Second Annual Report

on

EL 7/2010 – CONARA

Reporting Period:	14 September 2011 – 13 August 2012
Project Operator:	ABx4 Pty Ltd
Address:	Level 2, 131 Macquarie Street, Sydney, NSW, 2000
Authors:	Tamara Coyte and Jacob Rebek
Date:	2 August 2012

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1 ABSTRACT

Objective:

Exploration Licence (**EL**) 7/2010 "Conara" was applied for in order to facilitate an exploration program to discover economically viable deposits of bauxite associated with Tertiary Volcanics, in an area with old peneplained surfaces preserved as plateaus. The goal of the program is to determine the quality and quantity of the bauxite in the area using an RC drill rig mounted on a light 12 tonne truck.

Methodology:

1. Detailed geological mapping, including geomorphological mapping, to define the areas with best potential for bauxite.
2. Systematic sampling of natural outcrops and exposures in road cuts of lateritic weathering profile.
3. Chemical analyses of samples, including specialist analyses to determine total and available alumina, total and reactive quartz, loss on ignition and other analyses as required in bauxite search.
4. Drill testing of zones with best potential defined by work under 1, 2. and 3, by an RC drill rig mounted on a light Mitsubishi truck to get samples representing the whole lateritic weathering profile (from upper-most iron rich zone through alumina rich zone down into mottled and pallid saprolite zone).
5. Systematic drill testing at close spacings to obtain data for resource estimation in the best target areas defined by programme under 4.

Results:

A detail study of geological mapping, satellite images and literature was conducted over the second year of tenure to define the areas with the best potential for bauxite. Exploring on foot was undertaken in private properties and focussed on the old ternary surface, analysing erosional patterns and looking for escarpments exposing red soil on a number of private properties. Either brief or detailed reconnaissance was conducted on; Quorn Hall, Meadowbank, Riccarton, Fordon estate, Donald Cameron (NE of Pretty Plains), Milford and Vaucluse. Areas where there is no bauxite potential, towns, settlements, rivers, mountains and exclusion areas are being relinquished.

Exploration in the Conara tenement has been very successful with approximately 3Mt of bauxite already identified and could have up to 5Mt in current target areas. The deposits are located in agricultural properties and are generally considered poor quality farm land. ABx4 is partially relinquishing 85sq km of the tenement with the focus on removing towns, settlements, rivers, mountains and exclusion areas from the current tenement. Many of these areas are unlikely to have bauxite because of increased amounts of erosion. In the other areas it would not be practical to explore because it would constrain any potential developments if bauxite was found.

ABSTRACT Cont

Recommendations for future work:

Recommendation for future work include further:

- Detailed geological mapping, including geomorphological mapping and study of satellite images to define the areas with the best potential for bauxite.
- Systematic sampling of natural outcrops and exposures in road cuts of lateritic weathering profile.
- Chemical analyses of samples, including specialist analyses to determine total and available alumina, total and reactive quartz, loss on ignition and sieving (+0.26mm) at 260 microns as required in the bauxite search.
- Drill testing of zones with best potential with an RC drill rig mounted on a light six wheel truck to get samples representing the whole lateritic weathering profile (from upper-most iron rich zone through alumina rich zone down into mottled and pallid saprolite zone).
- Systematic drilling at close spacings to obtain data for preliminary resource estimation in the best target areas defined by program.
- Systematic sampling and drilling at waypoints with best bauxite potential.
- Sieve testing to find optimal sieve size for Tasmanian bauxites.
- Detailed analysis of assay results to determine assaying strategy for future drilling.

2 INTRODUCTION

Exploration Rationale

Exploration Licence (**EL**) 7/2010 "Conara" was applied for in order to facilitate an exploration program to discover economically viable deposits of bauxite associated with Tertiary Volcanics, in an area with old peneplained surfaces preserved as plateaus. The goal of the program is to determine the quality and quantity of the bauxite in the area using an RC drill rig mounted on a light 12 tonne truck.

Geological Setting

In the Conara area, the occurrences of bauxite are located in areas with Tertiary basaltic volcanics.

Study of geomorphology based on a digital terrain model led the company's geologist to the conclusion that Tertiary basaltic volcanics are preserved on remnants of old surface which form larger plateaus or smaller 'mesas'.

