

ANNUAL REPORT 2012



***Left to right: Rado Jacob Rebek, Chief Geologist
Drago Panich, Project Manager and Senior Mining Engineer
Leon Hawker, Chief Operating Office
Inspecting the bauxite project in Tasmania.***

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CORPORATE DIRECTORY

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Directors

The Hon. John Dawkins AO (Non-Exec Chairman)
Peter J Meers (Exec Deputy Chairman)
Ian Levy (Managing Director & CEO)
Rado J Rebek
Wei Huang
Ken Boundy

Joint Company Secretaries

David L Hughes
Henry Kinstlinger

Share Registry

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Sydney NSW 2000, Australia
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ASX Code – ABZ

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

This financial report covers the Consolidated Entity consisting Australian Bauxite Limited and its controlled entities.

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

CHAIRMAN'S REVIEW 2012

Dear Shareholders,

Australian Bauxite Limited (ASX: **ABZ**) achieved its 2012 objective to select which of its three state-significant projects should be developed first. Our Tasmanian project has been selected based on relative low cost, nearness to port and acceptable socio-environmental settings. The Mining Lease application process commenced in November and a Memorandum of Understanding (**MoU**) has been signed with Tasmanian Port Corporation regarding access to Bell Bay Port.

During 2012, total company bauxite resources increased 38% to 116 million tonnes, a pre-feasibility study was carried out on the two potentially economic projects in the Goulburn area of southern NSW and the resource base at Binjour, 115km inland from Bundaberg in central QLD was expanded.

The Company has 41 bauxite tenements in QLD, NSW and Tasmania covering 6,611 km² all meeting four criteria:

1. high quality gibbsite-rich 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; and
4. all tenements 100% owned and free of third party royalties.

In Tasmania, drilling is defining optimum Mining Lease outlines and if the Mining Lease application process takes its normal course, bauxite production can commence in late 2014 when bauxite demand will be strong. The Company is seeking an off-take partner to reduce market-risk during start-up. Our initial costing suggest capital costs of about \$10 million and low operating costs of \$A27 to \$A32 per tonne free-on-board Bell Bay.

In conjunction with the Marubeni Group, a \$1.5 million pre-feasibility study showed that Goulburn North project at Taralga could be developed after 2017 when rail and port infrastructure upgrades are completed. The study also showed that a smaller project may commence at Goulburn South in Wingello pine forest which has bauxite resources covered by two Ministerial Mining Reserves for the protection of sand deposits. If government removes those Reserves, Goulburn South could commence production by the end of 2015 at low capital cost and moderate operating cost, exporting bauxite from Port Kembla. A MoU has been signed with Port Kembla Port Corporation regarding access to the port.

Our projects will sell gibbsite-rich bauxite to alumina refineries in China, India and Australia. Bauxite demand is intensifying due to reduced supply from Indonesia, India and China and increased demand for alumina (aluminium oxide) due to rising Aluminium production. Seaborne bauxite prices are rising whilst the price of aluminium metal has remained flat because highly efficient new aluminium smelters using cheap electricity in China, Middle East and Russia have increased production and suppressed aluminium prices. The increased demand for seaborne bauxite has led to rising bauxite prices which are forecast to rise further when Indonesia increases its export tax on bauxite from 20% to 50% in 2014. This outlook is why Australian Bauxite Limited was created in 2009.

Bauxite is the fastest growing seaborne traded mineral commodity. The largest customers are new Chinese alumina refineries which increasingly import bauxite from Australia and Indonesia. Chinese bauxite imports have risen from zero in 2004 to more than 45 million tonnes in 2011. In mid-2012, exports from Indonesia fell due to Indonesian export bans and new export taxes and China was only able to import 40 million tonnes in 2012. Bauxite prices have risen from \$US27 per tonne CIF China in 2005 to \$US75 per tonne in 2007 before the global financial crisis and are currently steadily rising towards \$US60 and beyond during 2014. Potential value growth for Company and shareholders looks promising.

In June 2012, the Company raised \$2.1 million via a capital raising and Share Purchase Plan. Shareholder support is greatly appreciated at this critical stage in the company's growth.

Directors thank management, staff and consultants for their enthusiastic teamwork and achievements over the past year. We look ahead to another year of high achievement and growth.



John Dawkins, AO
Chairman

REVIEW OF OPERATIONS

This Review of Operations covers the 12 month period to 31 December 2012.

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 2012, ABx, through its wholly owned subsidiaries (ABx 1 Pty Ltd, ABx 2 Pty Ltd, ABx 3 Pty Ltd, ABx 4 Pty Ltd and ABx 5 Pty Ltd) holds 41 bauxite tenements in Queensland, New South Wales and Tasmania covering 6,611 km².

During the 2012 reporting period, ABx declared and/or increased global bauxite resources to 115.6 million tonnes. ABx now has declared resources in 3 States – Queensland, New South Wales and Tasmania. In 2012 ABx drilled 569 holes for 8,648 metres.

ABx has identified 3 State-significant projects: Goulburn (southern NSW), Tasmania and Binjour in central Queensland. ABx has also declared resources in the Inverell – Guyra area of northern NSW in the order of 44 Million tonnes.

2013 should see ABx progress to build a bauxite extraction and export business, starting in north central Tasmania and then in plantation pine country, southeast of Goulburn NSW. An offtake partner will be a key part of building this new business. First production is planned for late 2014 in Tasmania. ABx has entered into a Memorandum of Understanding with Tasmanian Ports Corporation concerning access to the Bell Bay Port.

Corporate

28 May 2012	Vincent Tan retired as a director of ABx at the annual general meeting
6 June 2012	Ken Boundy was appointed as a director of ABx
June / July 2012	\$2.13 million in additional share capital was raised from existing shareholders and sophisticated / professional investors
21 December 2012	Data room established; majors express interest since declaration of 3 state significant projects

EXPLORATION

Exploration strategy

ABx applies three rigorous 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 using its proprietary exploration technology and new discoveries are still being made as knowledge and expertise grows.

The company's bauxite is high quality and can be processed into alumina at low temperature – the type that is in short-supply globally. Global resources declared to date total 115.6 million tonnes. At the company's first drilling prospect in Inverell, northern NSW, a resource of 38.0 million tonnes¹ was reported from drilling 35% to 40% of the area prospective for bauxite and a resource of 37.9 million tonnes² of bauxite has been reported at the Taralga project in southern NSW. A 6.0 million tonnes³ maiden resource was declared at Guyra. A 24.5 million tonnes⁴ resource has been declared at the Binjour Plateau in central QLD, confirming that ABx has discovered a significant bauxite deposit including some bauxite of outstandingly high quality. A 5.7 million tonnes⁵ maiden resource has been declared for Tasmania. 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.

^{1 2 3 4 5} See JORC References on page 18

ABx has the potential to create significant bauxite developments in three states - Queensland, New South Wales and Tasmania. Its bauxite deposits are favourably located for direct shipping of bauxite to both local and export customers.

ABx endorses best practices on agricultural land, strives to leave the land and environment better than it was found and only operate where welcomed.

Land Access

ABx's bauxite drilling program is proceeding without interruption and achieves a 100% approval by landholders of drill site rehabilitation work done by the ABx field crew. Landholder support has been positive and mutually respectful 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 landowner resistance or environmental legislation.

Exploration sequence

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

Once a bauxite target is identified, 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 area 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 been 50% drilled-out to date. Overall, ABx has tested only 10% to 40% of the currently identified bauxite areas within ABx tenements.

Discoveries continuing

ABx continues to discover more bauxite areas by applying its exploration technology. In those areas that can meet the selection criteria, ABx applies for new exploration tenements to secure these new discoveries. Drill testing commences once the new tenements are granted.

Tenement status

Tenements are 100% in good standing.

Exploration outcomes

During the 2012 reporting period, ABx declared and/or increased global bauxite resources to 115.6 million tonnes. ABx now has declared resources in 3 States – Queensland, New South Wales and Tasmania.

ABx has identified 3 State-significant projects: Goulburn (southern NSW), Tasmania and at Binjour in central Queensland. ABx has also declared resources in the Inverell – Guyra area of northern NSW in the order of 44 Million tonnes.

ABx is expediting development of two near-term bauxite export operations to ship bauxite from both Bell Bay Port from the Tasmanian deposits and from Port Kembla from the Goulburn bauxite projects.

ABx will also begin economic assessments of the Binjour bauxite project in Queensland during 2013, including government negotiations over transport options.

TASMANIAN BAUXITE PROJECT

ABx considers its Tasmanian Project located within 100 km of Bell Bay Port to be a state significant discovery of a major bauxite province, which may come into production ahead of ABx's other mainland projects in 2014.

A 2 to 8 metres thick surface layer of gibbsite-rich, low silica bauxite occurs in moderate-sized blocks over the Tasmanian northern midlands area in the hinterland of Bell Bay where Australia's first alumina refinery and first aluminium smelter were established.

In early 2012, ABx identified bauxite in Tasmanian locations, which are suitable for production. Drilling commenced in late August and will continue throughout 2013 to define the optimum Mining Lease outlines and extend the areas of bauxite drill testing. Only 7% of targeted areas have been drilled to date and contain the following maiden resources:

Table 1: Summary of Maiden Bauxite Resources, Tasmania

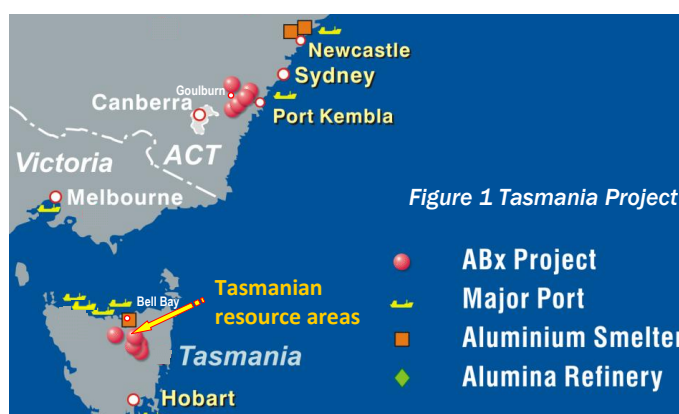
Tasmanian Bauxite Resources			Sieved at 0.26mm											Over-burden m	Internal Waste m
Resource category	Tonnes millions	Bauxite Thick- ness	Al ₂ O ₃ Avl % 225°	Al ₂ O ₃ Avl % 143°	Rx SiO ₂ %	Avl/Rx Ratio	Al ₂ O ₃ %	SiO ₂ %	A/S Ratio	Fe ₂ O ₃ %	TiO ₂ %	LOI %	Yield %		
Inferred	5.7 Mt	3.8 m	39.5	37.6	3.2	11.9	44.1	4.3	10.4	22.8	3.1	25.0	55%	1.5 m	0.1 m
TOTAL	5.7 Mt	3.8 m	39.5	37.6	3.2	11.9	44.1	4.3	10.4	22.8	3.1	25.0	55%	1.5 m	0.1 m

Cut-off grades applied: Minimum 30% available Al₂O₃ at 143 degrees, 2m thickness, 350m search ellipse for each 25m x 25m block. 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. "Al₂O₃ Avl % 225°" is estimated available alumina at 225 degrees C based on metallurgical testwork. "Avl/Rx" ratio is (Al₂O₃ Avl)/(Rx SiO₂) and "A/S" ratio is Al₂O₃/SiO₂. Values above 10 are excellent. 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 resource is based on 377 holes totalling 2,652 metres, averaging 7 metres depth.

Typically there is 3.5 to 4 metres of bauxite beneath 0.5 to 2 metres of soil and overburden which will be selectively removed and replaced over mined-out areas to ensure that seeds and soils remain viable.

Approximately 50% of the bauxite layer is DSO grade Bauxite, which can be mined and directly shipped.



ABx is evaluating laboratory and exploration results from recent drilling and surface exploration at its newly consolidated 9 Tasmanian exploration tenements totalling 1,040 square kilometres in central Northern Tasmania.

