.5%	-	-
Senior Executive Positions	-	-	-	0%	-	-
Board	-	-	-	0%	-	-

A copy of the Company's diversity policy has been posted on the Company's website.

Principle 4 – Safeguard Integrity in Financial Reporting

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

Audit committee

The audit committee consists of the full Board. The structure of the audit committee does not comply with recommendation 4.2 which recommends that the audit committee consists of only Non-Executive Directors and the committee should have an independent Chairperson who is not the Chairperson of the Board.

The Board considers that given its current size and structure it is neither appropriate nor cost effective for the establishment of a separate audit committee.

The committee met once during the year. The audit committee has adopted a formal charter which set out the responsibilities of the audit committee.

Details of the Formal Charter have been posted on the Company's website.

These responsibilities include:

- Reviewing the annual and half year financial reports to ensure compliance with Australian Accounting Standards and generally accepted accounting principles;
- Monitoring corporate risk management practices;
- Review and approval of the Group's accounting policies and procedures;
- Reviewing the external audit plans;
- Reviewing the nomination, performance and independence of the external auditors; and
- Organising, reviewing and reporting on any special reviews or investigations deemed necessary by the Board.
- The audit committee has received confirmation in writing from the Chief Executive Officer and the Chief Financial Officer that the Company's Financial Report for the financial year ended 31 December 2011 presents a true and fair view in all material respects of the Company's financial position and operational results and are in accordance with relevant accounting standards.

External auditors

The full Board is responsible for the appointment, removal and remuneration of the external auditors, and reviewing the terms of their engagement, and the scope and quality of the audit. In fulfilling its responsibilities, the Board will receive regular reports from management and the external auditors at least once a year, or more frequently if necessary. The external auditors have a clear line of direct communication at any time to the Chairman of the Board.

CORPORATE GOVERNANCE STATEMENT continued

K.S. Black & Co was appointed auditor in 2009.

The Australian accounting bodies' statement on professional independence requires mandatory rotation of audit partners for listed companies every five years.

K.S. Black & Co confirms that they conform with the requirements of the statement.

K.S. Black & Co is required to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report.

Principle 5 – Make timely and balanced disclosure

The Company promotes timely and balanced disclosure of any material matters concerning the Company.

The Company has a written policy on information disclosure that focuses on continuous disclosure of any information concerning the Company and its controlled entities that a reasonable person would expect to have a material effect on the price of the Company's securities.

The Company Secretary in consultation with the Chairman is responsible for communications with the ASX. He is also responsible for ensuring compliance with the continuous disclosure requirements of the ASX Listing Rules, and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the general public. A copy of the policy is posted on the company's website.

Principle 6 – Respect the rights of shareholders

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

Communication with shareholders

The Board recognises and respects the rights of our shareholders as the beneficial owners of the Company. In order to facilitate the effective exercise of those rights, the Company has adopted a shareholder communications policy that aims to empower shareholders by:

- communicating effectively with them;
- providing easy access to balanced and understandable information about the Company; and
- encouraging and facilitating shareholder participation in general meetings.

The Company achieves this through the following avenues:

Regular mailings

The Company provides shareholders with copies of all announcements made to the ASX by mail on request. Copies are also available via an electronic link to the ASX web site, ensuring that all shareholders are kept informed about the Company.

Shareholders also have the option of receiving a hard copy of the Annual Report each year.

Email update service

An email update service has been established and is available to the general public as well as shareholders at the Company's website or upon request.

General meetings

All shareholders are invited to attend the Annual General Meetings which are held at the Company's Head Office in Sydney. The full Board and senior executives will be present and available to answer questions from the floor, as are the External Auditor and a representative from the Company's legal advisors.

A copy of the Company's Shareholder Communication Policy is posted on the Company's website. The Company also posts Corporate Information in the investor section of its company website at *www.australianbauxite.com.au.*

Principle 7 – Recognise and Manage Risks

Companies should establish a sound system of risk oversight and management and internal control.

The Board oversees the establishment, implementation and review of the Company's Risk Management System. To ensure it meets its responsibilities, the Board has implemented appropriate systems for identifying, assessing, monitoring and managing material risk throughout the organisation.

Management is required to provide monthly status reports to the Board which identify potential areas of business risk arising from changes in the financial and economic circumstances of its operating environment.

The Board regularly assess the Company's performance in light of risks identified by such reports.

CORPORATE GOVERNANCE STATEMENT continued

Management are also required to design implement and review the Company's risk management and internal control system. The Board reviews the effectiveness of the implementation of the Company's risk management and internal control system on a regular basis.

The Board does not employ an internal auditor, although as part of the Company's strategy to implement an integrated framework of control, the Board requested the external auditors review internal control procedures. Recommendations once presented are considered by the Board.

The Board has received written declaration from the Chief Executive Officer and the Chief Financial Officer that the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and the Company's risk management and internal compliance and control system is operating efficiently in all material respects.

The Board requires the declaration prior to the directors signing the Company's financial statements.

Principle 8 – Remunerate fairly and responsibly

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

The Board has established a remuneration committee consisting of Vincent Tan and Wei Huang.

The Company does not comply with recommendation 8.2 in that the remuneration committee does not have at least three members.

The Board considers that the Company is not of sufficient size to warrant the appointment of additional committee members.

The Committee has adopted a formal charter.

The main responsibilities of the Remuneration Committee includes:

- review and approve the Group's policy for determining executive remuneration and any amendments to that policy;
- review the on-going appropriateness and relevance of the policy;
- consider and make recommendations to the Board on the remuneration of executive Directors (including base salary, incentive payments, equity awards and service contracts);
- review and approve the design of all equity based plans;
- review and approve the total proposed payments under each plan; and
- review and approve the remuneration levels for non-executive Directors.
- The committee will meet as often as required but not less than once per year.

The Committee met once during the year as disclosed in the table of Directors Meetings disclosed on page 14.

Executive directors and executive remuneration

The remuneration committee reviews and approves the policy for determining executive's remuneration and any amendments to that policy.

Executive remuneration and other terms of employment are reviewed annually having regard to relevant comparative information and independent expert advice.

Remuneration packages include basic salary, superannuation and the rights of participation in the Company's Share Option Plan and Employee Share Purchase Plan.

Remuneration packages are set at levels that are intended to attract and retain executives capable of effectively managing the Company's operation.

Consideration is also given to reasonableness, acceptability to shareholders and appropriateness for the current level of operations.

Non-executive directors

Remuneration of Non-Executive Directors will be determined by the Board based on relevant comparative independent expert advice and the maximum amount approved by shareholders from time to time.

Directors have the right to participate in the Company's Share Option Plan and Employee Share Purchase Plan.

Further information on the Directors and Executives remuneration is included in the Remuneration Report which forms part of the Directors' Report.

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2011

		Consolidated		Parent Entity	
		2011	2010	**2011**	2010
	Notes	**$**	$	**$**	$
Revenue	4	**943,560**	379,814	**402,008**	376,821
		943,560	379,814	**402,008**	376,821
Administrative and exploration expenses		**(1,472,211)**	(920,762)	**(1,260,923)**	(784,852)
Consulting and professional expenses		**(185,327)**	(209,787)	**(185,327)**	(209,787)
Finance costs		**(36,235)**	(83,896)	**(30,950)**	(76,648)
Share based payment expenses	5	**(60,270)**	-	**(60,270)**	-
(Loss)/Profit before income tax expense		**(810,483)**	(834,631)	**(1,135,462)**	(694,466)
Income tax expense	6(a)	**-**	-	**-**	-
(Loss)/Profitafter tax for the year		**(810,483)**	(834,631)	**(1,135,462)**	(694,466)
Other Comprehensive Income					
Other comprehensive income for the year net of tax		**-**	-	**-**	-
Total comprehensive (loss)/income attributable to members of the consolidated entity		**(810,483)**	(834,631)	**(1,135,462)**	(694,466)
		Cents	Cents		
Basic earnings/(loss) per share	23	**(0.81)**	(0.96)		
Diluted earnings/(loss) per share	23	**(0.72)**	(0.85)		

The above Statement should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2011