Bauxite was formed during the Tertiary period when tropical climate prevailed (high rainfall and relatively high temperatures). Bauxite is present in the upper part of the ancient lateritic / saprolitic weathering profile. Except for the lateritic crust, ancient lateritic / saprolitic weathering profile is easily eroded because weathered rocks are soft.

However, under protective cover of Tertiary basaltic volcanics, large tonnages of bauxite may have been preserved. This concept is being tested by drilling.

The bauxite has formed in the lower areas of central Tasmania between two massive plateaus of Dolerite. The large valley is made up of Dolerite, young volcanics, recent sediment and some sandstone which have been extensively laterised. There is a small amount of older volcanics in the bauxite areas which are believed to be the source rock for the bauxite. Exposures of this volcanic can be found in the Packston Reserve at Fingal Rail Deposit in a field north of the Riccarton Targets. The volcanic was also in drill holes directly underneath the bauxite in Meadowbank Target which was originally described as bauxite formed on Dolerite.

Tenement Information

EL 7/2010 "Conara" was granted on and from 14 September 2010 for a period of 5 years to ABx4 Pty Ltd (**ABx4**).

This is the Second Annual Report for the reporting period 14 September 2011 - 13 August 2012 incorporating the results of work completed during the second year of tenure.

Total area of the original licence is 238sq km and its Mineral Category is 1 – Metallic Minerals and Atomic Substances. ABx4 however is relinquishing 85sq km of the tenement bringing the total area to 153sq km.

Tenure, including joint venture details and title transfers

EL 7/2010 "Conara" is 100% owned by ABx4 which is a 100% owned subsidiary of Australian Bauxite Limited.

Location

The Conara tenement is centred on the railway town of Conara where there is a railway siding and active railway. The tenement is only 90km from the large operating port at Bell Bay and the Midlands