ABx located several Tasmanian bauxite deposits in ideal, straightforward settings for early development with no socio-environmental consequences. ABx is now expediting the sequential early development of three deposits that could support a blended export project.

Results have been carefully assessed so as to define areas that may be suitable for a bauxite extraction and export project on the basis of:

1. Sufficient tonnages of thick, good quality low-silica, gibbsite-rich bauxite that can be blended to produce a consistent DSO bauxite product
2. Nearness to high-capacity, heavy duty transport routes linked to the nearby Bell Bay mineral export port. ABx has a Memorandum of Understanding with the Tasmanian Port Corporation regarding access to Bell Bay
3. Most importantly, as free as possible of socio-environmental constraints that might prevent investment in a new business in central Northern Tasmania

Community consultation, discussions with all levels of government and expert advice has led to a greater level of confidence that bauxite extraction could be viable in several of these areas once sufficient resources are identified and required

Central Northern Tasmania has good infrastructure, with an operating rail line passing through the bauxite areas as well as heavy haulage highways. Both rail and road link directly to efficient operating mineral export berths at Bell Bay Port which has spare port capacity. Tasmania has a well-developed electric power grid based mainly on hydroelectric power and has ample water supplies. Natural gas from Bass Strait is distributed throughout Tasmania and there are many well established population centres.

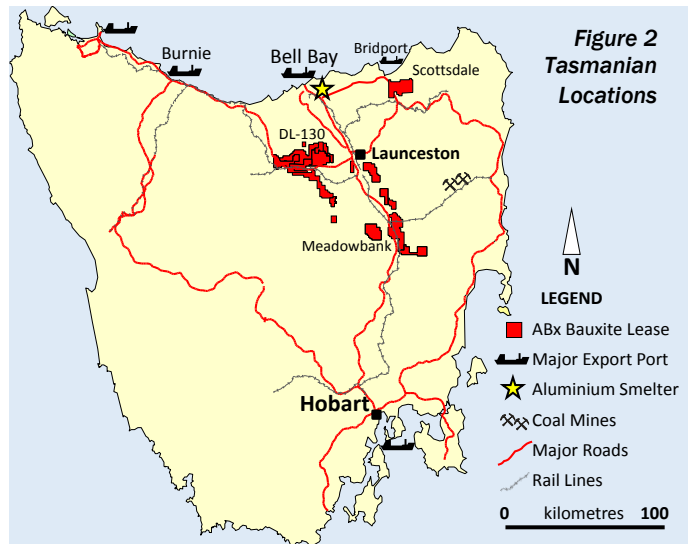


Figure 3 Bell Bay Port, Tasmania

Tasmania has a proud mining heritage. Coal mining occurs in the Fingal Valley area east of the main bauxite areas and large cement works are operating to the west of the bauxite areas. The Bell Bay aluminium smelter is operated by Rio Tinto Alcan. Central Northern Tasmania has some of Australia's best steel fabrication and heavy machinery workshops as well as highly experienced earth moving, transport and construction contractors that have quarried and rehabilitated bauxite for major highway construction in northern Tasmania over many decades.



Figures 4 & 5: Drilling plantation areas in Tasmania

Haulage roads to the plantations are well established. Drilling is being done well ahead of harvesting to allow optimisation of the mining schedule.

The plantations are a monoculture of eucalypt tree species imported from mainland states.



Thomas Grieve



Nathan Towns



Figures 6 to 12: The ABx Process:
Drill, sample, log, test in field laboratory, store and rehabilitate immediately

Figures 13 to 18: Tasmanian Locations



GOULBURN BAUXITE PROJECTS

Goulburn projects comprise 8 Exploration Licences centred around the old mining-pastoral city of Goulburn, southern NSW located on the major rail line connected directly to Port Kembla Port, which is a deepwater mineral export port, handling Cape Size and Panamax Ships.

Marubeni Corporation has funded 35% of the Pre Feasibility Study (PFS) costing \$1.5 million and has an option to buy a 35% interest in the project at the commencement of a Bankable Feasibility Study for a large scaled project.

The PFS and Stage 2 expanded transport study were finalised by Como Engineers and GHD and provided a costing database that has been applied to ABx's other projects.

The district's deposits contain thick zones of premium grade bauxite, with good potential for more discoveries. All deposits are gibbsite-rich (trihydrate) bauxite, low in reactive silica and free of refractory mineral boehmite (monohydrate). All horizons produce Direct Shipping or "DSO" bauxite. Current JORC compliant resources are as follows:



Table 2: Summary of Bauxite Resources at Taralga, Southern NSW

DSO Bauxite Resources				Sieved at 0.26mm											
Resource category	Tonnes millions	Bauxite Thickness	DSO Thickness	Al ₂ O ₃ Avl % 143°	Rx SiO ₂ %	Avl/Rx Ratio	Al ₂ O ₃ %	SiO ₂ %	A/S Ratio	Fe ₂ O ₃ %	TiO ₂ %	LOI %	Yield	Overburden	Internal Waste
Inferred	9.9	4.6 m	3.1 m	35.2	1.9	18.3	40.4	5.7	7.1	24.6	4.1	22.2	54%	0.1 m	0.2 m
Indicated	10.2	6.4 m	3.7 m	36.1	1.9	18.8	41.3	5.3	7.8	25.9	4.0	22.9	55%	0.7 m	0.4 m
TOTAL	20.1	5.6 m	3.4 m	35.7	1.9	18.5	40.8	5.5	7.4	25.3	4.0	22.6	55%	0.5 m	0.3 m

PDM-DSO Bauxite Resources				Sieved at 0.26mm											
Resource category	Tonnes millions	Bauxite Thickness	PDM-DSO Thickness	Al ₂ O ₃ Avl % 143°	Rx SiO ₂ %	Avl/Rx Ratio	Al ₂ O ₃ %	SiO ₂ %	A/S Ratio	Fe ₂ O ₃ %	TiO ₂ %	LOI %	Yield	Overburden	Internal Waste
Inferred	7.6	4.8 m	2.5 m	22.1	1.3	16.8	37.0	6.0	6.1	38.4	3.5	13.3	72%	0.2 m	0.1 m
Indicated	10.3	6.5 m	3.1 m	22.4	1.1	19.8	37.6	3.9	9.5	40.4	3.7	13.5	71%	0.7 m	0.4 m
TOTAL	17.8	5.8 m	2.8 m	22.3	1.2	18.4	37.3	4.8	7.7	39.6	3.6	13.4	72%	0.5 m	0.3 m

Note: DSO Bauxite of DSO grades is recoverable from the PDM-DSO Bauxite Resources. Metallurgical testwork indicates that approximatley 80% to 85% of the PDM-DSO Bauxite is DSO grade bauxite. The remainder is dense, hard, magnetic spinel nodules easily recovered by gravity and sold at refractory grade prices.

Total Bauxite Resources				Sieved at 0.26mm											
Resource category	Tonnes millions	Bauxite Thickness	DSO Thickness	PDM-DSO Thickness	Rx SiO ₂ %	Avl/Rx Ratio	Al ₂ O ₃ %	SiO ₂ %	A/S Ratio	Fe ₂ O ₃ %	TiO ₂ %	LOI %	Yield	Overburden	Internal Waste
Inferred	17.5	4.6 m	3.1 m	2.5 m	1.7	17.6	38.9	5.8	6.7	30.6	3.9	18.3	62%	0.2 m	0.2 m
Indicated	20.4	6.3 m	3.7 m	3.1 m	1.5	19.3	39.4	4.6	8.5	33.2	3.8	18.2	63%	0.7 m	0.4 m
TOTAL	37.9	5.6 m	3.4 m	2.8 m	1.6	18.5	39.2	5.2	7.6	32.0	3.8	18.3	63%	0.4 m	0.3 m

Note: DSO Bauxite of DSO grades is recoverable from the PDM-DSO Bauxite Resources. Metallurgical testwork indicates that approximately 80% to 85% of the PDM-DSO Bauxite is DSO grade bauxite. The remainder is dense, hard, magnetic spinel nodules easily recovered by gravity and sold at refractory grade prices.

Cut-off grades applied: Minimum 30% Al₂O₃, 2m thickness & 3 data points in 350m search ellipse for each 25m x 25m block. 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 (Al₂O₃ Avl)/(Rx SiO₂). Values above 10 are excellent. "A/S" ratio is Al₂O₃/SiO₂ where the SiO₂ includes inert silica sand in bauxite. 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.

Resource Estimation and Deposit Geometry

Areas of thick good quality bauxite continue to be discovered across the Taralga - Mt Rae Areas and new bauxite target areas have been identified in new tenements that have been recently granted. Over the last 12 months, bauxite resources at Taralga have increased by 50% from 25 million tonnes to the current estimate of 37.9 million tonnes.

ABx discovered exceptionally thick bauxite at Mt Rae near Taralga in southern NSW in February 2012. The bottom of the bauxite has not yet been reached. The cross-section in Figure 20 below through the thick bauxite discovery demonstrates the geological setting of these remarkable deposits. Potential extensions of this material have been identified.

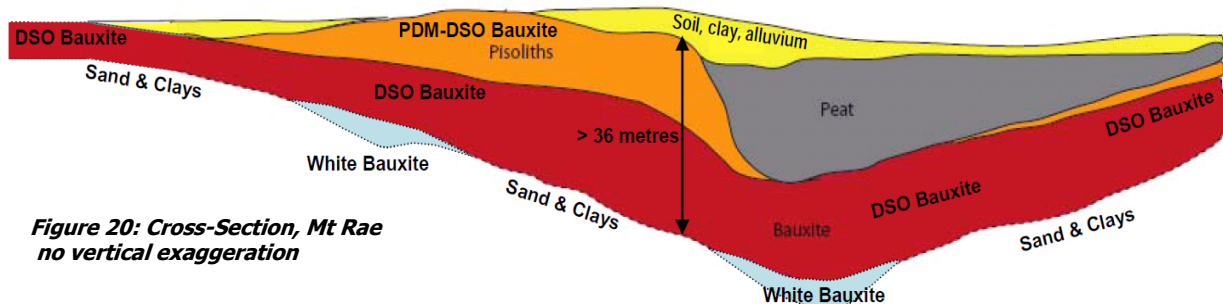


Figure 20: Cross-Section, Mt Rae
no vertical exaggeration

Goulburn South Bauxite Projects

Goulburn South is located in and around the Wingello State Pine Forest where a bauxite resource was established by BHP and government geological surveys, located near the main Hume Highway and the heavy duty rail line to Port Kembla. Figure 21 below shows a pit face of bauxite from Goulburn South.

A large portion of the Goulburn South project is covered by two Ministerial Mining Reserves for the protection of sand deposits in the pine plantations. If government removes those Reserves, Goulburn South could commence production by the end of 2015 at low capital cost and moderate operating cost, exporting bauxite from Port Kembla.

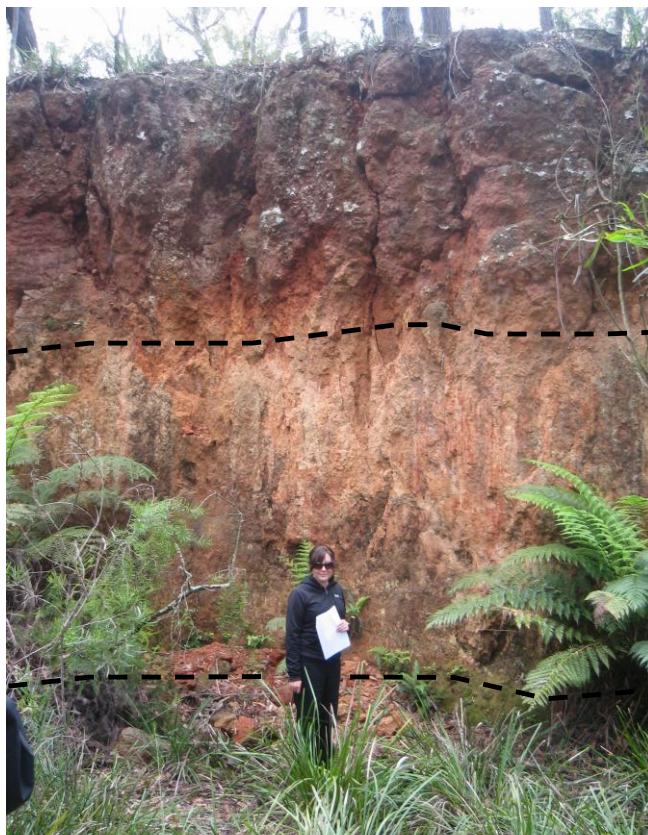


Figure 21: Typical Bauxite Layers, Goulburn South Project

LAYERED BAUXITES OF SOUTHERN NSW

2 to 3 m layer of "PDM-DSO Bx" or emery-bearing pisolithic bauxite.