	Notes	Consolidated		Parent Entity	
		2011	2010	**2011**	2010
		$	$	**$**	$
Current assets					
Cash and cash equivalents	7	**3,767,464**	8,568,713	**2,429,452**	8,334,906
Trade and other receivables	8	**810,210**	256,487	**668,618**	204,817
Other current assets	9	**48,640**	117,526	**48,640**	117,526
Total current assets		**4,626,314**	8,942,726	**3,146,710**	8,657,249
Non-current assets					
Trade and other receivables	8	**570,006**	524,274	**9,857,621**	5,155,450
Plant and equipment	10	**123,124**	90,010	**123,124**	90,010
Mining tenements	11	**8,095,488**	4,381,395	**-**	107,284
Financial assets	12	**-**	-	**500**	5
Total non-current assets		**8,788,618**	4,995,679	**9,981,245**	5,352,749
Total assets		**13,414,932**	13,938,405	**13,127,955**	14,009,998
Current liabilities					
Trade and other payables	13	**354,796**	196,444	**252,603**	127,842
Employee benefits provision	14	**35,328**	1,139	**35,328**	1,139
Other Liabilities	15	**14,568**	-	**14,568**	-
Total current liabilities		**404,692**	197,583	**302,499**	128,981
Non-current liabilities					
Employee benefits provision	14	**21,801**	2,170	**21,801**	2,170
Total non-current liabilities		**21,801**	2,170	**21,801**	2,170
Total liabilities		**426,493**	199,753	**324,300**	131,151
Net assets		**12,988,439**	13,738,652	**12,803,655**	13,878,847
Equity					
Issued capital	16	**14,444,118**	14,444,118	**14,444,118**	14,444,118
Reserves	17	**560,070**	499,800	**560,070**	499,800
Accumulated losses		**(2,015,749)**	(1,205,266)	**(2,200,533)**	(1,065,071)
Total equity		**12,988,439**	13,738,652	**12,803,655**	13,878,847

The above Statement should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2011

Consolidated	Notes	**Issued Capital**	**Options Reserve**	**Accumulated Losses**	**Total Equity**
		$	$	$	$
Balance at 1 January 2011		**14,444,118**	**499,800**	**(1,205,266)**	**13,738,652**
Contributions of equity		**-**	**-**	**-**	**-**
Share issuing cost		**-**	**-**	**-**	**-**
Options issued		**-**	**60,270**	**-**	**60,270**
Loss for the year		**-**	**-**	**(810,483)**	**(810,483)**
Balance at 31 December 2011		**14,444,118**	**560,070**	**(2,015,749)**	**12,988,439**
Balance at 1 January 2010		3,399,950	499,800	(370,635)	3,529,115
Contributions of equity		11,563,951	-	-	11,563,951
Share issuing cost		(759,783)	-	-	(759,783)
Options exercised		240,000	-	-	240,000
Loss for the year			-	(834,631)	(834,631)
Balance at 31 December 2010		14,444,118	499,800	(1,205,266)	13,738,652

Parent Entity	**Issued Capital**	**Options Reserve**	**Accumulated Losses**	**Total Equity**
	$	$	$	$
Balance at 1 January 2011	**14,444,118**	**499,800**	**(1,065,071)**	**13,878,847**
Contributions of equity	**-**	**-**	**-**	**-**
Share issuing cost	**-**	**-**	**-**	**-**
Options issued	**-**	**60,270**	**-**	**60,270**
Loss for the year	**-**	**-**	**(1,135,462)**	**(1,135,462)**
Balance at 31 December 2011	**14,444,118**	**560,070**	**(2,200,533)**	**12,803,655**
Balance at 1 January 2010	3,399,950	499,800	(370,605)	3,529,145
Contributions of equity	11,563,951	-	-	11,563,951
Share issuing cost	(759,783)			(759,783)
Options exercised	240,000	-	-	240,000
Loss for the year	-	-	(694,466)	(694,466)
Balance at 31 December 2010	14,444,118	499,800	(1,065,071)	13,878,847

The above Statement should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2011

	Notes	Consolidated		Parent Entity	
		2011	2010	**2011**	2010
		$	$	**$**	$
Cash flows from operating activities					
Receipts from customers		**-**	-	**-**	-
Payments to suppliers and employees		**(5,426,106)**	(3,241,082)	**(1,331,832)**	(1,246,722)
Interest paid		**-**	-	**-**	-
Interest received		**411,989**	264,631	**395,445**	267,615
Net cash (outflow)/inflow from operating activities	19	**(5,014,117)**	(2,976,451)	**(936,387)**	(979,107)
Cash flows from investing activities					
Acquisition of plant and equipment		**(62,132)**	(96,899)	**(62,132)**	(96,899)
Advance to controlled entities		-	-	**(4,656,935)**	(2,229,681)
Advance to other party		**(250,000)**	-	**(250,000)**	-
Contribution received on funded expenditures		**525,000**	-	-	-
Advance under employee share plan		**-**	(520,000)	**-**	(520,000)
Net cash inflow/(outflow) from investing activities		**212,868**	(616,899)	**(4,969,067)**	(2,846,580)
Cash flows from financing activities					
Proceeds from issues of shares and other equity securities		**-**	10,118,750	**-**	10,118,750
Share issuing costs		**-**	(759,783)	**-**	(759,783)
Repayment of convertible note		**-**	(714,799)	**-**	(714,799)
Net cash inflow/(outflow) from financing activities		**-**	8,644,168	**-**	8,644,168
Net (decrease)/increase in cash and cash equivalents		**(4,801,249)**	5,050,818	**(5,905,454)**	4,818,481
Cash and cash equivalents at the beginning of the year		**8,568,713**	3,517,895	**8,334,906**	3,516,425
Cash and cash equivalents at the end of the year	7(a)	**3,767,464**	8,568,713	**2,429,452**	8,334,906

The above Statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

1 CORPORATE INFORMATION

The financial report of Australian Bauxite Limited for the year ended 31 December 2011 was authorised for issue in accordance with a resolution of the Directors and covers Australian Bauxite Limited as an individual parent entity as well as the consolidated entity consisting of Australian Bauxite Limited and its subsidiaries as required by the *Corporations Act 2001.*

The financial report is presented in Australian currency.

Australian Bauxite Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX).

The Company was incorporated as an unlisted public company on 23 September 2009 and successfully listed on the ASX on 24 December 2009.

2 SUMMARY OF ACCOUNTING POLICIES

a. Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporation Act 2001*.

Statement of Compliance

Compliance with Australian Accounting Standards ensures that the financial report of Australian Bauxite Limited complies with International Financial Reporting Standards ('IFRS").

Critical to accounting estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Options valuation

Refer to Note 26 for estimates and assumptions used to calculate the valuation of options.

Critical judgements

Management have made the following judgements when applying the Group's accounting policies:

Capitalisation of exploration costs

The Group follows the guidance of AASB 6 Exploration for and Evaluation of Mineral Resources when determining if exploration costs incurred can be capitalised. This determination requires significant judgement. In making this judgement, the Group evaluates if any one of the following conditions is met:

- The exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
- Exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas of interest are continuing.

If one of the above conditions is met then the Group has made the judgement to capitalise the associated exploration expenses.

Historical cost convention

These financial statements have been prepared on an accruals basis and are based on the historical cost convention except where noted in these accounting policies.

Material Accounting Policies

The policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS continued

2 SUMMARY OF ACCOUNTING POLICIES continued

b. Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Australian Bauxite Limited (the "parent entity") as at reporting date and the results of all subsidiaries for the year then ended. Australian Bauxite Limited and its subsidiaries together are referred to in this financial report as the Group.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between consolidated entity companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

c. Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments. Reporting to management by segments is on this basis.

d. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major business activities as follows:

Interest Revenue

Interest revenue is recognised as it accrues taking into account the effective yield on the financial asset.

Other Income

Income from other sources is recognised when proceeds or the fee in respect of other products or services provided is receivable.

e. Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS continued

2 SUMMARY OF ACCOUNTING POLICIES continued

e. Income Tax continued

The Company and its wholly owned entities are part of a tax-consolidated group under Australian taxation law. Australian Bauxite Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

The amounts receivable/payable under tax funding arrangements are due upon notification by the entity which is issued soon after the end of each financial year. Interim funding notices may also be issued by the head entity to its wholly owned subsidiary. These amounts are recognised as current intercompany receivables or payables.

f. Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

g. Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

h. Cash and cash equivalents

For the purpose of the statement of cash flows, cash includes cash on hand and in at call deposits with banks or financial institutions, investment in money market instruments maturing within less than two months, net of bank overdrafts.

i. Trade and other receivables

Trade receivables are recognised initially at original invoice amounts and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 60 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that entities in the Group will not be able to collect all amounts due according to the original terms of receivables.

j. Financial Instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

NOTES TO THE FINANCIAL STATEMENTS continued

2 SUMMARY OF ACCOUNTING POLICIES continued

j. Financial Instruments continued

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

(a) the amount at which the financial asset or financial liability is measured at initial recognition;

(b) less principal repayments;

(c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and

(d) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

i. Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after reporting date. (All other loans and receivables are classified as non-current assets.)

iii. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after reporting date. (All other investments are classified as current assets.)