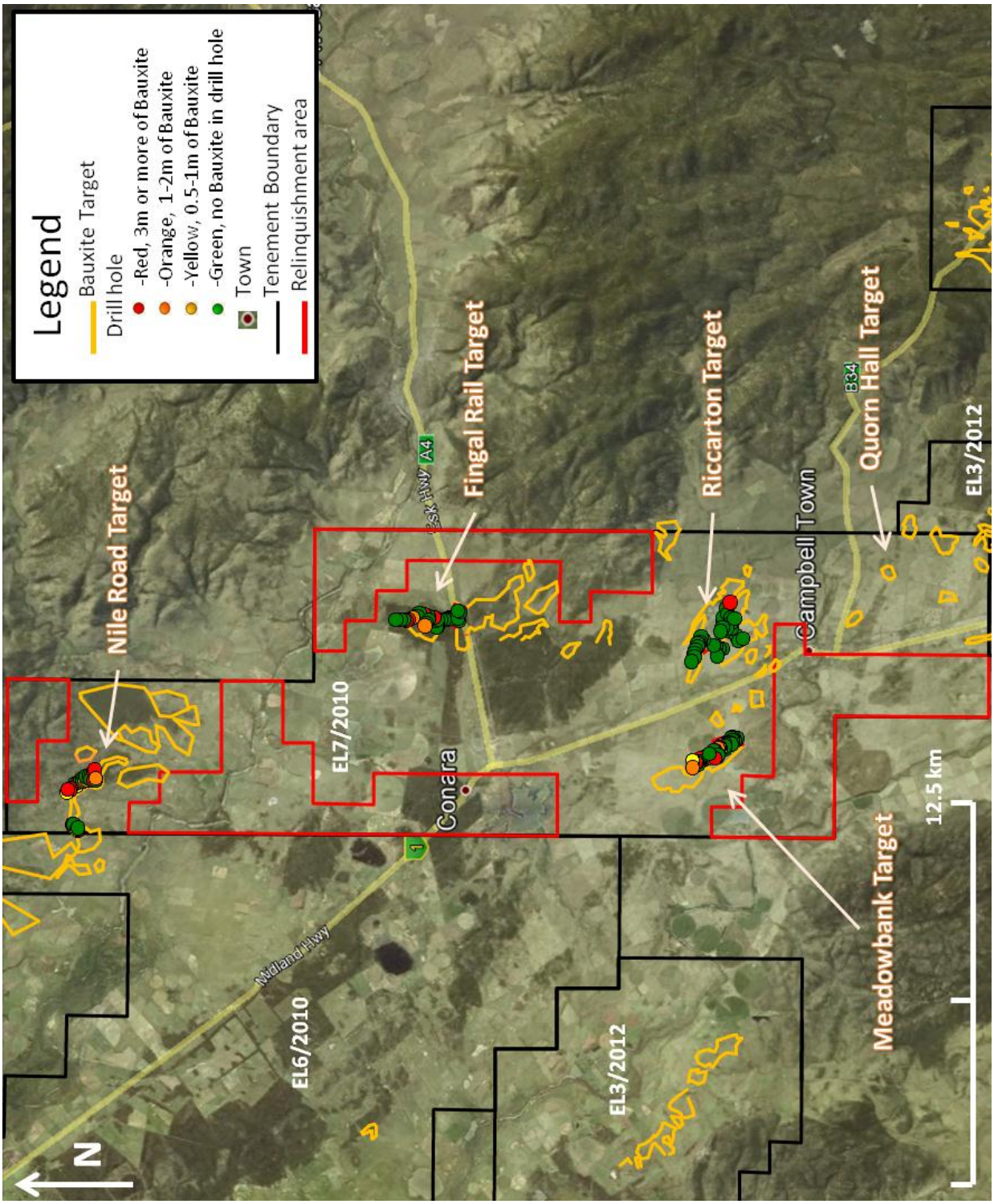
INTRODUCTION Cont

highway passes through the centre of the tenement. The Conara tenement is ideally located for both rail and road transport to the port. EL 7/2010 is close to the City of Launceston which could offer a wide range of services and skilled work force.

The majority of the land usage in the tenement is private reserves, natural forest and agricultural land with land categories 4-6. Gaining access to farming properties was very successful, most landowners contacted by ABx allowed the drill rig to operate on their property. Only one land owner in the area did not allow access to their property.

Map 1 – Location Map of EL 7/2010 "Conara"

INTRODUCTION Cont



Map 2 – EL7/2010 relinquishment areas marked by red outline

ABx4 is partially relinquishing 85sq km of the tenement as seen on Map 2 by red outlines with the focus on removing towns, settlements, rivers, mountains and exclusion areas from the current tenement. Many of these areas are unlikely to have bauxite because of increased amounts of erosion. In the other areas it would not be practical to explore because it would constrain any potential developments if bauxite was found.

3 REVIEW OF PREVIOUS WORK

Prior to Current Tenement

Historical references for bauxite in the Conara Tenement are reported by H.B. Owen in his book "Bauxite in Australia", 1954, which was the basis for Initial exploration of the area

- H.B. Owen, 1954, Bauxite in Australia, Bulletin 24

During current Tenement (for first year of tenure)