Comprises 15% to 30% of 5 to 50mm pisoliths of "PDM" which are nodules of dense fused alumina & maghemite-hematite dust in low-density, high quality DSO bauxite.

2 to 4 m layer of DSO bauxite.

Gibbsite plus moderate levels of iron minerals, mainly hematite and limonite (little or no goethite).

Needs no processing – direct shipping bauxite ("DSO") – see Definitions.

1 to 3m layer of white bauxite in places.

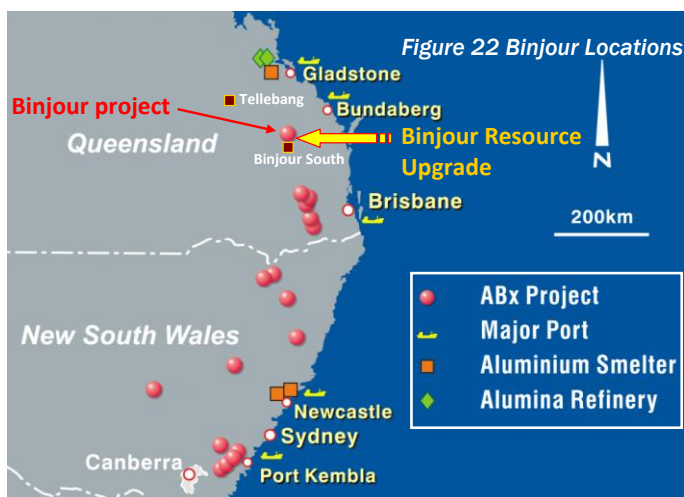
Gibbsite plus low iron (3% to 8% Fe₂O₃). May be refractory grade bauxite.

TERTIARY QUARTZ SAND OR CLAY BELOW

BINJOUR BAUXITE PROJECT

This project comprises 5 Exploration Permits Minerals centred on Binjour rural township between Mundubbera and Gayndah, 115 kms southwest of Bundaberg Port, central QLD.

A 3 to 15 metres thick layer of bauxite extends over the entire 44 square kilometre Binjour Plateau (see Figure 22). Parts of this bauxite layer contain silica gel veinlets which makes the bauxite grades too silica-rich and are excluded from current resource estimates. However, this silica material has been shown to be removed by washing and recovered bauxite meets DSO grade. The large potential of Binjour is just being revealed.



The district's deposits contain thick zones of premium grade gibbsite-rich bauxite often referred to as "Brown Sugar" bauxite, with good potential for more discoveries. "Brown Sugar" bauxite is ideal feedstock for sweetener circuits in alumina refineries and will demand a premium price. ABx has recently secured several exploration permits covering the extensions of Binjour Plateau geology.

The current JORC-compliant Resource Estimate is as follows:

Table 3: Summary of Bauxite Resources at Binjour, Central Queensland

DSO Bauxite Resources			Sieved at 0.26mm										Over-burden m	Internal Waste m
Resource category	Tonnes millions	Bauxite Thick-ness	Al ₂ O ₃ Avl % 143°	Rx SiO ₂ %	Avl/Rx Ratio	Al ₂ O ₃ %	SiO ₂ %	A/S Ratio	Fe ₂ O ₃ %	TiO ₂ %	LOI %	Yield %		
Inferred	9.0	3.9 m	38.0	3.8	10.0	43.7	4.5	9.7	22.4	3.6	24.2	59%	8.2 m	0.3 m
Indicated	15.5	5.3 m	39.5	2.6	15.1	44.2	3.1	14.5	23.4	3.7	24.9	62%	9.4 m	0.3 m
TOTAL	24.5	4.8 m	39.0	3.0	12.8	44.1	3.6	12.3	23.1	3.7	24.6	61%	8.9 m	0.3 m

Cut-off grades applied: Minimum 30% available Al₂O₃, 2m thickness & 3 data points in 350m search ellipse for each 25m x 25m block. 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 (Al₂O₃ Avl)/(Rx SiO₂) and "A/S" ratio is Al₂O₃/SiO₂. Values above 10 are excellent. 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. Estimate excludes very large tonnages of bauxite containing washable silica gel.

Resources at Binjour

The bauxite lies at surface in places but averages 9m of dry red mud overburden and minor internal dilution. The bauxite is thick – exceeding 12 metres in thickness in places and averaging 4.8 metres thick. Average strip ratio (W:O) is around 2 tonnes waste to 1 tonne bauxite. The red mud is free-diggable and can be cheaply removed and immediately relocated to mined-out pit areas as is done in Brazilian bauxite mines.

Tests are being done to remove a "silica gel" material (halloysite clay in a hydrous gel) by simple screening and thereby expand resources to a major degree which would greatly reduce the strip ratio and increase tonnage by an order of magnitude.

Tests to date have been encouraging: even simple dry screening has substantially upgraded some zones of the bauxite layer from being "subgrade" to "DSO grade" bauxite. The potential for expanded resources is large.

Infrastructure status

The Binjour deposits are approximately 115 kms from the nearest Port at Bundaberg which is being upgraded to allow for bulk exports (Figure 23). Transport infrastructure options are being assessed as part of an industry-government joint project.

Resource Estimation and Deposit Geometry

The Binjour bauxite unit is a distinct and predictable horizontal layer averaging approximately 6 metres in thickness, lying beneath a red mud unit averaging 8.9 metres in thickness that is free-diggable. The bauxite layer is high in Al_2O_3 but varies in SiO_2 grade, mainly due to the presence or absence of soft silica gel veinlets on joints and cavities. Only areas of low SiO_2 grade have been included in the estimate of DSO grade bauxite (see definitions).

The known extent of the Binjour bauxite layer is currently 44 square kilometres which is 15 times larger than the 3.0 square kilometres of DSO bauxite resources estimated herein to contain 24.5 million tonnes.

Mining Lease Mundubbera Queensland

ABx completed investigative drilling as part of its due diligence with respect to Mining Lease ML80126, located 25 km south of Mundubbera and 155 km southwest of Bundaberg Port in central Queensland (see Figure 24). ABx identified an Inferred Resource of 3.5 Million tonnes of bauxite so as to expedite agreements to purchase the mining lease and commence early mine production if needed to supply the buoyant bauxite market, which is currently seriously short of this type of gibbsite bauxite.



This granted, long-term mining lease ML80126 may be a fast-track route to the commencement of ABx's large Binjour Bauxite Project located 115 km southwest of Bundaberg Export Port, Queensland – see Figure 22.

Summary of Resource

A gibbsite-rich bauxite layer, 1 to 7 metres thick, totalling 5 million tonnes was discovered beneath a shallow layer of soil and overburden red clay at the Toondoon Mining Lease ML80126. A total of 14 drillholes totalling 186 metres were drilled and revealed a consistent, continuous deposit (see Figure 25) and enabled the estimation of an Inferred Resource.

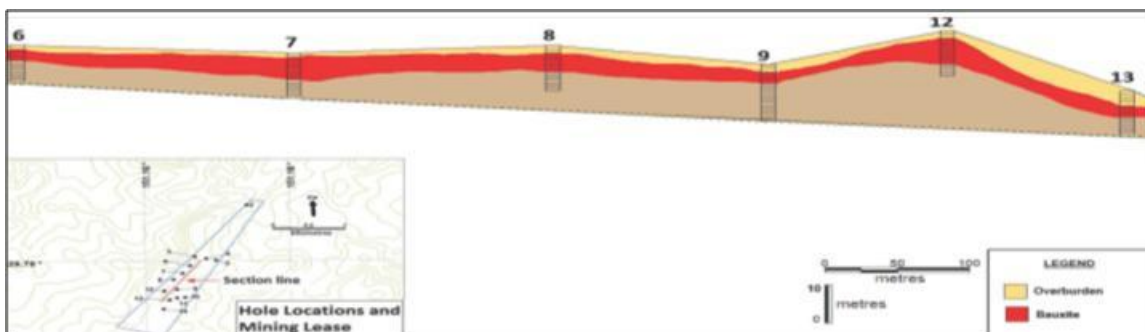


Figure 25: Drillhole section showing continuity of bauxite layer. Extraction appears straightforward

A maiden inferred Resource estimate based on a low cut-off grade was as follows:

Table 4: Summary of Maiden Bauxite Resources, Mining Lease ML80126

Cut-off 25% Al ₂ O ₃ Avl			Sieved at 0.26mm										Over-burden m	Internal Waste m
Resource category	Tonnes millions	Bauxite Thickness	Al ₂ O ₃ Avl % 143°	Rx SiO ₂ %	Avl/Rx Ratio	Al ₂ O ₃ %	SiO ₂ %	A/S Ratio	Fe ₂ O ₃ %	TiO ₂ %	LOI %	Yield %		
Inferred	3.5 Mt	4.9 m	32.8	5.2	6.3	40.2	7.2	5.6	25.3	4.9	21.7	67%	1.5 m	0 m
TOTAL	3.5 Mt	4.9 m	32.8	5.2	6.3	40.2	7.2	5.6	25.3	4.9	21.7	67%	1.5 m	0 m

Cut-off grades applied: Minimum 25% available Al₂O₃ Avl, 2m thickness, 200m search ellipse. 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 (Al₂O₃ Avl)/(Rx SiO₂) and "A/S" ratio is Al₂O₃/SiO₂. Avl/Rx values above 6 are good. 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.

Raw In-Situ DSO Bauxite

It is common to commence operations based on those bauxite zones that contain bauxite in the ground ("in-situ") that is "DSO Bauxite" which can be exported directly (see definitions) and to stockpile the bauxite that requires screening for processing in later years. Approximately 50% of the bauxite meets DSO grades and requires no upgrade.

Location and Infrastructure

The North Burnett region of Central Queensland has rural infrastructure, with regional highways passing through the bauxite areas, connecting to an export port at Bundaberg, which has ample spare port capacity (Figure 23). Shipping into and out of Bundaberg Port is via deep, sand-bottomed shipping channels connected to the eastern Australian deepwater shipping lanes and does not pass over any part of the Great Barrier Reef or ecologically sensitive seafloors.

There is a well-developed state electric power grid and ample water supplies. Natural gas pipelines connect from the Surat Basin to Gladstone through this district.

Coal mining occurs to the north and south of this region and there are several mineral deposits being assessed in the region.

There are well-established regional population centres at Mundubbera and Gayndah and ABx's large Binjour bauxite project is located between these two regional centres (see locations in Figure 24).

Gladstone is a major bauxite processing centre with two alumina refineries and an aluminium smelter. Gladstone is a major mineral port (coal, bauxite, coal seam gas, chemicals) that services the Queensland Alumina Limited (QAL) and Yarwun alumina refineries and Australia's largest aluminium smelter at Boyne Island. Both alumina refineries and the Boyne Island aluminium smelter at Gladstone are operated by Rio Tinto Alcan.

This part of Queensland has major steel fabrication and heavy machinery workshops as well as highly experienced contractors in earth moving, mining, transport and construction.

In summary, the ABx bauxite project areas in central Queensland are supplied with power, water, communications and transport infrastructure, near well-serviced industrial centres and near to two efficient export ports that operate all year round without seasonal interruptions.