If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

iv. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

NOTES TO THE FINANCIAL STATEMENTS continued

2 SUMMARY OF ACCOUNTING POLICIES continued

j. Financial Instruments continued

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be disposed of within 12 months after reporting date. (All other financial assets are classified as current assets.)

v. Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

k. Tenement exploration, valuation and development costs

Costs incurred in the exploration for, and evaluation of, tenements for suitable resources are carried forward as assets provided that one of the following conditions is met:

- the carrying values are expected to be justified through successful development and exploitation of the area of interest; or
- exploration activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of recoverable mineral resources, and active and significant operations in relation to the area are continuing.
- Expenses failing to meet at least one of the aforementioned conditions are expensed as incurred.

Costs associated with the commercial development of resources are deferred to future periods, provided they are, beyond any reasonable doubt, expected to be recoverable. These costs are amortised from the commencement of commercial production of the product to which they relate on a straight-line basis over the period of the expected benefit. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

l. Property, plant and equipment

Land and building are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measure reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are credited to the asset revaluation reserve in equity. A revaluation surplus is credited to the asset revaluation reserve included within shareholder's equity unless it reverses a revaluation decrease on the same asset previously recognised in the Statement of Comprehensive Income. A revaluation deficit is recognised in the Statement of Comprehensive Income unless it directly offsets a previous revaluation surplus on the same asset in the asset revaluation reserve.

NOTES TO THE FINANCIAL STATEMENTS continued

2 SUMMARY OF ACCOUNTING POLICIES continued

l. Property, plant and equipment continued

On disposal, any revaluation reserve relating to sold assets is transferred to retained earnings. Independent valuations are performed regularly to ensure the carrying amounts of land and buildings do not differ materially from the fair value at the Statement of Financial Position date.

Land is not depreciated. Depreciation on other assets is calculated using the straight line, over their estimated useful lives, as follows:

- Plant and equipment 5-15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Statement of Financial Position date.

Any asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of Comprehensive Income.

m. Leases

Company as lessee

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases, and capitalised at inception of the lease at the fair value of the leased property, or if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the Statement of Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Capitalised leased assets are depreciated over the shorter for the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership of the net asset are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis.

Company as lessor

Lease income from operating leases is recognised in the Statement of Comprehensive Income on a straight –line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying value of the leased asset and recognised as an expense over the lease term on the bases as the lease income.

n. Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

o. Restoration and rehabilitation provisions

Both for close down and restoration and for environmental clean up costs from exploration programs, if any, a provision will be made in the accounting period when the related disturbance occurs, based on the net present value of estimated future costs

p. Employee benefits

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

q. Contributed equity

Ordinary shares are classified as equity.

NOTES TO THE FINANCIAL STATEMENTS continued

2 SUMMARY OF ACCOUNTING POLICIES continued

r. Share based payments

Ownership-based remuneration is provided to employees via an employee share option plan.

Share-based compensation is recognised as an expense in respect of the services received, measured on a fair value basis.

The fair value of the options at grant date is independently determined using a Black Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

s. Earnings per share (EPS)

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for costs of servicing equity (other than dividends), the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

t. New accounting standards for application

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. We have viewed these standards and interpretations and there are none having any material effect.

3 FINANCIAL RISK MANAGEMENT

a. General objectives, policies and processes

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group’s objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group’s exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Board has overall responsibility for the determination of the Group’s risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group’s finance function.

The Groups' risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Group where such impacts may be material. The Board receives reports from the Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Group’s finance function also reviews the risk management policies and processes and reports their findings to the Audit Committee.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the group’s competitiveness and flexibility. Further details regarding these policies are set out below:

NOTES TO THE FINANCIAL STATEMENTS continued

3 FINANCIAL RISK MANAGEMENT continued

b. Credit risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Group incurring a financial loss. This usually occurs when debtors or counterparties to derivative contracts fail to settle their obligations owing to the Group.

The maximum exposure to credit risk at balance date is as follows:

	Consolidated		Parent Entity	
	2011	2010	**2011**	2010
	$	$	$	$
Current				
Cash and cash equivalents	**3,767,464**	8,568,713	**2,429,452**	8,334,906
Trade and other receivables	**810,210**	256,487	**668,618**	204,817
Non Current				
Trade and other receivables	**570,006**	524,274	**9,857,621**	5,155,450
	5,147,680	9,349,474	**12,955,691**	13,695,173

c. Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulties raising funds to meet commitments associated with financial instruments that is, borrowing repayments. There is no bank borrowing at the balance date. It is the policy of the Board of Directors that treasury reviews and maintains adequate committed credit facilities and the ability to close-out market positions.

Maturity Analysis	Carrying Amount	Contractual Cash Flows	< 6 mths	6 - 12 mths	1 - 3 years	> 3 years
Consolidated - 2011	$	$	$	$	$	$
Financial Liabilities						
Current						
Trade and other payables	**354,796**	**354,796**	**354,796**	**-**	**-**	**-**
Accrued payable	**14,568**	**14,568**	**14,568**	**-**	**-**	**-**
Non-Current						
Other Liabilities	**-**	**-**	**-**	**-**	**-**	**-**
Total financial liabilities at amortised cost	**369,364**	**369,364**	**369,364**	**-**	**-**	**-**
Consolidated - 2010	$	$	$	$	$	$
Financial Liabilities						
Current						
Trade and other payables	196,444	196,444	196,444	-	-	-
Non-Current						
Other Liabilities	-	-	-	-	-	-
Total financial liabilities at amortised cost	196,444	196,444	196,444	-	-	-

NOTES TO THE FINANCIAL STATEMENTS continued

3 FINANCIAL RISK MANAGEMENT continued

c. Liquidity risk continued

Parent Entity - 2011	**Carrying Amount**	**Contractual Cash Flows**	**< 6 mths**	**6 - 12 mths**	**1 - 3 years**	**> 3 years**
Financial Liabilities	$	$	$	$	$	$
Current						
Trade and other payables	**252,603**	**252,603**	**252,603**	**-**	**-**	**-**
Accrued payable	**14,568**	**14,568**	**14,568**	**-**	**-**	**-**
Non-Current						
Other Liabilities	**-**	**-**	**-**	**-**	**-**	**-**
Total financial liabilities at amortised cost	**267,171**	**267,171**	**267,171**	**-**	**-**	**-**

Parent Entity - 2010						
Financial Liabilities	$	$	$	$	$	$
Current						
Trade and other payables	127,842	127,842	127,842	-	-	-
Non-Current						
Other Liabilities	-	-	-	-	-	-
Total financial liabilities at amortised cost	127,842	127,842	127,842	-	-	-

d. Interest rate risk

The Group is constantly monitoring its exposure to trends and fluctuations in interest rates in order to manage interest rate risk. There is no bank borrowing at the balance date; therefore there is no material exposure to interest rate risk.

Sensitivity analysis

There is no bank borrowing at the balance date.

The following tables demonstrate the sensitivity to reasonably possible changes in interest rates, with all other variables held constant, of the Group's profit after tax (through the impact on fluctuation on deposit interest rate). There is no impact on the Group's equity.

	Carrying Amount	**+1% of Profit/ (Loss)**	**-1% of Profit/ (Loss)**
Consolidated - 2011	**$**	**$**	**$**
Cash and cash equivalents	**3,767,464**	**37,674**	**(37,674)**
Tax charge of 30%	**-**	**(11,302)**	**11,302**
After tax increase/(decrease)	**3,767,464**	**26,372**	**(26,372)**

	Carrying Amount	**+1% of Profit/ (Loss)**	**-1% of Profit/ (Loss)**
Consolidated - 2010	$	$	$
Cash and cash equivalents	8,568,713	85,687	(85,687)
Tax charge of 30%	-	(25,706)	25,706
After tax increase/(decrease)	8,568,713	59,981	(59,981)

NOTES TO THE FINANCIAL STATEMENTS continued

3 FINANCIAL RISK MANAGEMENT continued

d. Interest rate risk continued

Parent Entity - 2011	Carrying Amount $	+1% of Interest Rate $	-1% of Interest Rate $
Cash and cash equivalents	**2,429,452**	**24,295**	**(24,295)**
Tax charge of 30%	-	**(7,288)**	**7,288**
After tax increase/(decrease)	**2,429,452**	**17,007**	**(17,007)**

Parent Entity - 2010	Carrying Amount $	+1% of Interest Rate $	-1% of Interest Rate $
Cash and cash equivalents	8,334,906	83,349	(83,349)
Tax charge of 30%	-	(25,004)	25,004
After tax increase/(decrease)	8,334,906	58,345	(58,345)

e. Currency risk

In 2011, the consolidated entity and parent entity were not exposed to foreign currency risk (2010: Nil)

f. Capital risk management

The Group considers its capital to comprise its ordinary share capital and reserves.