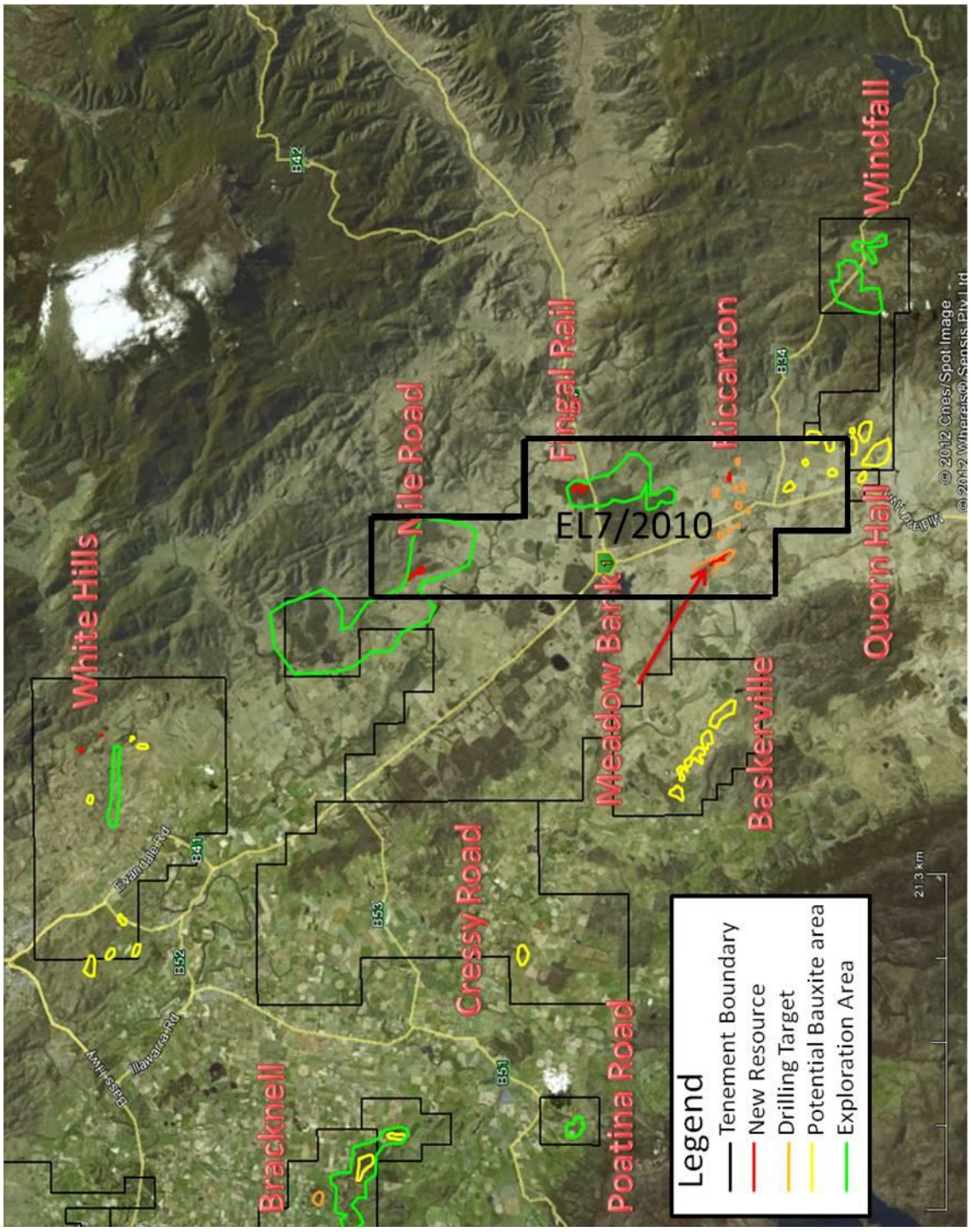
In the first year of tenure, a total of 143 holes were drilled in the Conara Tenement for a total of 1,238m. Except for Riccarton Target Area, most holes intercepted bauxite mineralization averaging 4m in thickness to a maximum of 9m but varied in grade. A total of 708 samples were selected for analysis by XRF and analysed for available alumina and reactive silica after wet screening at 260 microns.