Environmental Setting

ML80126 is a fully-granted, long-term Mining Lease located in an area that is unaffected by Queensland's strategic cropping land maps. The Mining Lease is unlikely to be affected by socio-environmental impediments.

Inverell, Northern NSW Project

ABx discovered thick layers of good quality bauxite at its Inverell-Stannifer-Guyra projects in northern NSW (see Figure 26). Parts of that bauxite lie beneath a clay horizon and required further investigation. Drilling of 37 close-spaced holes and a re-estimation of the resources at Inverell better reflect the nature of the deposit, with A/S ratios increasing from 6.7 to 8.5 and Al_2O_3 increasing from 37.8% to 40.2%.



Resource estimates for the initial deposits tested at Inverell are summarised as follows:

Table 5: Summary of Bauxite Resources at Inverell, Northern NSW

Bauxite Resources				Sieved at 0.26mm									Yield %
Resource category	Tonnes millions	Thickness	Overburden	Al_2O_3 Avl %	Rx SiO_2 %	Avl/Rx Ratio	Al_2O_3 %	SiO_2 %	A/S Ratio	Fe_2O_3 %	TiO_2 %	LOI %	
Inferred	17.5	4.7 m	2.3 m	31.0	4.2	7.4	39.8	4.8	8.3	27.7	4.3	22.2	61%
Indicated	20.5	4.8 m	2.4 m	32.0	4.0	7.9	40.6	4.7	8.6	26.9	4.1	22.5	60%
TOTAL	38.0	4.8 m	2.4 m	31.6	4.1	7.7	40.2	4.7	8.5	27.3	4.2	22.4	61%

Cut-off grades applied: Minimum 32% Al_2O_3 , 1.5m thickness & 2 data points per 25m x 25m blocks. Maximum waste-to-bauxite ratio 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 SiO₂). Values above 10 are excellent. "A/S" ratio is $\text{Al}_2\text{O}_3/\text{SiO}_2$. 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 bauxite in the resource area is consistently medium quality, low silica gibbsite bauxite suitable for low temperature bauxite-alumina refineries.

New areas of bauxite in the Inverell-Stannifer-Guyra area of northern NSW have been discovered in recent months and are currently being explored, using ABx's exploration technology.

The maiden bauxite resource estimate for Guyra is as follows:

Table 6: Maiden Bauxite Resources at Guyra, Northern NSW

				Sieved at 0.26mm									Yield %
Resource category	Tonnes millions	Thickness	Overburden	Al_2O_3 Avl %	Rx SiO_2 %	Avl/Rx Ratio	Al_2O_3 %	SiO_2 %	A/S Ratio	Fe_2O_3 %	TiO_2 %	LOI %	
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 SiO₂). Values above 10 are excellent. "A/S" ratio is $\text{Al}_2\text{O}_3/\text{SiO}_2$. 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.

Logistical Setting

The Inverell bauxite project is located approximately 430kms inland from Newcastle port and is not serviced by a heavy duty rail line. Therefore, this bauxite project is not considered a candidate for early development for direct export. However Inverell may form part of a sizeable bauxite province in northern NSW that has potential to justify a bauxite processing facility, possibly even a new bauxite-alumina refinery.

Further Work Planned

The bauxite deposit is open in many locations and many other deposits have been identified. New tenements containing high-grade bauxite outcrops have been secured in the region, especially at Stannifer halfway between Inverell and Guyra. These will be the next areas evaluated in northern NSW.

JORC Compliant Resource Statements

The following are Joint Ore Reserve Code ("JORC")-compliant Public Reports released to the ASX declaring the JORC resources referred to. These can be viewed on the ASX website and the Company will provide these reports, free of charge on request.

- ¹ 08/05/2012 ASX Inverell JORC Resource Update, 38.0 Million Tonnes
- ² 31/05/2012 ASX Taralga Bauxite Resource Increased 50% to 37.9 Million Tonnes
- ³ 15/08/2011 ASX Maiden Guyra Resource, 6.0 Million Tonnes
- ⁴ 29/06/2012 ASX Binjour Maiden Resource, 24.5 Million Tonnes
- ⁵ 08/11/2012 ASX Maiden Tasmania JORC Resource, 5.7 Million Tonnes
- ⁶ 03/12/2012 ASX Maiden QLD Mining Lease JORC Resource, 3.5 Million Tonnes



Figure 27: Project Tenements and Major Infrastructure – December 2012

Bauxite Market Review

Calendar year 2012 confirmed that gibbsite-rich bauxite is becoming increasingly in short supply and bauxite prices are continuing to firm as predicted. The year also provided good evidence that in 2014, prices will firm further and supply will tighten even further when Indonesia, the main supplier of gibbsite-rich bauxite to China, increases its bans on exports and increases its export tax by 30% from its current 20% to 50%.

ABx will produce gibbsite-rich bauxite, exactly the type that is in greatest demand and shortest supply. ABx is planning to commence its initial production in Tasmania in late 2014.

Indonesia applied its first tranche of bans and imposed its 20% export tax on bauxite on 9 May 2012 which had an extraordinary impact that is shown in Figure 28.

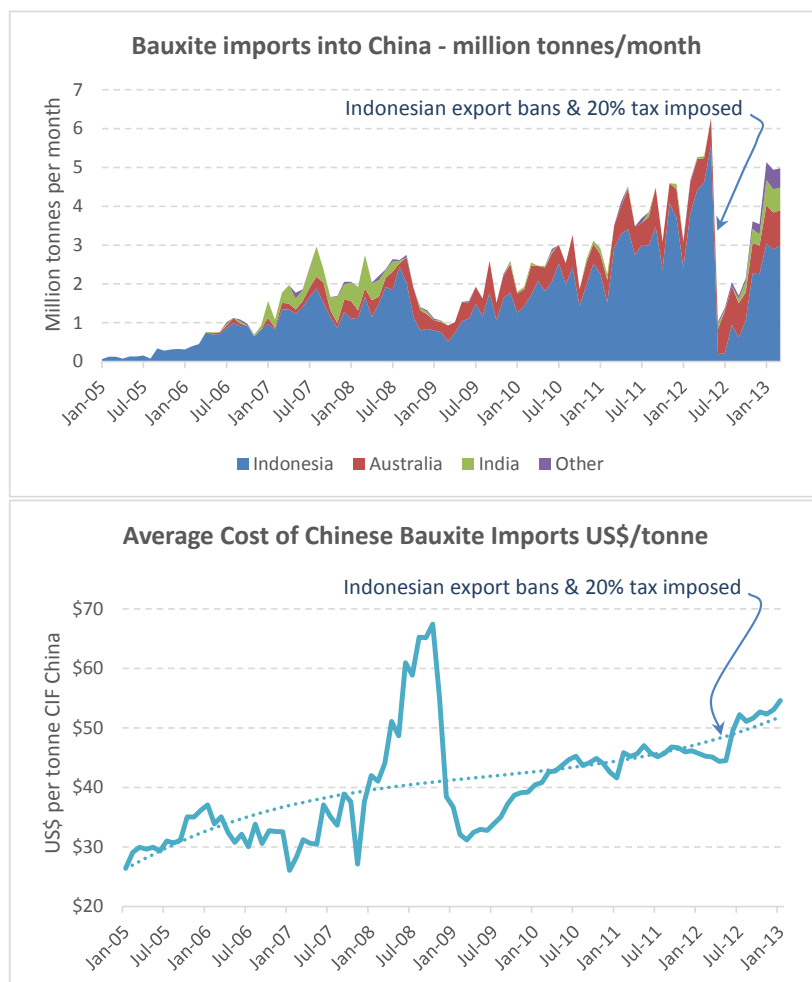


Figure 28:

Chinese Bauxite Imports; tonnes per month and average costs CIF China (which is a Price Index)

Source:
Chinese Customs & Bloomberg

China imported 45 million tonnes in 2011 but 2012 was an volatile year because of Indonesian bans and export tax imposition in May 2012.

In the months before May 2012, Chinese refineries imported Indonesian bauxite at a very high rate, reaching an all-time record tonnage of 6.3 million tonnes in May 2012.

This fell dramatically to 1.0 million tonnes in June 2012 and has steadily grown back to a range between 4 and 5 million tonnes per month.

Seaborne traded bauxite is the fastest growing mineral commodity, having grown from

near zero in late 2004 to more than 50 million tonnes per year at present.

The price impact of the Indonesian bans and 20% export taxes in May 2012 are clearly evident in the average cost of Chinese bauxite imports graph above. This “market price index” jumped by 20% in the second half of 2012 from US\$44.40 in April-May to above US\$54/tonne.

Average costs of Chinese bauxite imports has risen from US\$27/tonne in early 2005 to about US\$70/tonne in late 2008 before falling during the Global Financial Crisis and has rebounded to US\$54.60 per tonne in January 2013.

Allowing for increased export bans from Indonesia and India, and an increase in Indonesia’s export taxes from 20% to 50% in mid 2014, as well as new export taxes on Indian bauxite, industry forecasts are for bauxite prices to be relatively strong in 2014. ABx has forecast bauxite prices to exceed US\$65 per tonne after 2014 because of rising costs of production in Indonesia and India being compounded by additional export taxes and bans.

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.

2013

14.02.13 ABX Market Update

2012

03.12.12: Maiden QLD Mining Lease JORC Resource
 08.11.12: Maiden Tasmanian JORC Resource
 27.09.12: Three State-Significant Projects Update
 19.09.12: Tasmania Drill Success - 6 Metres Bauxite near Port
 24.07.12: Tasmanian Bauxite Project Update
 29.06.12: Binjour Bauxite Resource Upgrade to 24.5 Mt
 13.06.12: Binjour Bauxite Project Update
 31.05.12: Goulburn - Taralga Bauxite Resource up by 50 Percent - 38 Million Tonnes
 08.05.12: Inverell Resource Grade Improvement
 09.02.12: ABZ Drill Update Taralga

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 relates to Resource Estimates is based on information compiled by Ian Levy who is a member of the Australasian Institute of Mining and Metallurgy and a qualified geologist and 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, Identified Mineral Resources, and Ore Reserves". Mr Levy has consented to the inclusion of the information in the form and context in which it appears.

The information in this report that relates to exploration programs are based on information compiled by Jacob Rebek who is a member of the Australasian Institute of Mining and Metallurgy. Mr Rebek is a qualified geologist and 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, Identified Mineral Resources, and Ore Reserves". Mr Rebek has consented to the inclusion of the information in the form and context in which it appears.

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 2012.

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 2012 was \$1,103,697 (2011: net loss \$810,483). The consolidated loss arises largely from the exploration activities during the year in Eastern Australia.