In managing its capital, the group's primary objectives are to pay dividends and maintain liquidity. These objectives dictate any adjustments to capital structure. Rather than set policies, advice is taken from professional advisors as to how to achieve these objectives. There has been no change in either these objectives or what is considered capital in the year.

	Consolidated		Parent Entity	
	2011	2010	**2011**	2010
	$	$	**$**	$
4 REVENUE				
Interest income	**410,649**	379,806	**394,104**	376,821
Contribution received on funded expenditures	**525,000**	**-**	**-**	**-**
Other	**7,911**	8	**7,904**	-
	943,560	379,814	**402,008**	376,821
5 EXPENSES				
Profit/(loss) before income tax arrived after (charging)/crediting the following specific items:				
Employee benefit expenses	**(328,589)**	(74,767)	**(328,589)**	(74,767)
Depreciation	**(29,018)**	(6,889)	**(29,018)**	(6,889)
Lease payments	**(6,900)**	(2,300)	**(6,900)**	(2,300)
Share based payments (Note 26)	**(60,270)**	-	**(60,270)**	-

NOTES TO THE FINANCIAL STATEMENTS continued

	Consolidated		Parent Entity	
	2011	2010	**2011**	2010
6 INCOME TAX	**$**	$	**$**	$
(a) Income tax expense				
Current tax expense	**-**	-	**-**	-
Deferred tax expense	**-**	-	**-**	-
Total income tax expense	**-**	-	**-**	-
Deferred tax expense				
Increase/(decrease) in deferred tax expense	**-**	-	**-**	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit/(loss) from continuing operations before income tax expense	**(810,483)**	(834,631)	**(1,135,462)**	(694,466)
Income tax expense (benefit) calculated at 30% (2010:30%)	**(243,145)**	(250,389)	**(340,639)**	(208,340)
Temporary differences not brought to account	**(1,121,851)**	(639,013)	**(7,087)**	(76,780)
Tax losses not brought to account	**1,364,996**	889,402	**347,727**	285,119
Income tax expense/(benefit) at effective tax rate of 30% (2010: 30%)	-	-	**-**	-
(c) Amounts recognised directly in equity				
Aggregate current and deferred tax arising during the reporting period and not recognised in profit and loss but directly debited or credited to equity:				
Current income tax				
Current income tax on transaction costs of issuing equity instruments	**-**	-	**-**	-
(d) Unrecognised deferred tax assets and liabilities				
Deferred tax assets and liabilities have not been recognised in the balance sheet for the following items:				
Prior year unrecognised tax losses now ineligible due to change in tax consolidation group	**-**	-	**-**	-
Other deductible temporary differences	**(25,410)**	(148,648)	**(23,628)**	(255,932)
Deferred tax asset in respect of exploration activities not brought to account	**(810,483)**	(834,631)	**(1,135,462)**	(694,466)
Deferred tax liability in respect of exploration activities not recognised to the extent of unrecognised deferred tax asset	**(3,714,094)**	(1,981,394)	**-**	-
	(4,549,987)	(2,964,673)	**(1,159,090)**	(950,398)
Potential benefit/(expense) at 30% (2010: 30%)	**(1,364,996)**	(889,402)	**(347,727)**	(285,119)

NOTES TO THE FINANCIAL STATEMENTS continued

6 INCOME TAX continued

	Consolidated		Parent Entity	
	2011	2010	**2011**	2010
	$	$	**$**	$
(e) Deferred tax assets				
Deferred tax assets comprise temporary differences attributable to:				
Share issue expenses	**-**	-	**-**	-
	-	-	**-**	-
(f) Deferred tax liabilities				
Deferred tax liabilities comprise temporary differences attributable to:				
Amounts recognised in profit and loss				
Capitalised exploration costs	**-**	-	**-**	-

7 CASH AND CASH EQUIVALENTS

	Consolidated		Parent Entity	
	2011	2010	**2011**	2010
	$	$	**$**	$
Cash at bank and in hand	**3,577,464**	8,378,713	**2,429,452**	8,334,906
Cash held in trust - tenement guarantee	**190,000**	190,000	**-**	-
	3,767,464	8,568,713	**2,429,452**	8,334,906

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

Cash and cash equivalents	**3,767,464**	8,568,713	**2,429,452**	8,334,906
Balances per Statement of Cash Flows	**3,767,464**	8,568,713	**2,429,452**	8,334,906
Weighted Average Interest Rates	**5.44%**	5.96%	**6.01%**	5.92%

(b) Interest rate risk exposure

The Group's and the parent entity's exposure to interest rate risk is discussed in Note 3.

8 TRADE AND OTHER RECEIVABLES

	Consolidated		Parent Entity	
	2011	2010	**2011**	2010
Current	**$**	$	**$**	$
Tenement security deposit	**93,500**	17,500	**12,500**	12,500
Other deposits	**226,131**	130,000	**231,000**	130,000
Advance to other party	**462,206**	-	**462,206**	**-**
Other receivables	**28,373**	108,987	**(37,088)**	62,317
	810,210	256,487	**668,618**	204,817
Non-Current				
Receivable - Controlled entities	**-**	-	**9,287,615**	4,631,176
Receivable - Employee share plan	**570,006**	524,274	**570,006**	524,274
	570,006	524,274	**9,857,621**	5,155,450

(a) Impaired receivables and receivables past due

None of the current or non-current receivables are impaired or past due but not impaired.

(b) Other receivables

These amounts relate to receivables for GST paid.

NOTES TO THE FINANCIAL STATEMENTS continued

8 TRADE AND OTHER RECEIVABLES continued

Other deposits

These amounts related to prepaid field exploration expenditures.

Receivable Employee Share Plan

In 2010 the Company advanced $520,000 to Mr Henry Kinstlinger, Joint Company Secretary, under the employee share plan. Please refer page 19 for details.

Advance to other party

The Company advanced $450,000 interest bearing loan to one consultant, the loan is secured by shares only.

(c) Interest rate risk

Information about the Group's and the parent entity's exposure to interest rate risk in relation to trade and other receivables is provided in Note 3.

(d) Fair value and credit risk

Current trade and other receivables

Due to the short term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

Non-current trade and other receivables

The fair values and carrying values of non-current receivables are as follows:

	2011		2010	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
	$	**$**	$	$
Consolidated				
Receivable - Employee Share Plan	**570,006**	**570,006**	524,274	524,274
Related party receivables	**462,206**	**462,206**		
Parent Entity				
Receivable - Employee Share Plan	**570,006**	**570,006**	524,274	524,274
Controlled entities receivables	**9,287,615**	**9,287,615**	4,631,176	4,631,176

The controlled entities receivables have no terms of repayment and are not interest bearing.

	Consolidated		**Parent Entity**	
	2011	2010	**2011**	2010
9 OTHER CURRENT ASSETS	**$**	$	**$**	$
Prepayments	**-**	9,609	**-**	9,609
Accrued deposit interest receivable	**48,640**	107,917	**48,640**	107,917
	48,640	117,526	**48,640**	117,526
10 PLANT AND EQUIPMENT				
Plant and equipment				
At cost	**72,496**	10,364	**72,496**	10,364
Accumulated depreciation	**(13,145)**	(1,434)	**(13,145)**	(1,434)
Carrying value	**59,351**	8,930	**59,351**	8,930
Motor vehicles				
At cost	**86,535**	86,535	**86,535**	86,535
Accumulated depreciation	**(22,762)**	(5,455)	**(22,762)**	(5,455)
Carrying value	**63,773**	81,080	**63,773**	81,080
Total carrying value	**123,124**	90,010	**123,124**	90,010

NOTES TO THE FINANCIAL STATEMENTS continued

10 PLANT AND EQUIPMENT continued

Reconciliations

Reconciliations of the carrying amounts of each class of plant & equipment at the beginning and end of the current and previous financial year are set out below:

2011	Plant & equipment	Motor Vehicles	Total
	$	$	$
Carrying amount at 1 January 2011	8,930	81,080	90,010
Additions	62,132	-	62,132
Depreciation	(11,711)	(17,307)	(29,018)
Carrying amount at 31 December 2011	59,351	63,773	123,124
2010			
Carrying amount at 1 January 2010	-	-	-
Additions	10,364	86,535	96,899
Depreciation	(1,434)	(5,455)	(6,889)
Carrying amount at 31 December 2010	8,930	81,080	90,010

11 MINING TENEMENTS & CAPITALISED EXPENDITURE

	Consolidated		Parent Entity	
	2011	2010	**2011**	2010
	$	$	**$**	$
Mining tenements	**8,095,488**	4,381,395	**-**	107,284

The recoverability of the carrying amount of evaluation and exploration assets is dependant upon successful development and commercial exploitation, or alternatively the sale of the respective areas of interest.