4 EXPLORATION COMPLETED DURING THE REPORTING PERIOD

Literature Review

- H.B. Owen, 1954, Bauxite in Australia, Bulletin 24

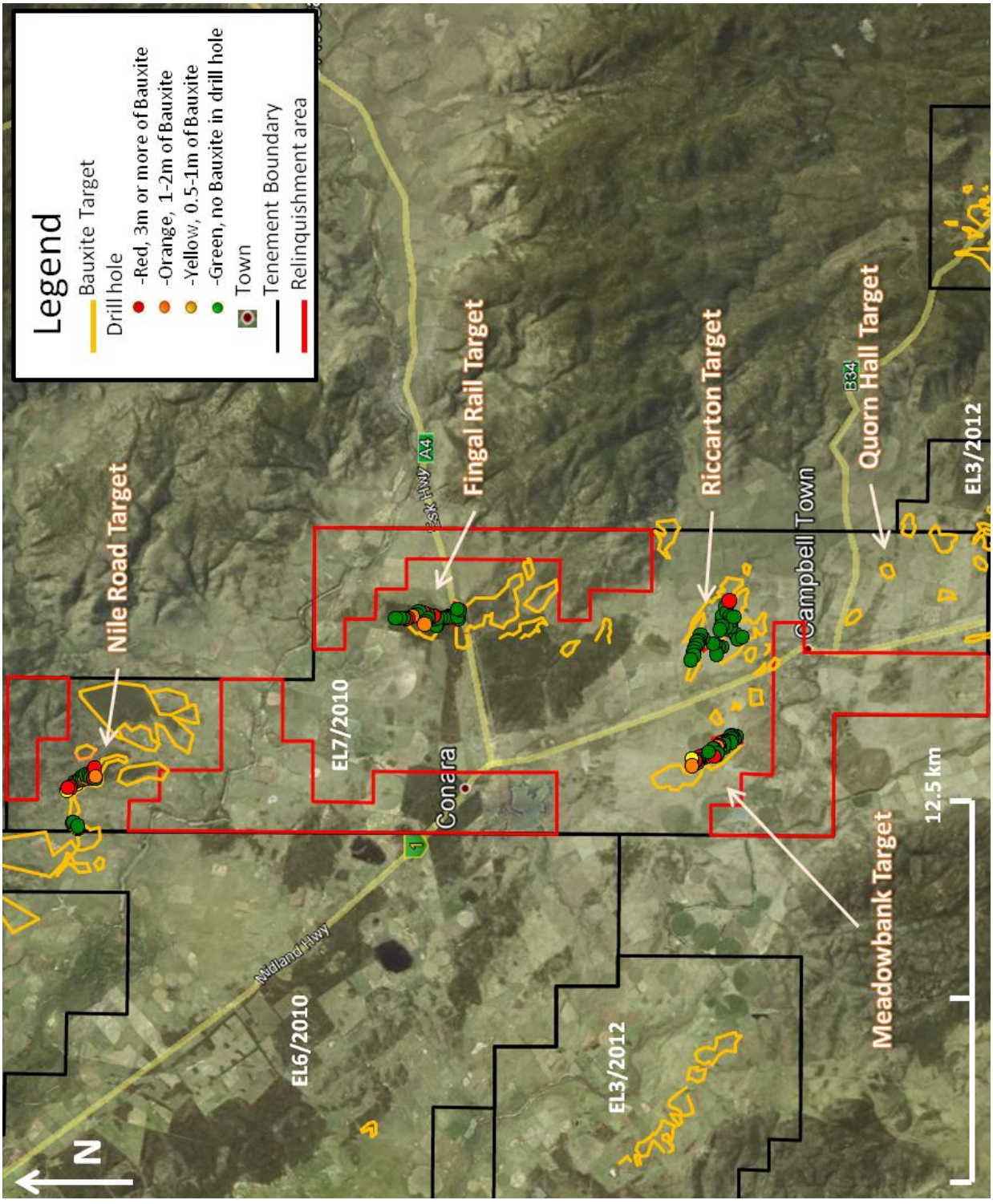
Regional Exploration Activities



Map 3 – Map from Google Earth showing location of EL 7/2010 Conara and adjacent tenements held by ABx4

EXPLORATION COMPLETED DURING THE REPORTING PERIOD Cont

Bauxite Targets and Proposed Relinquishment Area



Map 4 – Drill hole and target map for EL7/2010, including proposed relinquishment area

A detail study of geological mapping, satellite images and literature was conducted over the second year of tenure to define the areas with the best potential for bauxite. Exploring on foot was undertaken in private properties and focussed on the old ternary surface, analysing erosional patterns and looking for escarpments exposing red soil on a number of private properties. Either brief or detailed reconnaissance was conducted on; Quorn Hall, Meadowbank, Riccarton, Fordon estate, Donald