Total Shareholders' Funds as at 31 December 2012 are \$14.2 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 4 to 18 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 Australian Bauxite Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

John Dawkins AO	Non-Executive Chairman	
Peter J Meers	Executive Deputy Chairman	
Ian Levy	Managing Director & CEO	
Rado Jacob Rebek	Executive Director	
Wei Huang	Non-Executive Director	
Ken Boundy	Non-Executive Director	appointed on 6 June 2012
Vincent Tan	Executive Director	resigned on 28 May 2012

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 ¹		Audit Committee ²	
	Attended	Held whilst in office	Attended	Held whilst in office	Attended	Held whilst in office
John Dawkins	11	11	-	-	-	-
Peter Meers	11	11	-	-	2	2
Ian Levy	11	11	-	-	-	-
Wei Huang	10	11	1	1	2	2
Rado Jacob Rebek ³	9	11	-	-	-	-
Ken Boundy ⁴	6	6	1	1	-	-
Vincent Tan ⁵	4	5	-	-	-	-

¹ The Remuneration Committee is made up of Ken Boundy and Wei Huang

² The Audit Committee is made up of Peter Meers and Wei Huang

³ Chief Geologist Rado Jacob Rebek travels extensively on Company business

⁴ Ken Boundy was appointed on 6 June 2012

⁵ Vincent Tan resigned on 28 May 2012

INFORMATION ON DIRECTORS AND MANAGEMENT

Directors

John S Dawkins AO, BEc, RDA

Non-Executive Chairman of Australian Bauxite Limited - Appointed on 7 December 2011

	Mr Dawkins earliest exposure to the mining industry was when, as Minister for Trade in the Hawke Government, he was responsible for the administration of export controls on certain minerals until he proposed the abolition of these arrangements in order to improve the operation of the market. During his time in Government, Mr Dawkins served in a number of other portfolios including Minister for Finance (1983-1984), Minister for Employment, Education and Training (1987-1991) and Treasurer (1991-1993) in the Keating Government. Mr Dawkins brings to the Group a wealth of governance experience, including prominent roles in public and private institutions. He chairs the Australian Qualifications Framework Council and the Board of Governors of the Institute for International Trade at the University of Adelaide and is on the unlisted Government Board of Relations Australia Advisory Ltd.
Other Current Directorships of Listed Companies	Non-Executive Chairman of Sovereign Gold Company Limited Non-Executive Director of Tiaro Coal Limited Non-Executive Chairman of Precious Metal Resources Director of Integrated Legal Holdings Limited
Former Directorships in the Last 3 Years of Listed Companies	Director of Archer Exploration Limited. Director of MGM Wireless Limited
Special Responsibilities	Chairman of the Board
Interests in Shares	150,000 Shares-indirectly held*

* Mr Dawkins acquired an indirect interest in 200,000 shares subsequent to 31 December 2012. At the date of this report he has an interest in 350,000 shares indirectly.

Peter J Meers, BA (Economics), FAIB

Executive Deputy Chairman of Australian Bauxite Limited - Appointed 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. 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 of Listed Companies	Executive Chairman & CEO of Hudson Resources Limited Executive Deputy Chairman of Tiaro Coal Limited Non-Executive Director of Sovereign Gold Company Limited Non-Executive Director of Hudson Investment Group Limited Non-Executive Director of Precious Metal Resources Limited Non-Executive Director of Terragali Resources Bhd
Former Directorships in the Last 3 Years of Listed Companies	Non-Executive Director of Archer Exploration Limited
Special Responsibilities	Member of the Audit Committee
Interests in Shares	548,461 Shares-indirectly held

Ian Levy, BSc (Hons), MSc (Dist) DIC FAusIMM FAIG**Managing Director and CEO of Australian Bauxite Limited - Appointed 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 was 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 of Listed Companies	None
Former Directorships in the Last Three Years of Listed Companies	Chairman of Dynasty Metals Australia Limited.
Special Responsibilities	Managing Director and Chief Executive Officer
Interests in Shares	1,908,461 Shares- indirectly held

Rado Jacob Rebek , Cert. App.Geo**Executive Director of Australian Bauxite Limited - Appointed on 23 September 2009**

	Jacob Rebek is a 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 worked in 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.
Other Current Directorships of Listed Companies	Executive Director of Tiaro Coal Limited Non-Executive Director of Sovereign Gold Company Limited
Former Directorships in the Last Three Years of Listed Companies	None
Special Responsibilities	Chief Geologist
Interests in Shares	500,000 Shares directly held; 70,000 Shares indirectly held.

Wei Huang BCom MCom, CPA**Non-Executive Director of Australian Bauxite Limited - Appointed 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 of Listed Companies	Non-Executive Director of Tiaro Coal Limited; Non-Executive Director of Yanghao International Limited.
Former Directorships in the 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	20,000 Shares – directly held.

Ken Boundy, MBA, M Agr Sc, Fellow of AIM, AIAST**Non-Executive Director of Australian Bauxite Limited - Appointed on 6 June 2012**

	Mr Boundy is a company director, strategy consultant and businessman – with particular interests in international marketing. Previously Mr Boundy was Managing Director of the Australian Tourist Commission (and then Tourism Australia) from 2001 to 2005, following 15 years in leadership roles in the private sector which covered Divisional Head and CEO roles in the food, wine and building materials industries.
Former Directorships in the Last Three Years of Listed Companies	Director of Dexion Limited
Special Responsibilities	Member of the Remuneration Committee
Interests in Shares	180,000 Shares – directly held
Other Current Directorships of Listed Companies	Non-Executive Director of Hudson Resources Limited; Non-Executive Director of Net Comm Wireless Limited.
Vincent Tan BCom & Admin CA	Non-Executive Director of Australian Bauxite Limited Appointed on 23 September 2009 Resigned on 28 May 2012

Officers

David L Hughes	Joint Company Secretary
	Mr Hughes has acted as Company Secretary since 2 December 1997. He has held similar positions with other listed companies for over 30 years. He is currently Joint Company Secretary of the following listed public companies – Hudson Investment Group Limited, Hudson Resources Limited, Tiara Coal Limited, Australian Bauxite Limited, Sovereign Gold Company Limited, Raffles Capital Limited and Empire Energy Group Limited. He is also Company Secretary for Latrobe Magnesium Limited.
Henry Kinstlinger	Joint Company Secretary
	Henry Kinstlinger has, for the past thirty years, been actively involved in the financial and corporate management of a number of public companies and non-governmental organisations. He is currently the Joint Company Secretary of Australian Bauxite Limited, Sovereign Gold Company Limited, Precious Metal Resources Limited, and Raffles Capitals Limited. He is a corporate consultant with broad experience in investor and community relations and corporate and statutory compliance.
Francis Choy MCom MBA FCPA (HK) FCPA CA	Chief Financial Officer
	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 financing, 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.

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 2012 that have significantly affected or may significantly affect:

- The operations, in financial years subsequent to 31 December 2012, of the Group;
- The results of those operations; or
- The state of affairs, in financial years subsequent to 31 December 2012, 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*.

- 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

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.

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:

- Ken Boundy
- 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 19.

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	
Peter J Meers	Executive Deputy Chairman	
Ian Levy	Managing Director and CEO	
Rado Jacob Rebek	Executive Director	
Wei Huang	Non-Executive Director	
Ken Boundy	Non-Executive Director	appointed on 6 June 2012
Vincent Tan	Executive Director	resigned on 28 May 2012

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
Benny Amzalak	Investor Relationship Officer
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.

Directors and Other Key Management Personnel of Australian Bauxite Limited

Consolidated 2012	Short Term Employee Benefits		Post Employment Benefits	Long Term Benefits	Share Based Payments	Total
	Salary & other fees	Travelling Allowance	Super- annuation	Long Service Leave		
Directors	\$	\$	\$	\$	\$	\$
John Dawkins AO	37,879	-	-	-	-	37,879
Peter Meers	20,000	-	-	-	-	20,000
Ian Levy	250,000	-	-	-	-	250,000
Rado Jacob Rebek	128,000	10,800	-	-	-	138,800
Ken Boundy**	-	-	-	-	-	-
Wei Huang	20,000	-	-	-	-	20,000
Vincent Tan*	28,333	-	-	-	-	28,333
Total-Directors	484,212	10,800	-	-	-	495,012
Other Key Management Personnel						
David L Hughes	-	-	-	-	-	-
Henry Kinstlinger	104,895	10,800	-	-	-	115,695
Benjamin Amzalack	61,800	-	-	-	-	61,800
Francis Choy	-	-	-	-	-	-
Total-KMP	166,695	10,800	-	-	-	177,495

* Vincent Tan - resigned on 28 May 2012

** Ken Boundy - appointed 6 June 2012

Consolidated 2011	Short Term Employee Benefits		Post Employment Benefits	Long Term Benefits	Share Based Payments	Total
	Salary & other fees	Travelling Allowance	Super- annuation	Long Service Leave		
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 KMP						
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 is no performance conditions related to any of the above payments.

There is no other element of Directors and Executives remuneration.

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 \$250,000 for the year 2012.

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.

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.

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 at the end of the year	Highest indebtedness during the year	Additional interest otherwise payable*
	\$	\$	\$	\$	\$	\$
KMP						
2012						
Henry Kinstlinger						
- ESOP	570,005	-	46,929	616,934	616,934	15,644
- unsecured loan	-	30,000	1,213	31,213	31,213	404
Consultant	462,205	-	40,611	502,816	502,816	13,538
2011						
Henry Kinstlinger						
- ESOP	524,274	-	45,731	570,005	570,005	11,112
Consultant	-	450,000	12,205	462,205	462,205	2,712

* Market interest rate 6% (2011: 7%). This represents the difference between interest charged at the latter and interest paid.

Terms and conditions of loans

The full recourse loan partly relates to the individual's participation in the Company's Employee Share Option Plan. Loans are secured against the shares only. A second unsecured interest bearing full recourse loan of \$30,000 was advanced to the individual during the year. Loans are repayable should the employee leave the Company. None were written down during the year.

An interest bearing full recourse loan of \$450,000 was advanced to a consultant. The loan is secured against shares. The loan is repayable should the consultant 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.

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
Performance Options*				
- unallocated			\$0.30	1,380,000
Performance Options				
- allocated	8 December 2010	30 November 2013	\$0.30	420,000
Success Option		15 August 2013	\$0.55	500,000
				<u>2,300,000</u>

* 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

1,150,000 Shares were issued pursuant to the exercise of 1,150,000 Employee Share Options.

5,250,000 Employee Share Options expired on 15 October 2012 and 3,000,000 Success Options expired on 21 December 2012.

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*.

Auditor's independence declaration

The auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 31.

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	
	2012	2011	2012	2011
	\$	\$	\$	\$
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 and review services	26,195	14,945	26,195	14,945
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	8,135	7,745	8,135	7,745
Advisory services	3,445	-	3,445	-
	11,580	7,745	11,580	7,745

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



Peter Meers
Executive Deputy Chairman



Ian Levy
Managing Director & Chief Executive Officer

Signed at Sydney
27 March 2013

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 2012, 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
Partner

Sydney, 27 March 2013

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.

Process for evaluating the Performance of Senior Executives

An induction program is in place to allow new directors to participate fully and actively in management decision-making at the earliest opportunity. The purpose of the induction is to provide a good deal of knowledge about the Company and industry.

The program also sets out the Company's financial position, strategies, operations and risk management policies. There is also a focus on the respective rights, duties and responsibilities and roles of the board and senior executives.

Continuous feedback is given through the CEO to Senior Executives and when required, the board through the Chairman.

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 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 20-23.

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)	1 year 4 months
Peter J Meers	Executive Deputy Chairman (Non-independent)	3 years 6 months
Ian Levy	Managing Director (Non-independent)	3 years 6 months
Rado Jacob Rebek	Executive Director (Non-independent)	3 years 6 months
Wei Huang	Non-Executive Director (Independent)	3 years 6 months
Ken Boundy	Non-Executive Director (Independent)	9 months

The Board currently holds 9 scheduled meetings each year together with any ad hoc meetings as may be necessary. The Board met 11 times during the year and Directors attendance is disclosed on page 19 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 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.

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.

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 solid 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.

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;
- 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 2012		Company Objective		Progress towards meeting objective	
	Number	Percentage	Number	Percentage	Number	Percentage
Whole organisation	4	28.6%	5	35.7%	-	-
Senior Executive Positions	2	50%	2	50%	-	-
Board	-	-	1	-	-	-

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 two directors: Peter Meers and Wei Huang. 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 committee met twice 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 2012 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.

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 bi-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.

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 Ken Boundy 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 include:

- 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 19.