	Consolidated		Parent Entity	
	2011	2010	**2011**	2010
	$	$	**$**	$
12 FINANCIAL ASSETS				
Investment in controlled entities (Note 18)	**-**	-	**500**	5
13 TRADE AND OTHER PAYABLES				
Current				
Trade payables	**154,796**	196,444	**52,603**	127,842
Other party payables	**200,000**	-	**200,000**	-
	354,796	196,444	**252,603**	127,842
14 EMPLOYEE BENEFITS PROVISIONS				
Current				
Provision for annual leave entitlement	**35,328**	1,139	**35,328**	1,139
Non-Current				
Provision for long service leave entitlement	**21,801**	2,170	**21,801**	2,170
15 OTHER LIABILITIES				
Accrued payable	**14,568**	-	**14,568**	-

NOTES TO THE FINANCIAL STATEMENTS continued

16 ISSUED CAPITAL

	Consolidated Entity and Parent		Consolidated Entity	
	2011	2010	**2011**	2010
	Number of Shares	Number of Shares	**$**	$
Ordinary shares Issued	**100,592,337**	100,592,337	**14,444,118**	14,444,118

(a) Movements in ordinary share capital during 2011:

Consolidated Entity and Parent Entity

Date	Details	No. of shares	Issue price $	$
31 December 2010	Balance	100,592,337	-	14,444,118
	Movement during the year	-	-	-
31 December 2011	Balance	100,592,337	-	14,444,118

(b) Performance Options

No other performance option is granted or exercised during the reporting period.

(c) Terms and Conditions

Each ordinary share participates equally in the voting rights of the Company. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

(d) Options

There were 11,700,000 options outstanding at the end of the financial year.

1,380,000 unallocated performance options have been approved for granting relevant to the Company's Employee Share Option Plan. 420,000 options were granted and allocated to employees under Company's Employee Option Plan.

Information relating to the Group's options issued for services rendered is set out in note 26.

17 RESERVES

	Consolidated		Parent Entity	
	2011	2010	**2011**	2010
	$	$	**$**	$
Option Reserves	**560,070**	499,800	**560,070**	499,800

The Company granted 8,200,000 options to directors and other key management personnel under the Company employee share option plan in 2009.

The Company granted a further 500,000 success options.

Please refer Note 26 to the financial statements for details of the movement.

The Company allocated 420,000 performance option to three eligible employees during the year.

18 INVESTMENTS IN CONTROLLED ENTITIES

Name of Entity	Class of Shares	Equity Holding 2011 %	Equity Holding 2010 %	Country of Incorporation
ABx 1 Pty Ltd	Ordinary	**100**	100	Australia
ABx 2 Pty Ltd	Ordinary	**100**	100	Australia
ABx 3 Pty Ltd	Ordinary	**100**	100	Australia
ABx 4 Pty Ltd	Ordinary	**100**	100	Australia
ABx 5 Pty Ltd	Ordinary	**100**	100	Australia

NOTES TO THE FINANCIAL STATEMENTS continued

19 RECONCILIATION OF (LOSS)/PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	Consolidated		Parent Entity	
	2011	2010	**2011**	2010
	$	$	**$**	$
(Loss)/Profit for the year	**(810,483)**	(834,631)	**(1,135,462)**	(694,466)
Share based payments expense	**60,270**	-	**60,270**	-
Change in operating assets and liabilities:				
(Increase)/Decrease in trade and other receivables	**(825,804)**	(218,082)	**(103,598)**	(176,020)
(Increase)/Decrease in other current assets	**68,886**	(117,525)	**68,886**	(112,379)
Decrease/(Increase) in other operating assets	**(3,714,094)**	(1,975,471)	**-**	(96,899)
Increase/(Decrease) in trade and other creditors and provisions	**207,108**	169,258	**173,517**	100,657
(Increase) in deferred tax assets	**-**	-	**-**	-
Increase in deferred tax liabilities	**-**	-	**-**	-
Net cash (outflow)/inflow from operating activities	**(5,014,117)**	(2,976,451)	**(936,387)**	(979,107)

20 SEGMENT INFORMATION

The Group operates one business being the mineral, exploration, development and geological surveys of resources in Australia.

21 COMMITMENTS AND CONTINGENT LIABILITIES

Tenement expenditure commitments

	Consolidated		Parent Entity	
	2011	2010	**2011**	2010
	$	$	**$**	$
Minimum tenement exploration	**2,650,250**	2,275,225	**-**	**-**
Tenement lease payment	**401,744**	497,098	**-**	**-**
	3,051,994	2,772,323	**-**	-

The minimum exploration expenditure commitments $2,650,250 and lease payments $ 401,744 on the Company's exploration tenements totalling approximately $3,051,994 over term of tenements.

Executive services agreement

In addition the Company has agreed with Mr Ian Levy as Managing Director in providing the services to the Company at an agreed rate of $200,000 for the calendar year 2011.

Service agreement

The Company has entered into a Service Agreement with Hudson Corporate Limited pursuant to which Hudson Corporate Limited has agreed to provide its management, registered office, administrative accounting and secretarial services.

The term of the Services Agreement is two years and the fee payable is that amount agreed between the parties from time to time. The terms of the Services Agreement provide that Hudson Corporate Limited shall act in accordance with the directions of the Board.

Lease commitments	Consolidated		Parent Entity	
Non-cancellable operating leases - future minimum lease payments	**2011** **$**	2010 $	**2011** **$**	2010 $
Within one year	**6,900**	6,900	**6,900**	6,900
Later than one year but not later than 5 years	**12,075**	18,975	**12,075**	18,975
Later than 5 years	**18,975**	25,875	**18,975**	25,875

The Group leases a copier under non-cancellable operating leases expiring in 3 years. Nor do they include commitments for any renewal options on leases. Lease conditions do not impose any restrictions on the ability of Australian Bauxite Limited and its subsidiaries from borrowing further funds or paying dividends.

There are no other material contingent liabilities as at the date of this report.

NOTES TO THE FINANCIAL STATEMENTS continued

22 EVENTS SUBSEQUENT TO BALANCE DATE

At the date of this report there are no other matters or circumstances, which have arisen since 31 December 2011 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 December 2011, of the Group;
- the results of those operations; or
- the state of affairs, in financial years subsequent to 31 December 2011, of the Group.

23 EARNINGS PER SHARE

	Consolidated	
	2011	2010
	Cents	Cents
Basic earnings/(loss) per share	**(0.81)**	(0.96)
Fully diluted earnings/(loss) per share	**(0.72)**	(0.85)
	2011	2010
	$	$
Profit/(loss) from continuing operations used in calculating basic and fully diluted earnings per share	**(810,483)**	(834,631)
	2011	2010
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	**100,592,337**	86,946,169
Adjustments for calculation of diluted earnings per share:		
Options	**11,700,000**	11,200,000
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**112,292,337**	98,146,169

24 KEY MANAGEMENT PERSONNEL DISCLOSURES

a. Directors

The following persons were Directors of Australian Bauxite Limited during the whole of the financial year unless otherwise stated:

- John Dawkins — Non-Executive Chairman — Appointed: 7 December 2011
- Peter J Meers — Executive Deputy Chairman
- Ian Levy — Managing Director
- Rado Jacob Rebek — Executive Director
- Vincent Tan — Non-Executive Director
- Wei Huang — Non-Executive Director

b. Other Key Management Personnel

The following persons were other key management personnel of Australian Bauxite Limited during the financial year:

- David L Hughes — Joint Company Secretary
- Henry Kinstlinger — Joint Company Secretary
- Francis Choy — Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS continued

24 KEY MANAGEMENT PERSONNEL DISCLOSURES continued

c. Compensation of Key Management Personnel

	Consolidated		Parent	
	2011	2010	**2011**	2010
Directors	**$**	$	**$**	$
Short term employee benefits	**367,075**	438,450	**267,075**	186,666
Post employment benefits	**-**	-	**-**	-
Long term benefits	**-**	-	**-**	-
Termination benefits	**-**	-	**-**	-
Share based payments	**-**	-	**-**	-
	367,075	438,450	**267,075**	186,666
Other Key Management Personnel				
Short term employee benefits	**109,206**	115,600	**109,206**	115,600
Post employment benefits	**-**	-	**-**	-
Long term benefits	**-**	-	**-**	-
Termination benefits	**-**	-	**-**	-
Share based payments	**-**	-	**-**	-
	109,206	115,600	**109,206**	115,600