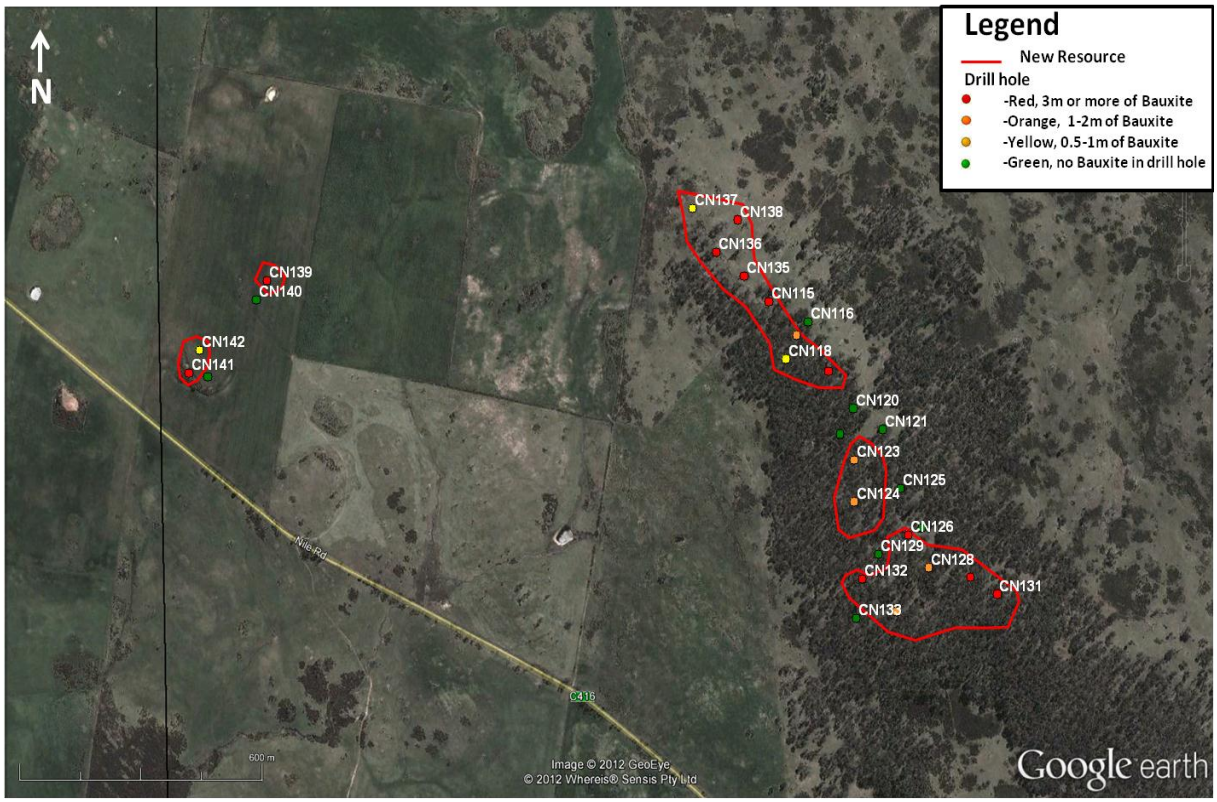
EXPLORATION COMPLETED DURING THE REPORTING PERIOD Cont

Cameron (NE of Pretty Plains), Milford and Vaucluse. Areas where there is no bauxite potential - towns, settlements, rivers, mountains and exclusion areas are being relinquished. ABx4 intends on relinquishing 85sq km as seen by the red lines in Map 4.

Nile Road Targets

In the first year of tenure, two bauxite deposits were drill defined on the Nile Road Property NE of Pretty Plains. The largest deposit is located in an old growth eucalypt forest which is infested with gorse. The deposit extends NW for almost 1.2km and is approximately 200-300m wide. The average thickness of bauxite mineralisation was 4m with a maximum of 8m. The deposit contains approximately 0.8Mt of bauxite so far drilled. Sub-cropping bauxite mineralisation is evident for a further 500m to the south. The bauxite mineralisation occurs as regolith remnants on low ridges and hills formed from weathering/bauxitisation of Tertiary basaltic volcaniclastic deposits. Jurassic dolerite forms the basement to the Tertiary volcanism. A small bauxite deposit is also located 1km west of the largest deposit located on the property 'Pretty Plains'. The deposit extends into a small hill to the south-west of the road and may add additional tonnage to a resource. Large exploration areas have been identified in a north-west to south-east trend following the escarpment. This area is a high priority for further exploration.

The Nile road deposit contains high grade gibbsitic bauxite and an Iron rich bauxite in separate zonings in parts of the deposit. The increased Iron level is directly proportional to decreasing Total Alumina. The largest iron zone is associated in the western part of the main target and the smaller drill target to the west. The average recovery with sieving was satisfactory with an average of 53%. Detailed analysis of the recoveries show that the first and last 1-2m have low recovery due to loss of Reactive Silica. The meters of bauxite which are not on the contact show excellent recoveries around 70%.



Map 5 – Potential resources map of the Nile Rd deposit

EXPLORATION COMPLETED DURING THE REPORTING PERIOD Cont

Table 1 – Approximate grade of the Nile Road Target

Bauxite Type	Al_2O_3 Avl%	Rx SiO_2%	Avl/Rx Ratio	Al_2O_3	SiO_2	A/S Ratio	Fe_2O_3	LOI	Yield
Iron Zones	22.9	2.0	18.0	28.8	3.0	12.9	44.7	17.6	63%
DSO	40.0	2.9	25.4	44.9	3.5	20.0	21.5	25.6	49%
Overall Grade	31.5	2.4	21.7	36.9	3.2	16.4	33.1	21.6	56%