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 2012**

	Notes	Consolidated		Parent Entity	
		2012	2011	2012	2011
		\$	\$	\$	\$
Revenue	4	757,872	943,560	702,315	402,008
		757,872	943,560	702,315	402,008
Administrative and exploration expenses		(1,371,977)	(1,472,211)	(1,026,337)	(1,260,923)
Consulting and professional expenses		(407,302)	(185,327)	(407,302)	(185,327)
Finance costs		(49,110)	(36,235)	(42,327)	(30,950)
Share based payment expenses	5	(33,180)	(60,270)	(33,180)	(60,270)
(Loss)/Profit before income tax expense		(1,103,697)	(810,483)	(806,831)	(1,135,462)
Income tax expense	6(a)	-	-	-	-
(Loss)/Profit after tax for the year		(1,103,697)	(810,483)	(806,831)	(1,135,462)
Other Comprehensive Income					
Other comprehensive income for the year net of tax		-	-	-	-
Total comprehensive (loss)/income attributable to members of the consolidated entity		(1,103,697)	(810,483)	(806,831)	(1,135,462)
		Cents	Cents		
Basic (loss)/earnings per share	23	(1.06)	(0.81)		
Diluted (loss)/earnings per share	23	(1.04)	(0.72)		

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

STATEMENT OF FINANCIAL POSITION**As at 31 December 2012**

	Notes	Consolidated		Parent Entity	
		2012	2011	2012	2011
		\$	\$	\$	\$
ASSETS					
Current assets					
Cash and cash equivalents	7	2,016,870	3,767,464	1,614,846	2,429,452
Trade and other receivables	8	672,252	810,210	633,833	668,618
Other current assets	9	52,433	48,640	52,433	48,640
Total current assets		2,741,555	4,626,314	2,301,112	3,146,710
Non-current assets					
Trade and other receivables	8	616,934	570,006	12,135,046	9,857,621
Plant and equipment	10	94,416	123,124	94,416	123,124
Mining tenements	11	11,049,562	8,095,488	-	-
Financial assets	12	15,000	-	15,500	500
Total non-current assets		11,775,912	8,788,618	12,244,962	9,981,245
Total assets		14,517,467	13,414,932	14,546,074	13,127,955
LIABILITIES					
Current liabilities					
Trade and other payables	13	139,958	354,796	56,483	252,603
Employee benefits provision	14	60,006	35,328	60,006	35,328
Other Liabilities	15	10,600	14,568	10,600	14,568
Total current liabilities		210,564	404,692	127,089	302,499
Non-current liabilities					
Employee benefits provision	14	37,099	21,801	37,099	21,801
Total non-current liabilities		37,099	21,801	37,099	21,801
Total liabilities		247,663	426,493	164,188	324,300
Net assets		14,269,804	12,988,439	14,381,886	12,803,655
EQUITY					
Issued capital	16	16,796,000	14,444,118	16,796,000	14,444,118
Reserves	17	593,250	560,070	593,250	560,070
Accumulated losses		(3,119,446)	(2,015,749)	(3,007,364)	(2,200,533)
Total equity		14,269,804	12,988,439	14,381,886	12,803,655

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

STATEMENT OF CHANGES IN EQUITY**For the year ended 31 December 2012**

Consolidated	Notes	Issued Capital	Options Reserve	Accumulated Losses	Total Equity
		\$	\$	\$	\$
Balance at 1 January 2012		14,444,118	560,070	(2,015,749)	12,988,439
Contributions of equity		2,477,850	-	-	2,477,850
Share issuing cost		(125,968)	-	-	(125,968)
Options issued		-	33,180	-	33,180
Loss for the year		-	-	(1,103,697)	(1,103,697)
Balance at 31 December 2012		16,796,000	593,250	(3,119,446)	14,269,804
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
Parent Entity		Issued Capital	Options Reserve	Accumulated Losses	Total Equity
		\$	\$	\$	\$
Balance at 1 January 2012		14,444,118	560,070	(2,200,533)	12,803,655
Contributions of equity		2,477,850	-	-	2,477,850
Share issuing cost		(125,968)	-	-	(125,968)
Options issued		-	33,180	-	33,180
Loss for the year		-	-	(806,831)	(806,831)
Balance at 31 December 2012		16,796,000	593,250	(3,007,364)	14,381,886
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

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

STATEMENT OF CASH FLOWS**For the year ended 31 December 2012**

	Notes	Consolidated		Parent Entity	
		2012	2011	2012	2011
		\$	\$	\$	\$
Cash flows from operating activities					
Receipts from customers		-	-	-	-
Payments to suppliers and employees		(4,066,023)	(5,426,106)	(843,983)	(1,331,832)
Interest received		184,269	411,989	156,714	395,445
Net cash (outflow)/inflow from operating activities	19	(3,881,754)	(5,014,117)	(687,269)	(936,387)
Cash flows from investing activities					
Acquisition of plant and equipment		(3,722)	(62,132)	(3,722)	(62,132)
Acquisition of investment		(15,000)	-	(15,000)	-
Advance to controlled entities		-	-	(2,230,497)	(4,656,935)
Repayment/(Advance) to other party		(230,000)	(250,000)	(230,000)	(250,000)
Contribution received on funded expenditures		28,000	525,000	-	-
Net cash inflow/(outflow) from investing activities		(220,722)	212,868	(2,479,219)	(4,969,067)
Cash flows from financing activities					
Proceeds from issues of shares		2,477,850	-	2,477,850	-
Share issuing costs		(125,968)	-	(125,968)	-
Net cash inflow/(outflow) from financing activities		2,351,882	-	2,351,882	-
Net (decrease)/increase in cash and cash equivalents		(1,750,594)	(4,801,249)	(814,606)	(5,905,454)
Cash and cash equivalents at the beginning of the year		3,767,464	8,568,713	2,429,452	8,334,906
Cash and cash equivalents at the end of the year	7(a)	2,016,870	3,767,464	1,614,846	2,429,452

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

1. CORPORATE INFORMATION

The financial report of Australian Bauxite Limited for the year ended 31 December 2012 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:

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.

2. SUMMARY OF ACCOUNTING POLICIES continued

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.

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.

2. SUMMARY OF ACCOUNTING POLICIES continued

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.

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.

2. SUMMARY OF ACCOUNTING POLICIES continued

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).

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.

2. SUMMARY OF ACCOUNTING POLICIES continued

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.

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.

2. SUMMARY OF ACCOUNTING POLICIES continued

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.

2. SUMMARY OF ACCOUNTING POLICIES continued

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.

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

2. SUMMARY OF ACCOUNTING POLICIES continued

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

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:

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	
	2012	2011	2012	2011
	\$	\$	\$	\$
Current				
Cash and cash equivalents	2,016,870	3,767,464	1,614,846	2,429,452
Trade and other receivables	672,252	810,210	633,833	668,618
Non-Current				
Trade and other receivables	616,934	570,006	12,135,046	9,857,621
	3,306,056	5,147,680	14,383,725	12,955,691

3. FINANCIAL RISK MANAGEMENT continued

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 of financial liabilities

Consolidated	Carrying	Contractual	< 6 mths	6 - 12	1 - 3	> 3 years
2012	Amount	Cash Flows		mths	years	
	\$	\$	\$	\$	\$	\$
Financial Liabilities						
Current						
Trade and other payables	139,958	139,958	139,958	-	-	-
Accrued payable	10,600	10,600	10,600	-	-	-
Non-Current						
Other Liabilities	-	-	-	-	-	-
Total financial liabilities at amortised cost	150,558	150,558	150,558	-	-	-
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	-	-	-

3. FINANCIAL RISK MANAGEMENT**c. Liquidity Risk continued**

Parent Entity 2012	Carrying Amount	Contractual Cash Flows	< 6 mths	6 - 12 mths	1 - 3 years	> 3 years
Financial Liabilities	\$	\$	\$	\$	\$	\$
Current						
Trade and other payables	56,483	56,483	56,483	-	-	-
Accrued payable	10,600	10,600	10,600	-	-	-
Non-Current						
Other Liabilities	-	-	-	-	-	-
Total financial liabilities at amortised cost	67,083	67,083	67,083	-	-	-

Parent Entity 2011						
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	-	-	-

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 2012	\$	\$	\$
Cash and cash equivalents	2,016,870	20,169	(20,169)
Tax charge of 30%	-	(6,051)	6,051
After tax increase/(decrease)	2,016,870	14,118	(14,118)

	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)

3. FINANCIAL RISK MANAGEMENT continued

	Carrying Amount	+1% of Profit/ (Loss)	-1% of Profit/ (Loss)
Parent Entity	\$	\$	\$
2012			
Cash and cash equivalents	1,614,846	16,148	(16,148)
Tax charge of 30%	-	(4,844)	4,844
After tax increase/(decrease)	1,614,846	11,304	(11,304)

	Carrying Amount	+1% of Profit/ (Loss)	-1% of Profit/ (Loss)
Parent Entity	\$	\$	\$
2011			
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)

e. Currency risk

In 2012, the consolidated entity and parent entity were not exposed to foreign currency risk (2011: 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.

4. REVENUE

	Consolidated		Parent Entity	
	2012	2011	2012	2011
Revenue	\$	\$	\$	\$
Interest income	224,384	410,649	196,827	394,104
Other Income				
Contribution received on funded expenditures	28,000	525,000	-	-
Government research and development concession received	505,488	-	505,488	-
Others	-	7,911	-	7,904
	757,872	943,560	702,315	402,008

5. EXPENSES

	Consolidated		Parent Entity	
	2012	2011	2012	2011
	\$	\$	\$	\$
Profit/(loss) before income tax arrived after (charging)/crediting the following specific items:				
Employee benefit expenses	(243,506)	(328,589)	(243,506)	(328,589)
Depreciation	(32,430)	(29,018)	(32,430)	(29,018)
Lease payments	(6,900)	(6,900)	(6,900)	(6,900)
Share based payments (Note 26)	(33,180)	(60,270)	(33,180)	(60,270)

6. INCOME TAX**a. Income tax expense**

	Consolidated		Parent Entity	
	2012	2011	2012	2011
	\$	\$	\$	\$
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	(1,103,697)	(810,483)	(806,832)	(1,135,462)
Income tax expense (benefit) calculated at 30% (2011:30%)	(331,109)	(243,145)	(242,050)	(340,639)
Temporary differences not brought to account	-	(1,121,851)	-	(7,087)
Tax losses not brought to account	331,109	1,364,996	242,050	347,727
Income tax expense/(benefit) at effective tax rate of 30% (2011: 30%)	-	-	-	-

6. INCOME TAX continued**c. Unrecognised deferred tax assets and liabilities**

	Consolidated		Parent Entity	
	2012	2011	2012	2011
	\$	\$	\$	\$
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	(173,051)	(25,410)	(82,440)	(23,628)
Deferred tax asset in respect of exploration activities not brought to account	(1,103,697)	(810,483)	(806,832)	(1,135,462)
Deferred tax liability in respect of exploration activities not recognised to the extent of unrecognised deferred tax asset	(2,954,074)	(3,714,094)	-	-
	(4,230,822)	(4,549,987)	(889,272)	(1,159,090)
Potential (benefit)/expense at 30% (2011: 30%)	(1,269,247)	(1,364,996)	(266,782)	(347,727)

7. CASH AND CASH EQUIVALENTS

	Consolidated		Parent Entity	
	2012	2011	2012	2011
	\$	\$	\$	\$
Cash at bank and in hand	1,765,984	3,577,464	1,614,846	2,429,452
Cash held in trust - tenement guarantee	250,886	190,000	-	-
	2,016,870	3,767,464	1,614,846	2,429,452

a. Reconciliation to cash at the end of the year

	Consolidated		Parent Entity	
	2012	2011	2012	2011
	\$	\$	\$	\$
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	2,016,870	3,767,464	1,614,846	2,429,452
Balances per Statement of Cash Flows	2,016,870	3,767,464	1,614,846	2,429,452
Weighted Average Interest Rates	3.84%	5.44%	4.04%	6.01%

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	
	2012	2011	2012	2011
	\$	\$	\$	\$
Current				
Tenement security deposit	66,500	93,500	12,500	12,500
Other deposits	18,984	226,131	77,888	231,000
Advance to other party	534,030	462,206	534,030	462,206
Other receivables	52,738	28,373	9,415	(37,088)
	672,252	810,210	633,833	668,618
Non-Current				
Receivable - Controlled entities	-	-	11,518,112	9,287,615
Receivable - Employee share plan	616,934	570,006	616,934	570,006
	616,934	570,006	12,135,046	9,857,621

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 deposits

These amounts relate to prepaid field exploration expenditures.