Directors and Other Key Management Personnel of Australian Bauxite Limited

Consolidated 2011	**Short Term employee Benefits**		**Post Employment**	**Long Term Employee Benefits**		
	Salary & other fees	**Travelling Allowance**	**Super-annuation**	**Long Service Leave**	**Share based payments**	**Total**
Directors	**$**	**$**	**$**	**$**	**$**	**$**
John Dawkins AO	-	-	-	-	-	-
Peter Meers	**32,500**	-	-	-	-	**32,500**
Ian Levy	**200,000**	-	-	-	-	**200,000**
Rado Jacob Rebek	**114,375**	**2,700**	-	-	-	**117,075**
Vincent Tan	-	-	-	-	-	-
Wei Huang	**17,500**	-	-	-	-	**17,500**
Total-Directors	**364,375**	**2,700**	-	-	-	**367,075**
						-
Other Key Management Personnel						-
David L Hughes	-	-	-	-	-	-
Henry Kinstlinger	**100,206**	**9,000**	-	-	-	**109,206**
Francis Choy	-	-	-	-	-	-
Total-KMP	**100,206**	**9,000**	-	-	-	**109,206**

The amounts reported represent the total remuneration paid by entities in the Australian Bauxite Group of companies in relation to managing the affairs of all the entities within the Australian Bauxite Group.

There are no performance conditions related to any of the above payments.

There is no other element of Directors and Executives remuneration.

NOTES TO THE FINANCIAL STATEMENTS continued

24 KEY MANAGEMENT PERSONNEL DISCLOSURES continued

c. Compensation of Key management Personnel continued

Directors and Other Key Management Personnel of Australian Bauxite Limited

Consolidated 2010	Short Term employee Benefits		Post Employment	Long Term Employee Benefits		
	Salary & other fees	Travelling Allowance	Super-annuation	Long Service Leave	Share based payments	Total
	$	$	$	$	$	$
Directors						
Peter J Meers	25,000	-	-	-	-	25,000
Ian Levy	200,000	1,800	-	-	-	201,800
Rado Jacob Rebek	182,250	5,400	-	-	-	187,650
Vincent Tan	-	2,700	-	-	-	2,700
Wei Huang	15,000	6,300	-	-	-	21,300
Total-Directors	**422,250**	**16,200**	**-**	**-**	**-**	**438,450**
Other Key Management Personnel						
David L Hughes	-	-	-	-	-	-
Henry Kinstlinger	115,600	-	-	-	-	115,600
Francis Choy	-	-	-	-	-	-
Total-KMP	**115,600**	**-**	**-**	**-**	**-**	**115,600**

d. Employee Share Option Plan

The Company has adopted an Employee Share Option Plan, (ESOP) for its employees. A person is an employee of The Company if that person is an Executive Director, Non-executive Director or considered by the Board to be employed by The Company or a related party of The Company.

The purpose of the ESOP is to provide an opportunity for all eligible employees of The Company to participate in the growth and development of The Company through participation in the equity of The Company.

The Company believes it is important to provide incentives to employees in the form of options which provide the opportunity to participate in the share capital of The Company. The Company expects to apply the proceeds of exercise of the Options to working capital needs, asset or business acquisitions and general corporate purposes. All options to be issued must be consistent with any applicable Listing Rules and having regard to regulatory constraints under the *Corporations Act 2001*, ASIC policy or any other law applicable to The Company.

e. Shareholdings and Option Holdings of Key Management Personnel

Particulars of Interest in the Issued Capital of the Company's Ordinary Shares and Options at the date of signing the Directors' Report are:

Directors	Shares Direct Interest	Shares Indirect interest	Option
John Dawkins	-	-	-
Peter J Meers	-	55,677,337	1,000,000
Ian Levy	70,000	470,000	2,000,000
Rado Jacob Rebek	-	-	1,000,000
Vincent Tan	-	60,000	1,000,000
Wei Huang	20,000	-	1,000,000

NOTES TO THE FINANCIAL STATEMENTS continued

24 KEY MANAGEMENT PERSONNEL DISCLOSURES continued

e. Shareholdings and Option Holdings of Key Management Personnel continued

Shares held in Australian Bauxite Limited - 2011

Directors	Balance at beginning of year	Changes during the year	Balance at end of year
John Dawkins	-	-	-
Peter J Meers[1]	55,627,337	50,000	55,677,337
Ian Levy [2]	235,500	234,500	470,000
Rado Jacob Rebek	70,000	-	70,000
Vincent Tan	60,000	-	60,000
Wei Huang	20,000	-	20,000
Other Key Management Personnel			
Henry Kinstlinger	800,000	-	800,000
David L Hughes	40,000	-	40,000

[1] Mr Meers has an indirect interest in 55,667,337 ordinary shares by virtue of his position as Director of Hudson Resources Limited. He has no power to vote these shares and has indirect interest in 10,000 shares were purchased by related party in 2010.

[2] 234,500 shares were purchased by related parties of Mr Levy in 2011.

Shares held in Australian Bauxite Limited - 2010

Directors	Balance at beginning of year	Changes during the year	Balance at end of year
Peter J Meers [1]	50,000,000	5,627,337	55,627,337
Ian Levy [2]	62,500	173,000	235,500
Rado Jacob Rebek [3]	-	70,000	70,000
Vincent Tan [4]	-	60,000	60,000
Wei Huang [5]	50,020,000	(50,000,000)	20,000
Other Key Management Personnel			
Henry Kinstlinger [6]	-	800,000	800,000
David L Hughes	-	40,000	40,000

[1] Mr Meers has an indirect interest in 55,617,337 ordinary shares by virtue of his position as Director of Hudson Resources Limited and has indirect interest in 10,000 shares were purchased by related party in 2010.

[2] 173,000 shares were purchased by related parties of Mr Levy in 2010.

[3] 70,000 shares were purchased by Mr Rebek in 2010

[4] 60,000 shares were purchased by related parties of Mr Tan in 2010

[5] Mr Huang ceased to be director of Hudson Resources Limited in 2010

[6] Mr Kinstlinger exercised 800,000 options under Company Employee Share Plan during the year.

Options held in Australian Bauxite Limited - 2011

Directors	Nature	Balance at beginning of year	Changes during the year	Balance at end of year*
John Dawkins	Employee Share Option Plan	-	-	-
Peter J Meers	Employee Share Option Plan	1,000,000	-	1,000,000
Ian Levy	Employee Share Option Plan	2,000,000	-	2,000,000
Rado Jacob Rebek	Employee Share Option Plan	1,000,000	-	1,000,000
Vincent Tan	Employee Share Option Plan	1,000,000	-	1,000,000
Wei Huang	Employee Share Option Plan	1,000,000	-	1,000,000
Other Key Management Personnel				
Henry Kinstlinger	Employee Share Option Plan	200,000	-	200,000
David L Hughes	Employee Share Option Plan	100,000	-	100,000
Francis Choy	Employee Share Option Plan	100,000	-	100,000

NOTES TO THE FINANCIAL STATEMENTS continued

24 KEY MANAGEMENT PERSONNEL DISCLOSURES continued

Options held in Australian Bauxite Limited - 2010

Directors	Nature	Balance at beginning of year	Changes during the year	Balance at end of year*
Peter J Meers	Employee Share Option Plan	1,000,000	-	1,000,000
Ian Levy	Employee Share Option Plan	2,000,000	-	2,000,000
Rado Jacob Rebek	Employee Share Option Plan	1,000,000	-	1,000,000
Vincent Tan	Employee Share Option Plan	1,000,000	-	1,000,000
Wei Huang	Employee Share Option Plan	1,000,000	-	1,000,000
Other Key Management Personnel				
Henry Kinstlinger	Employee Share Option Plan	1,000,000	(800,000)	200,000
David L Hughes	Employee Share Option Plan	100,000	-	100,000
Francis Choy	Employee Share Option Plan	100,000	-	100,000

* *All options at year end are vested and exercisable*

Mr Kinstlinger exercised 800,000 options under Company Employee Share Plan and sold 100,000.

f. Loans to Directors and Key Management Personnel

Details of individuals with loans above $100,000 during the year are set out below.