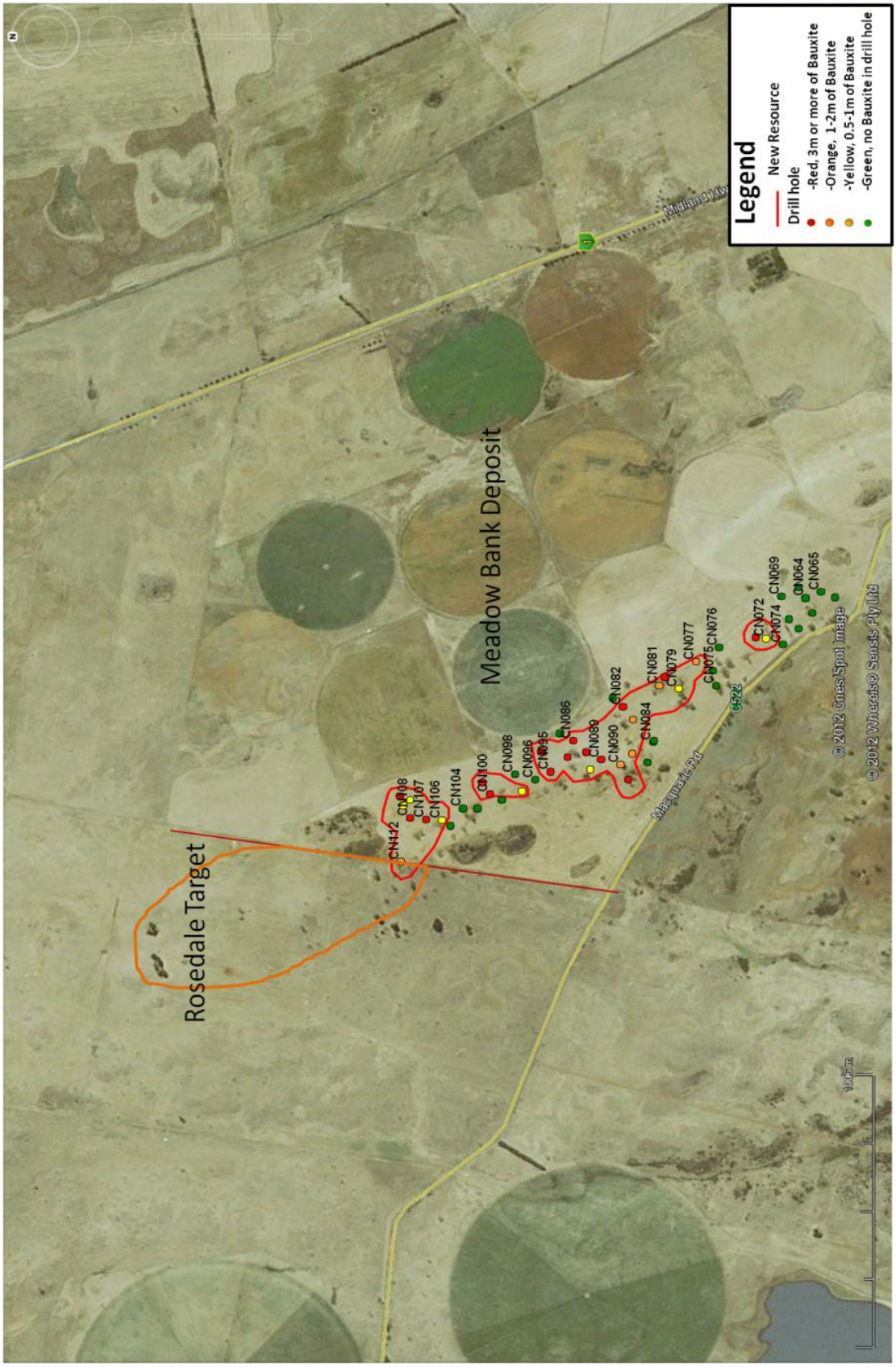
Meadowbank Targets

The Meadowbank Targets occur on the Meadowbank and Rosedale properties NW of Campbell Town. The area once contained native vegetation but most has been destroyed by weeds and grazing. In the first year of tenure 51 holes were drilled to define the Meadow Bank Deposit which extends NNW for almost 2kms and is approximately 200m wide. The bauxite mineralisation averaged 4.5m with a maximum thickness of 9m and the deposit contains approximately 0.8 Mt of bauxite.