Advance to other party

The Company advanced a \$450,000 interest bearing full recourse loan to one consultant, the loan is secured by shares only. The Company advanced a \$30,000 unsecured interest bearing full recourse loan to one officer during the year. Please refer to page 28 for details.

Other receivables

These amounts relate to receivables for GST paid.

c. Receivable employee share plan

In 2010 the Company advanced a \$520,000 interest bearing full recourse loan to Mr Henry Kinstlinger, Joint Company Secretary, under the employee share option plan. Please refer page 28 for details.

d. 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.

8. TRADE AND OTHER RECEIVABLES continued

e. 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:

	2012		2011	
	Carrying Amount \$	Fair Value \$	Carrying Amount \$	Fair Value \$
Consolidated				
Receivable - Employee Share Plan	616,934	616,934	570,006	570,006
Receivables Related Party	534,030	534,030	462,206	462,206
Parent Entity				
Receivable - Employee Share Plan	616,934	616,934	570,006	570,006
Receivables Controlled Entities	-	-	9,287,615	9,287,615

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

9. OTHER CURRENT ASSETS

	Consolidated		Parent Entity	
	2012 \$	2011 \$	2012 \$	2011 \$
Prepayments	52,433	-	52,433	-
Accrued deposit interest receivable	-	48,640	-	48,640
	52,433	48,640	52,433	48,640

10. PLANT AND EQUIPMENT

	Consolidated		Parent Entity	
	2012	2011	2012	2011
	\$	\$	\$	\$
Plant and equipment				
At cost	76,218	72,496	76,218	72,496
Accumulated depreciation	(28,221)	(13,145)	(28,221)	(13,145)
Carrying value	47,997	59,351	47,997	59,351
Motor vehicles				
At cost	86,535	86,535	86,535	86,535
Accumulated depreciation	(40,116)	(22,762)	(40,116)	(22,762)
Carrying value	46,419	63,773	46,419	63,773
Total carrying value	94,416	123,124	94,416	123,124

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:

Consolidated	Plant & equipment	Motor Vehicles	Total
2012	\$	\$	\$
Carrying amount at 1 January 2012	59,351	63,773	123,124
Additions	3,722	-	3,722
Depreciation	(15,076)	(17,354)	(32,430)
Carrying amount at 31 December 2012	47,997	46,419	94,416

Consolidated	Plant & equipment	Motor Vehicles	Total
2011	\$	\$	\$
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

11. MINING TENEMENTS

	Consolidated		Parent Entity	
	2012	2011	2012	2011
	\$	\$	\$	\$
Mining tenements	11,049,562	8,095,488	-	-

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

12. FINANCIAL ASSETS

	Consolidated		Parent Entity	
	2012	2011	2012	2011
	\$	\$	\$	\$
Investment -option in acquiring tenement interest	15,000	-	15,000	-
Investment in controlled entities (Note 18)	-	-	500	500
	15,000	-	15,500	500

13. TRADE AND OTHER PAYABLES

	Consolidated		Parent Entity	
	2012	2011	2012	2011
	\$	\$	\$	\$
Current				
Trade payables	139,958	154,796	56,483	52,603
Other payables	-	200,000	-	200,000
	139,958	354,796	56,483	252,603

14. EMPLOYEE BENEFITS PROVISION

	Consolidated		Parent Entity	
	2012	2011	2012	2011
	\$	\$	\$	\$
Current				
Staff Leave Entitlement	60,006	35,328	60,006	35,328
Non-Current				
Staff Leave Entitlement	37,099	21,801	37,099	21,801

15. OTHER LIABILITIES

Accrued payable	10,600	14,568	10,600	14,568
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16. ISSUED CAPITAL

	Consolidated Entity and Parent Entity		Consolidated Entity and Parent Entity	
	2012	2011	2012	2011
	Number of Shares	Number of Shares	\$	\$
Ordinary shares issued	107,211,160	100,592,337	16,796,000	14,444,118

a. Movements in ordinary share capital during the year:**Consolidated Entity and Parent Entity**

Date	Details	No. of shares	Issue price	
			\$	\$
31 December 2011	Balance	100,592,337		14,444,118
June 2012	Share placement	4,300,000	0.39	1,677,000
July 2012	Share purchase plan	1,168,823	0.39	455,850
October 2012	Exercise-staff employee option plan	1,150,000	0.30	345,000
	Share issuing cost			(125,968)
31 December 2012	Balance	107,211,160		16,796,000

16. ISSUED CAPITAL continued**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 2,300,000 options on unissued ordinary shares 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.

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

17. RESERVES

	Consolidated		Parent Entity	
	2012	2011	2012	2011
	\$	\$	\$	\$
Option Reserves	593,250	560,070	593,250	560,070

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.

The Company allocated 420,000 performance options to three eligible employees in 2011.

Please refer Note 26 to the financial statements for details.

18. INVESTMENT IN CONTROLLED ENTITIES

Name of Entity	Class of Shares	Equity Holding		Country of Incorporation
		2012	2011	
		%	%	
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

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

	Consolidated		Parent Entity	
	2012	2011	2012	2011
	\$	\$	\$	\$
(Loss)/Profit for the year	(1,103,697)	(810,483)	(806,831)	(1,135,462)
Capitalised exploration expenditure	(2,954,074)	(3,714,094)	-	-
Share based payments expense	33,180	60,270	33,180	60,270
Non cash item	32,430	29,019	32,430	29,019
Change in operating assets and liabilities:				
(Increase)/Decrease in trade and other receivables	108,327	(854,823)	33,154	(132,617)
(Increase)/Decrease in other current assets	(3,793)	68,886	(3,793)	68,886
(Increase)/Decrease in other operating assets	-	-	-	-
Increase/(Decrease) in trade and other creditors and provisions	5,873	207,108	24,591	173,517
(Increase) in deferred tax assets	-	-	-	-
Increase in deferred tax liabilities	-	-	-	-
Net cash (outflow)/inflow from operating activities	(3,881,754)	(5,014,117)	(687,269)	(936,387)

20. SEGMENT INFORMATION

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

21. COMMITMENTS AND CONTINGENT LIABILITIES

Tenement Expenditure Commitments	Consolidated		Parent Entity	
	2012	2011	2012	2011
	\$	\$	\$	\$
Minimum tenement exploration	2,012,233	2,650,250	-	-
Tenement lease payment	192,501	401,744	-	-
	2,204,734	3,051,994	-	-

The minimum exploration expenditure commitments \$2,012,233 and lease payments \$192,501 on the Company's exploration tenements totalling approximately \$2,204,734 over the remaining term of the tenements.

Executive services agreement

The Company has agreed with Mr Ian Levy as Managing Director in providing the services to the Company at an agreed rate of \$250,000 for the calendar year 2012.

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.

21. COMMITMENTS AND CONTINGENT LIABILITIES continued

Lease commitments	Consolidated		Parent Entity	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Non-cancellable operating leases - future minimum lease payments				
Within one year	6,900	6,900	6,900	6,900
Later than one year but not later than 5 years	5,175	12,075	5,175	12,075
Later than 5 years	12,075	18,975	12,075	18,975

The Group leases a copier under non-cancellable operating leases expiring in 2 years. Nor do they include commitments for any renewal options on leases. Lease conditions do not impose any restrictions on the ability of the Company and its subsidiaries from borrowing further funds or paying dividends.

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

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 2012 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 December 2012, of the Group;
- the results of those operations; or
- the state of affairs, in financial years subsequent to 31 December 2012, of the Group.

23. EARNINGS PER SHARE

	Consolidated	
	2012 Cents	2011 Cents
Basic earnings/(loss) per share	(1.06)	(0.81)
Fully diluted earnings/(loss) per share	(1.04)	(0.72)
	2012 \$	2011 \$
Profit/(loss) from continuing operations used in calculating basic and fully diluted earnings per share	(1,103,697)	(810,483)
	2012 Number	2011 Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	103,972,582	100,592,337
Adjustments for calculation of diluted earnings per share:		
Options issued	2,300,000	11,700,000
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	106,272,582	112,292,337

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		
• Peter Meers	Executive Deputy Chairman		
• Ian Levy	Managing Director		
• Rado Jacob Rebek	Executive Director		
• Wei Huang	Non-Executive Director		
• Ken Boundy	Non-Executive Director	Appointed	6 June 2012
• Vincent Tan	Non-Executive Director	Resigned	28 May 2012

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
• Benjamin Amzalack	Investor Relationship Officer
• Francis Choy	Chief Financial Officer

c. Compensation of Key Management Personnel

	Consolidated		Parent	
	2012	2011	2012	2011
	\$	\$	\$	\$
Directors				
Short term employee benefits	495,012	367,075	495,012	267,075
Post employment benefits	-	-	-	-
Long term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share based payments	-	-	-	-
	495,012	367,075	495,012	267,075
Other Key Management Personnel				
Short term employee benefits	177,495	109,206	147,495	109,206
Post employment benefits	-	-	-	-
Long term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share based payments	-	-	-	-
	177,495	109,206	147,495	109,206

24. KEY MANAGEMENT PERSONNEL DISCLOSURES continued**Directors and other key management personnel of Australian Bauxite Limited**

Consolidated 2012	Short Term Employee Benefits		Post Employment Benefits	Long Term Benefits	Share Based Payments	Total
	Salary & other fees	Travelling Allowance	Super- annuation	Long Service Leave		
Directors	\$	\$	\$	\$	\$	\$
John Dawkins AO	37,879	-	-	-	-	37,879
Peter Meers	20,000	-	-	-	-	20,000
Ian Levy	250,000	-	-	-	-	250,000
Rado Jacob Rebek	128,000	10,800	-	-	-	138,800
Ken Boundy**	-	-	-	-	-	-
Wei Huang	20,000	-	-	-	-	20,000
Vincent Tan*	28,333	-	-	-	-	28,333
Total-Directors	484,212	10,800	-	-	-	495,012
Other Key Management Personnel						
David L Hughes	-	-	-	-	-	-
Henry Kinstlinger	104,895	10,800	-	-	-	115,695
Benjamin Amzalack	61,800	-	-	-	-	61,800
Francis Choy	-	-	-	-	-	-
Total-KMP	166,695	10,800	-	-	-	177,495

* Vincent Tan - resigned on 28 May 2012

** Ken Boundy - appointed 6 June 2012

Consolidated 2011	Short Term Employee Benefits		Post Employment Benefits	Long Term Benefits	Share Based Payments	Total
	Salary & other fees	Travelling Allowance	Super- annuation	Long Service Leave		
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 KMP						
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 are no other elements of Directors and Executives remuneration.

24. KEY MANAGEMENT PERSONNEL DISCLOSURES continued**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	Options
John Dawkins	-	150,000	-
Peter J Meers	-	548,461	-
Ian Levy	-	1,908,461	-
Rado Jacob Rebek	500,000	70,000	-
Ken Boundy	180,000	-	-
Wei Huang	20,000	-	-

Shareholdings and Option Holdings of Key Management Personnel

**Shares held in Australian Bauxite Limited
2012**

Directors	Balance at beginning of year	Changes during the year	Balance at end of year
John Dawkins	-	150,000	150,000
Peter J Meers	10,000	538,461	548,461
Ian Levy ¹	470,000	1,438,461	1,908,461
Rado Jacob Rebek	70,000	500,000	570,000
Ken Boundy	-	180,000	180,000
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 Ian Levy exercised 1,100,000 Employee Share Options and acquired a further 348,461 during t

¹ Mr Ian Levy exercised 1,100,000 Employee Share Option during the year and acquired a further 338,461 shares by related parties.

24. KEY MANAGEMENT PERSONNEL DISCLOSURES continued

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.