	Balance at the start of the year	Advance/ (Repayments)	Interest payable for the year	Balance as at the end of the year	Highest indebtedness during the year	Additional interest otherwise payable*
Key management personnel	$	$	$	$	$	$
2011						
Henry Kinstlinger	524,274	-	45,731	570,005	570,005	11,112
2010						
Henry Kinstlinger	-	520,000	4,274	524,274	524,274	2,137

* *Market interest rate 7.0% (2010: 6%). This represents the difference between interest charged at the market interest rate and interest paid.*

Terms and conditions of loans

The loan partly relate to the individuals participation in the Company's Employee Share Option Plan. Loans are secured against the shares only. Loans are repayable should employees leave the Company. None were written down during the year.

There were no other loans made to Directors or Specified Executives of the Company and the Group during the period commencing at the beginning of the financial year and up to the date of this report.

25 REMUNERATION OF AUDITORS

	Consolidated		Parent Entity	
	2011	2010	**2011**	2010
	$	$	**$**	$
Audit services:				
Amounts paid or payable to auditors for audit and review of the financial report for the entity or any entity in the Group				
Audit services	**14,945**	13,245	**14,945**	13,245
Taxation and other advisory services:				
Amounts paid or payable to auditors for non audit taxation and advisory services for the entity or any entity in the Group				
Taxation	**7,745**	7,200	**7,745**	7,200
Advisory services	**-**	-	**-**	-
	7,745	7,200	**7,745**	7,200

NOTES TO THE FINANCIAL STATEMENTS continued

26 SHARE BASED PAYMENTS

	Number of instruments	Vesting Conditions	Expiry
Employee share options were granted to Directors, officers and consultants exercisable at any time prior to expiry	6,400,000	Vested and exercisable	15 October 2012
Initial Public Offer	3,000,000	Vested and exercisable	21 December 2012
Performance Option	105,000	Vested 1/7/2011	30 November 2013
Performance Option	105,000	Vested 31/12/2011	30 November 2013
Success Option	500,000	Vested and exercisable	15 August 2013

The number and weighted average exercise price of share options is as follows:

	Consolidated		Parent Entity	
	2011	2010	**2011**	2010
	Number	Number	**Number**	Number
Vested and exercisable at beginning of the year	**9,900,000**	10,200,000	**9,900,000**	10,200,000
Granted and vested during the year	**210,000**	500,000	**210,000**	500,000
Exercised during the year	**-**	(800,000)	**-**	(800,000)
Vested and exercisable at end of the year	**10,110,000**	9,900,000	**10,110,000**	9,900,000
Option expenses				
Share options granted	**210,000**	10,700,000	**210,000**	10,700,000
Expense recognised as costs	**60,270**	352,800	**60,270**	352,800
Deducted from equity	**-**	147,000	**-**	147,000
Fair Value per option at grant time	**28.7 cents**	4.9 cents	**28.7 cents**	4.9 cents

1. In 2011, the fair value of options granted above is determined using the Black-Scholes formula. The model inputs were: the share price of $0.20, the exercise price of $0.30, expected volatility of 50%, expected dividends of $Nil and a risk-free interest rate of 4.75%. There is no service or performance criterion in relation to the options.

2. In 2010, the fair value of options granted above is determined using the Black-Scholes formula. The model inputs were: the share price of $0.20, the exercise price of $0.30, expected volatility of 50%, expected dividends of $Nil and a risk-free interest rate of 3.75%. There is no service or performance criterion in relation to the options.

2011	Exercise date	Exercise price $	Balance at beginning of year	Granted during the year	Forfeited during the year	Exercised during the year	Expired during the year	Balance at the end of year	Vested and exercisable at end of year
Grant date									
15/10/2009	15/10/2012	0.30	6,400,000	-	-	-	-	-	6,400,000
24/12/2009	24/12/2012	0.30	3,000,000	-	-	-	-	-	3,000,000
15/08/2010	15/08/2013	0.55	500,000	-	-	-	-	-	500,000
31/12/2011	30/11/2013	0.30	-	210,000	-	-	-	-	210,000
Total			9,900,000	210,000	-	-	-	-	10,110,000
Weighted average exercise price			30.0 cents						

2010	Exercise date	Exercise price $	Balance at beginning of year	Granted during the year	Forfeited during the year	Exercised during the year	Expired during the year	Balance at end of year	Vested and exercisable at end of year
Grant date									
15/10/2009	15/10/2012	0.30	7,200,000	-	-	(800,000)	-	########	6,400,000
24/12/2009	24/12/2012	0.30	3,000,000	-	-	-	-	########	3,000,000
15/08/2010	15/08/2013	0.55	-	500,000	-	-	-	-	500,000
Total			10,200,000	500,000	-	(800,000)	-	########	9,900,000
Weighted average exercise price			30.0 cents						

NOTES TO THE FINANCIAL STATEMENTS continued

27 RELATED PARTY TRANSACTIONS

(a) Parent Entities

The parent entity within the Group is Australian Bauxite Limited. The ultimate Australian parent entity is Hudson Resources Limited which at 31 December 2011 owns 55.29 % (2010: 55.29%).

(b) Subsidiaries

Interests in subsidiaries are disclosed in Note 18.

(c) Key Management Personnel Compensation

Key management personnel compensation information is disclosed in Note 24.

(d) Transactions with Related Parties

The following transactions occurred with related parties during the year ended 31 December 2011:

Investment in tenements

Consolidated and parent entity

Nil

Convertible Note

Consolidated and parent entity

2009: Australian Bauxite Limited issued to Hudson Resources Limited a three year 6% convertible note with a face value of $2,400,000. The convertible note was fully settled by way of cash payment and issued shares in 2010.

Administration fee

Consolidated and parent entity

The Company paid an administration fee to Hudson Corporate Limited (HCL) of $363,000 as payment of sharing rent, administration, accounting, secretarial and compliance costs incurred by HCL on behalf of the group.

(e) Outstanding Balance

Amounts owed to related parties - current payables

$200,000 at 6% p. a. deposit was received. The deposit is fully settled in early 2012.

(f) Guarantees

No guarantees were given or received from related parties during the year.

(g) Terms and conditions

All transaction were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms or repayment of loans between the parties and that no interest is charged on outstanding balances.

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes, are in accordance with the *Corporations Act 2001* and:

   (a) comply with Accounting Standards which as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

   (b) give a true and fair view of the financial position as at 31 December 2011 and of the performance for the year ended on that date of the Company and the consolidated entity.

2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. The remuneration disclosures included on pages 16 to 18 of the Directors' Report (as part of audited Remuneration Report), for the year ended 31 December 2011, comply with section 300A of the *Corporations Act 2001.*

4. The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

Peter J Meers
Executive Deputy Chairman

Ian Levy
Chief Executive Officer

Signed at Sydney
29 March 2012

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AUSTRALIAN BAUXITE LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Australian Bauxite Limited (the company) and Australian Bauxite Limited and Controlled Entities (the consolidated entity) which comprises the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year ended on that date, a summary of significant accompanying policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the Directors' report. As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of Directors and executives ("remuneration disclosures"), required by Australian Accounting Standard AASB 124: Related Party Disclosures, under the heading "Remuneration Report" in the Directors' report and not in the financial report.

Director's Responsibility for the Financial Report and the Remuneration Report contained in the Directors' Report

The Directors of Australian Bauxite Limited are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report comprising the financial statement and notes, complies with IFRS.

The Directors of the company are also responsible for the remuneration report contained in the Directors' Report in accordance with s300A of the Corporations Act 2001.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration report in the Directors' Report is in accordance with Australian Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the Directors' report.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AUSTRALIAN BAUXITE LIMITED (Cont'd)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence
In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Australian Bauxite Limited would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

Auditor's Opinion
In our opinion:

(a) the financial report of Australian Bauxite Limited and Australian Bauxite Limited and Controlled Entities is in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2011 and of their performance for the year ended on that date; and
  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report of the company and consolidated entity also comply with IFRS as disclosed in note 1.

Auditor's opinion on the Remuneration Report contained in the Directors' Report.

In our opinion, the remuneration disclosures that are contained on pages 16 to 18 of the Directors' Report comply with S300A of the Corporations Act 2001.

KS Black & Co
Chartered Accountants

Ajmat

Faizal Ajmat
Partner

Sydney, 29 March 2012

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SHAREHOLDER INFORMATION

As at 29 February 2012

Substantial Holders

Those shareholders who have lodged notice advising substantial shareholding under the Corporations Act 2001 are as follows:

Shareholder	No. of Shares	Percentage Held
1. Hudson Resources Limited	55,667,337	55.34

Distribution of Equity Securities

Range	Total Holders	Units	Percentage of Issued Capital
1 - 100	11	304	0.00
101 - 1,000	36	30,952	0.03
1,001 - 10,000	470	2,830,669	2.81
10,000 - 50,000	246	6,396,440	6.36
50,001 - 100,000	61	4,654,339	4.63
100,001 - 500,000	38	8,819,279	8.77
500,001 - 1,000,000	11	8,075,036	8.03
1,000,001 - 9,999,999,999	8	69,785,318	69.37
			0.00
Total	**881**	**100,592,337**	**100**

Unmarketable Parcels

	Minimum Parcel Size	Holders	Units
Minimum $ 500.00 parcel at $ 0.5250 per unit	953	31	15,256

Twenty Largest Shareholders

The names of the twenty largest holders of quoted equity securities are listed below:

Rank	Name	Units	Percentage of Issued Capital
1	Hudson Resources Limited	55,667,337	55.34
2	National Nominees Limited	3,386,619	3.36
3	Wsf Pty Ltd <Woodstock Super Fund A/C>	2,999,743	2.98
4	Washington H Soul Pattinson And Company Limited	2,405,555	2.39
5	State One Stockbroking Ltd <Sos House Ahx A/C>	1,694,727	1.68
6	State One Stockbroking Ltd	1,357,500	1.35
7	State One Equities Pty Ltd	1,205,223	1.20
8	Yarraandoo Pty Ltd <Yarraandoo Super Fund A/C>	1,150,000	1.15
9	Romadak Pty Ltd <Romadak Super Fund A/C>	1,110,000	1.06
10	Chase Super Pty Limited <Chase Ent P/L Prov Fund A/C>	1,068,614	1.10
11	Latoka Investments Ltd	888,000	0.88
12	HSBC Custody Nominees (Australia) Limited	852,531	0.85
13	Equity Trustees Limited <Sgh Micro Cap Fund A/C>	850,000	0.84
14	Mr Henry Kinstlinger	800,000	0.80
15	Boldbow Pty Ltd	695,000	0.69
16	State One Holdings Pty Ltd	694,505	0.69
17	Rex & Josephine Adams - R&J Adams Super Fund A/C	680,000	0.68
18	M F Custodians Limited	550,000	0.55
19	London Wall Investments Pty Ltd - Jenkins Family A/C	505,000	0.50
20	Davmin Pty Ltd	500,000	0.50

	Units	Percentage
Top 20 Holders Of Ordinary Fully Paid Shares (Total)	**79,060,354**	**78.59**
Total Remaining Holders Balance	**21,531,983**	**21.41**

SHAREHOLDER INFORMATION continued

Unquoted Securities (other than options issued under an Employee Share Option Plan)

Class	Exercise Price	Expiry Date	No. of Securities	No. of Holders	Name where holder holds 20% or more	Percentage held
Options	$0.30	24 December 2012	3,000,000	10	Sing Capital Pty Ltd	33.30%
Options	$0.55	15 August 2013	500,000	1	State One Stockbroking Ltd	100%
Options	$0.30	30 November 2013	210,000	3	N/A	N/A

Voting rights

There are no restrictions on voting rights. On a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote. Where a member holds shares which are not fully paid, the number of votes to which that member is entitled on a poll in respect of those part paid shares shall be that fraction of one vote which the amount paid up bears to the total issued price thereof. Option holders have no voting rights until the options are exercised.

List of escrowed Securities

There are no escrowed securities as of 29 February 2012.

TENEMENT SCHEDULE

Tenement No.	Location	Square Kms	Registered Owner/ Applicant/Assignee	Percentage Held
NEW SOUTH WALES				
EL 6997	Inverell	297	ABx1 Pty Ltd	100.0%
EL 7268	Pindaroi	138	ABx1 Pty Ltd	100.0%
EL 7361	Guyra	300	ABx1 Pty Ltd	100.0%
EL 7824	Guyra Extension	288	ABx1 Pty Ltd	100.0%
EL 7596	Merriwa - 1	75	ABx1 Pty Ltd	100.0%
EL 7597	Merriwa - 2	639	ABx1 Pty Ltd	100.0%
EL 7598	Merriwa - 3	558	ABx1 Pty Ltd	100.0%
ELA 4398	Merriwa Extension	264	ABx1 Pty Ltd	100.0%
EL 7872	Glencoe	300	ABx1 Pty Ltd	100.0%
EL 7858	Stannifer	294	ABx1 Pty Ltd	100.0%
ELA 4443	White Hill	210	ABx1 Pty Ltd	100.0%
EL 7269	Windellama	270	ABx2 Pty Ltd	100.0%
EL 7279	Wingello West	21	ABx2 Pty Ltd	100.0%
ELA 4038	Wingello Extended	39	ABx2 Pty Ltd	100.0%
EL 7357	Taralga	300	ABx2 Pty Ltd	100.0%
EL 7681	Taralga Extension	300	ABx2 Pty Ltd	100.0%
EL 7857	Taralga 2nd Ext	306	ABx2 Pty Ltd	100.0%
ELA 4350	Taralga 3rd Ext	309	ABx2 Pty Ltd	100.0%
EL 7601	Bungonia	276	ABx2 Pty Ltd	100.0%
EL 7546	Penrose	33	ABx2 Pty Ltd	100.0%
QUEENSLAND				
EPM 17790	Hampton	112	ABx3 Pty Ltd	100.0%
EPM 17800	Red Hill	48	ABx3 Pty Ltd	100.0%
EPM 17801	Red Hill South	50	ABx3 Pty Ltd	100.0%
EPM 17830	Haden	88	ABx3 Pty Ltd	100.0%
EPM 17831	Hillgrove	89	ABx3 Pty Ltd	100.0%
EPM 18014	Binjour	50	ABx3 Pty Ltd	100.0%
EPM 18772	Binjour Extension	41	ABx3 Pty Ltd	100.0%
EPM 19169	Tellebang	50	ABx3 Pty Ltd	100.0%
ML 80126	Toondoon (Red Hill)	0	ABx3 Pty Ltd	100.0%
EPMA 19390	Brovinia	49	ABx3 Pty Ltd	100.0%
EPMA 19427	Brovinia 2	47	ABx3 Pty Ltd	100.0%
TASMANIA				
EL 4/2010	Evandale	197	ABx4 Pty Ltd	100.0%
EL 5/2010	Powranna	234	ABx4 Pty Ltd	100.0%
EL 6/2010	Cleveland	209	ABx4 Pty Ltd	100.0%
EL 7/2010	Conara	238	ABx4 Pty Ltd	100.0%
EL 9/2010	Deloraine	224	ABx4 Pty Ltd	100.0%
EL 14/ 2010	Myalla	80	ABx4 Pty Ltd	100.0%
EL 37/2010	Westbury	237	ABx4 Pty Ltd	100.0%
EL 5/2011	Sassafras	30	ABx4 Pty Ltd	100.0%

JORC CODE COMPLIANT PUBLIC REPORTS

The Company advises that this Annual Report contains summaries of Exploration Results and Mineral Resources as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC Code").

The following table references the location of the Code-compliant Public Reports or Public Reporting on which the summaries are based. These references can be viewed on the ASX website and the Company will provide these reports, free of charge, to any person who requests it.

Issue Date	Title of Notice as lodged with ASX
27 October 2011	Australian Bauxite Limited - Market Update
12 October 2011	Maiden Binjour JORC Resource
19 September 2011	Binjour Update - Resource Estimation Underway
15 August 2011	Maiden Guyra Resource 6 million tonne
28 June 2011	Drilling Update - Guyra Discovery
12 May 2011	ABZ Resource Roundup CEO Presentation
12 May 2011	Taralga JORC Upgrade - Pre-Feasability initiated
31 March 2011	Annual Report to shareholders
9 February 2011	Australian Bauxite Drill Update
18 January 2011	ABZ Drilling Update

Direct Shipping Bauxite or "Direct Shipping Ore"

All references in this report to direct shipping bauxite or direct shipping ore (DSO) refers to the Company's exploration objective of defining or identifying DSO grade mineralisation.

True Width

The true-width of deposits is not known and will be determined by further resource definition drilling.

Qualifying statements

The information in this report that relate to Resource Estimates are based on information compiled by Ian Levy who is a member of Australian Institute of Mining and Metallurgy. Mr Levy is a qualified geologist and is a director of Australian Bauxite Limited.

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 Levy has consented in writing to the inclusion in the announcement and Appendix A of the matters based on information in the form and context in which it appears.

The information in this report that relate to exploration programs are based on information compiled by Jacob Rebek who is a member of Australian Institute of Mining and Metallurgy. Mr Rebek is a qualified geologist and is a director of Australian Bauxite Limited.

Mr Rebek 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 Rebek has consented in writing to the inclusion in the announcement and Appendix A of the matters based on information in the form and context in which it appears.