Options held in Australian Bauxite Limited 2012

Directors	Nature	Balance at beginning of year	Exercised during the year	Expired during the year	Balance at end of year
John Dawkins	ESOP	-	-	-	-
Peter J Meers	ESOP	1,000,000	-	(1,000,000)	-
Ian Levy	ESOP	2,000,000	(1,100,000)	(900,000)	-
Rado Jacob Rebek	ESOP	1,000,000	-	(1,000,000)	-
Vincent Tan	ESOP	1,000,000	-	(1,000,000)	-
Wei Huang	ESOP	1,000,000	-	(1,000,000)	-
Other Key Management Personnel					
Henry Kinstlinger	ESOP	200,000	-	(200,000)	-
David L Hughes	ESOP	100,000	-	(100,000)	-
Francis Choy	ESOP	100,000	(50,000)	(50,000)	-

Options held in Australian Bauxite Limited 2011

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

* All options at year end are vested and exercisable.

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

24. KEY MANAGEMENT PERSONNEL DISCLOSURES continued**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 at the end of the year	Highest indebtedness during the year	Additional interest otherwise payable*
	\$	\$	\$	\$	\$	\$
KMP						
2012						
Henry Kinstlinger						
- ESOP	570,005	-	46,929	616,934	616,934	15,644
- unsecured loan	-	30,000	1,213	31,213	31,213	404
Consultant	462,205	-	40,611	502,816	502,816	13,538
2011						
Henry Kinstlinger						
- ESOP	524,274	-	45,731	570,005	570,005	11,112
Consultant	-	450,000	12,205	462,205	462,205	2,712

* Market interest rate 6% (2011: 7%). This represents the difference between interest charged at the market interest rate and interest paid.

Terms and conditions of loans

The \$520,000 interest bearing, full recourse loan partly relates to the individual's participation in the Company's Employee Share Option Plan. Loans are secured against the shares only. A second unsecured interest bearing, full recourse loan of \$30,000 was advanced to an individual during the year. Loans are repayable should employees leave the Company. None were written down during the year.

An interest bearing full recourse loan of \$450,000 was advanced to a consultant. The loan is secured against shares. The loan is repayable should the consultant 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	
	2012	2011	2012	2011
	\$	\$	\$	\$
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 and review services	26,195	14,945	26,195	14,945
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	8,135	7,745	8,135	7,745
Advisory services	3,445	-	3,445	-
	11,580	7,745	11,580	7,745

26. SHARE BASED PAYMENTS

	Number of instruments	Vesting Conditions	Expiry
Performance Option	105,000	Vested 1/7/2011	30 November 2013
Performance Option	105,000	Vested 31/12/2011	30 November 2013
Performance Option	210,000	Vested 30/6/2012	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	
	2012 Number	2011 Number	2012 Number	2011 Number
Vested and exercisable at beginning of the year	10,110,000	9,900,000	10,110,000	9,900,000
Granted and vested during the year	210,000	210,000	210,000	210,000
Exercised during the year	(1,150,000)	-	(1,150,000)	-
Expired during the year	(8,250,000)	-	(8,250,000)	-
Vested and exercisable at end of the year	920,000	10,110,000	920,000	10,110,000
<i>Option expenses</i>				
Share options granted	210,000	210,000	210,000	210,000
Expense recognised as costs	33,180	60,270	33,180	60,270
Deducted from equity	-	-	-	-
Fair value per option at grant time	15.8 cents	28.7 cents	15.8 cents	28.7 cents

1. In 2012, the fair value of options granted above is determined using the Black-Scholes formula. The model inputs were: the share price of \$0.41, the exercise price of \$0.30, expected volatility of 50%, expected dividends of \$Nil and a risk-free interest rate of 3.50%. There is no service or performance criterion in relation to the options.
2. 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.

	Employee Share Option	Success Option	Success Option	Performance Option	Total
2012					
Grant date	15/10/2009	24/12/2009	15/08/2010	31/12/2011	
Exercise date	15/10/2012	24/12/2012	15/08/2013	30/11/2013	
Exercise price (\$)	0.30	0.30	0.55	0.30	
Balance at beginning of year	6,400,000	3,000,000	500,000	210,000	10,110,000
Granted during the year	-	-	-	210,000	210,000
Forfeited during the year	-	-	-	-	-
Exercised during the year	(1,150,000)	-	-	-	(1,150,000)
Expired during the year	(5,250,000)	(3,000,000)	-	-	(8,250,000)
Balance at the end of year	-	-	500,000	420,000	920,000
Vested and exercisable at end of year	-	-	500,000	420,000	920,000

Weighted average exercise price 43.5 cents.

26. SHARE BASED PAYMENTS continued

	Employee Share Option	Success Option	Success Option	Performance Option	Total
2011					
Grant date	15/10/2009	24/12/2009	15/08/2010	31/12/2011	
Exercise date	15/10/2012	24/12/2012	15/08/2013	30/11/2013	
Exercise price (\$)	0.30	0.30	0.55	0.30	
Balance at beginning of year	6,400,000	3,000,000	500,000	-	9,900,000
Granted during the year	-	-	-	210,000	210,000
Forfeited during the year	-	-	-	-	-
Exercised during the year	-	-	-	-	-
Expired during the year	-	-	-	-	-
Balance at the end of year	6,400,000	3,000,000	500,000	210,000	10,110,000
Vested and exercisable at end of year	6,400,000	3,000,000	500,000	210,000	10,110,000

Weighted average exercise price 30.0 cents.

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 2012 owns 42.60 % (2011: 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 2012:

Administration services fee***Consolidated and parent entity***

The Company paid an administration fee to Hudson Corporate Limited (HCL), a wholly owned subsidiary of Hudson Investment Group Limited of \$411,000 (2011: \$363,000) as payment of sharing rent, administration, accounting, secretarial and compliance costs incurred by HCL on behalf of the group.

e. Outstanding Balance

	Consolidated Entities		Parent Entity	
	2012	2011	2012	2011
Receivable	\$	\$	\$	\$
Non-current				
Advance to controlled entities	-	-	11,518,112	9,287,615
Advance to related entity	-	-	-	-
Payable				
Non-current				
Advance from controlled entities	-	-	-	-

Terms and conditions of advance

Advance to controlled entities have no terms of repayment, no securities and is non interest bearing.

27. RELATED PARTY TRANSACTIONS continued**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 for 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 2012 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 25 to 27 of the Directors' Report (as part of audited Remuneration Report), for the year ended 31 December 2012, 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
Managing Director & Chief Executive officer

Signed at Sydney
27 March 2013

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 2012, 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.

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 2012 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 25 to 27 of the Directors' Report comply with S300A of the Corporations Act 2001.

KS Black & Co
Chartered Accountants



Faizal Ajmat
Partner

Sydney, 27 March 2013

SHAREHOLDER INFORMATION

As at 28 February 2013

A. Substantial Holders

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

Shareholder	No. of Shares	% Held
HUDSON RESOURCES LIMITED	45,667,337	40.16

B. Distribution of Equity Securities

Range	Total Holders	Units	% of Issued Capital
1 - 100	17	278	0.00
101 - 1,000	30	25,221	0.02
1,001 - 10,000	408	2,521,207	2.22
10,001 - 50,000	308	7,982,161	7.02
50,001 - 100,000	90	7,127,736	6.27
100,001 - 500,000	72	15,538,686	13.67
500,001 - 1,000,000	13	9,370,857	8.24
1,000,001 and above	14	71,145,014	62.57
Total	952	113,711,160	100.0

C. Unmarketable Parcels

Minimum Parcel Size	Holders	Units
Minimum \$500.00 parcel at \$0.25 per unit	90	89,099

D. Twenty Largest Shareholders

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

Rank	Name	Units	% of Issued Capital
1	HUDSON RESOURCES LIMITED	45,667,337	40.16
2	WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED	4,744,016	4.17
3	NATIONAL NOMINEES LIMITED	3,586,449	3.15
4	WSF PTY LTD <WOODSTOCK SUPER FUND A/C>	2,999,743	2.64
5	YARRAANDOO PTY LTD <YARRAANDOO SUPER FUND A/C>	2,020,000	1.78
6	CODE NOMINEES PTY LTD <MATA>	2,000,000	1.76
7	JUSTEVIAN PTY LIMITED <JUSTEVIAN SUPERFUND A/C>	1,908,461	1.68
8	STATE ONE STOCKBROKING LTD <SOS HOUSE AHX A/C>	1,744,282	1.53
9	STATE ONE STOCKBROKING LTD	1,357,500	1.19
10	STATE ONE EQUITIES PTY LTD	1,298,723	1.14
11	M F CUSTODIANS LIMITED	1,219,000	1.07
12	EQUITY TRUSTEES LIMITED <SGH MICRO CAP FUND A/C>	1,100,000	0.97
13	CHASE SUPER PTY LIMITED <CHASE ENT P/L PROV FUND A/C>	1,066,964	0.94
14	ROMADAK PTY LTD <ROMADAK SUPER FUND A/C>	1,064,000	0.94
15	LATOKA INVESTMENTS LTD	888,000	0.78
16	GLENEAGLE SECURITIES NOMINEES PTY LIMITED	876,448	0.77
17	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	863,443	0.76
18	MR REX ADAMS + MRS JOSEPHINE ADAMS <R & J ADAMS SUPER FUND A/C>	810,000	0.71
19	CARDY & COMPANY PTY LTD	800,000	0.70
20	MR HENRY KINSTLINGER	800,000	0.70
Top 20 Holders Of Ordinary Fully Paid Shares (Total)		76,814,366	67.55
Total Remaining Holders Balance		36,896,794	32.45

E. 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	\$0.55	15 August 2013	500,000	1	State One Stockbroking Ltd	100.00%
Options	\$0.30	30 November 2013	420,000	3	N/A	N/A

F. 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.

G. List of Escrowed Securities

There are no escrowed securities as at 28 February 2013.

H. 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	69	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	45	ABx1 Pty Ltd	100.0%
EL 7597	Merriwa - 2	318	ABx1 Pty Ltd	100.0%
EL 7598	Merriwa - 3	195	ABx1 Pty Ltd	100.0%
EL 7950	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 4643	Coolah	300	ABx1 Pty Ltd	100.0%
ELA 4759	Old Mill	201	ABx1 Pty Ltd	100.0%
EL 7269	Windellama	135	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 ²	306	ABx2 Pty Ltd	100.0%
EL 7912	Taralga 3rd Ext	309	ABx2 Pty Ltd	100.0%
EL 7601	Bungonia	132	ABx2 Pty Ltd	100.0%
EL 7546	Penrose	30	ABx2 Pty Ltd	100.0%
Queensland				
EPM 17790	Hampton	90	ABx3 Pty Ltd	100.0%
EPM 17800	Haden	24	ABx3 Pty Ltd	100.0%
EPM 17801	Hillgrove	18	ABx3 Pty Ltd	100.0%
EPM 17830	Binjour	150	ABx3 Pty Ltd	100.0%
EPM 17831	Binjour Extension	123	ABx3 Pty Ltd	100.0%
EPM 18014	Binjour 2nd Ext	168	ABx3 Pty Ltd	100.0%
EPM 18772	Binjour 3rd Ext	108	ABx3 Pty Ltd	100.0%
EPM 19169	Tellebang	150	ABx3 Pty Ltd	100.0%
EPMA 25146	Toondoon EPM	9	ABx3 Pty Ltd	100.0%
EPMA 19390	Brovinia	147	ABx3 Pty Ltd	100.0%
EPMA 19427	Brovinia 2	141	ABx3 Pty Ltd	100.0%
Tasmania				
EL 4/2010	Evandale	83	ABx4 Pty Ltd	100.0%
EL 6/2010	Cleveland	7	ABx4 Pty Ltd	100.0%
EL 7/2010	Conara	154	ABx4 Pty Ltd	100.0%
EL 9/2010	Deloraine	168	ABx4 Pty Ltd	100.0%
EL 37/2010	Westbury	179	ABx4 Pty Ltd	100.0%
EL 3/2012	Ross	147	ABx4 Pty Ltd	100.0%
EL 12/2012	Scottsdale	128	ABx4 Pty Ltd	100.0%
ELA 16/2012	Reedy Marsh	144	ABx4 Pty Ltd	100.0%
EL 5/2011	Sassafras	30	ABx4 Pty Ltd	100.0%



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