Additional resources are likely as the deposit remains open to the north on the Rosedale property for a further 1km possibly adding large additions to the resource. Four low hills to the east of the deposit also contain bauxite mineralisation that may add another 0.2-0.3Mt. The total resource potential of the Meadowbank-Rosedale deposit is in the order of 1-3Mt.

The deposit contains thick zones of gibbsitic bauxite with approximate grades in Table 2. The bauxite layer contains consistent Iron and clay zones often forming between the high grade layers of gibbsitic bauxite (Figure 1). In some cases the bauxite is forming in the lower parts of terrain and there is potential for bauxite to extend to the west in the lower ground. Recoveries for the Meadowbank Target were quite low averaging 43%. Sieving of samples significantly improved the A/S ratio with increases in Alumina and decreases in Silica with a corresponding increase in Iron. Most of the low recovery is due to a corresponding loss of silica.

EXPLORATION COMPLETED DURING THE REPORTING PERIOD Cont



Map 6 – Potential resource map for Meadowbank/Rosedale Deposits

EXPLORATION COMPLETED DURING THE REPORTING PERIOD Cont

Table 2 – Approximate Grades of Meadowbank Deposit

BauxiteType	Al_2O_3	Rx SiO_2 %	Avl/Rx	Al_2O_3	SiO_2	A/S	Fe_2O_3	LOI	Yield
DSO	38.6	3.1	20.6	44.2	3.8	16.	23.6	25.1	54%

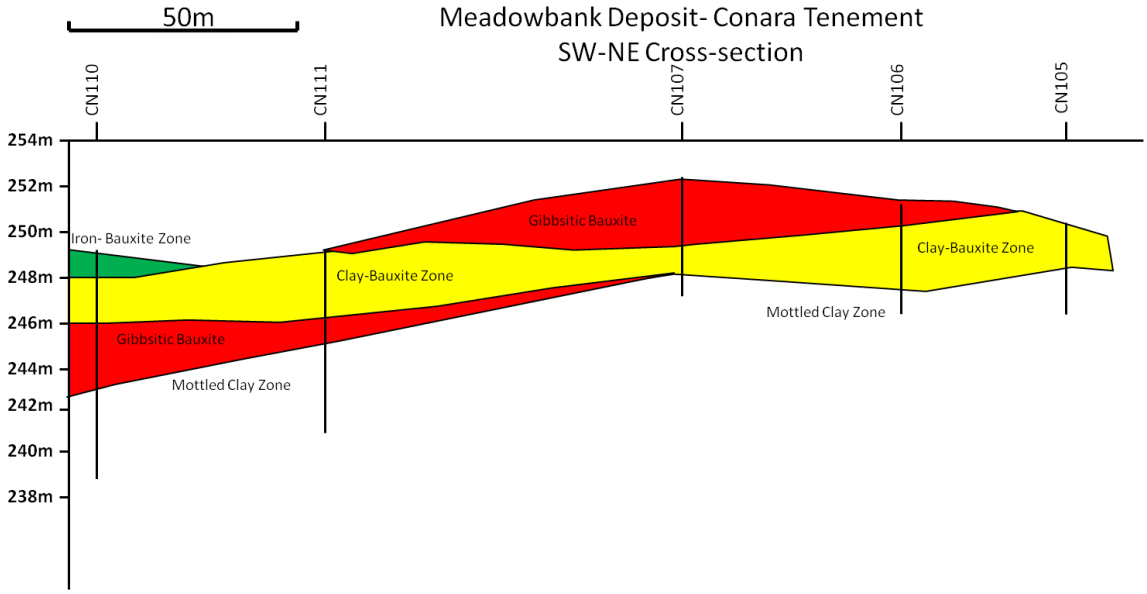


Figure 1 – Typical Cross-Section of Meadowbank/Rosedale Deposit

Fingal Rail Targets

The Fingal Rail Target occurs on a large ridge line on the Fordon and Milford Properties where the Fingal Rail line crosses the Esk highway. The target is covered by an old forest which is specifically associated to tertiary laterites deposits. The current target area is 500m x 2km with extensions to the west and to the north with bauxite occurring under some quaternary sand cover.

The Fingal Rail bauxite is a volcaniclastic hosted deposit with both bauxite and a possible source volcanic found around the area. The mottled zone, has characteristic vughs which appear identical to the nearby volcanics. The volcanic is a light weight grey tuffaceous volcanic with approximately 0.1 - 1cm perfectly spherical vughs and is fine grained.

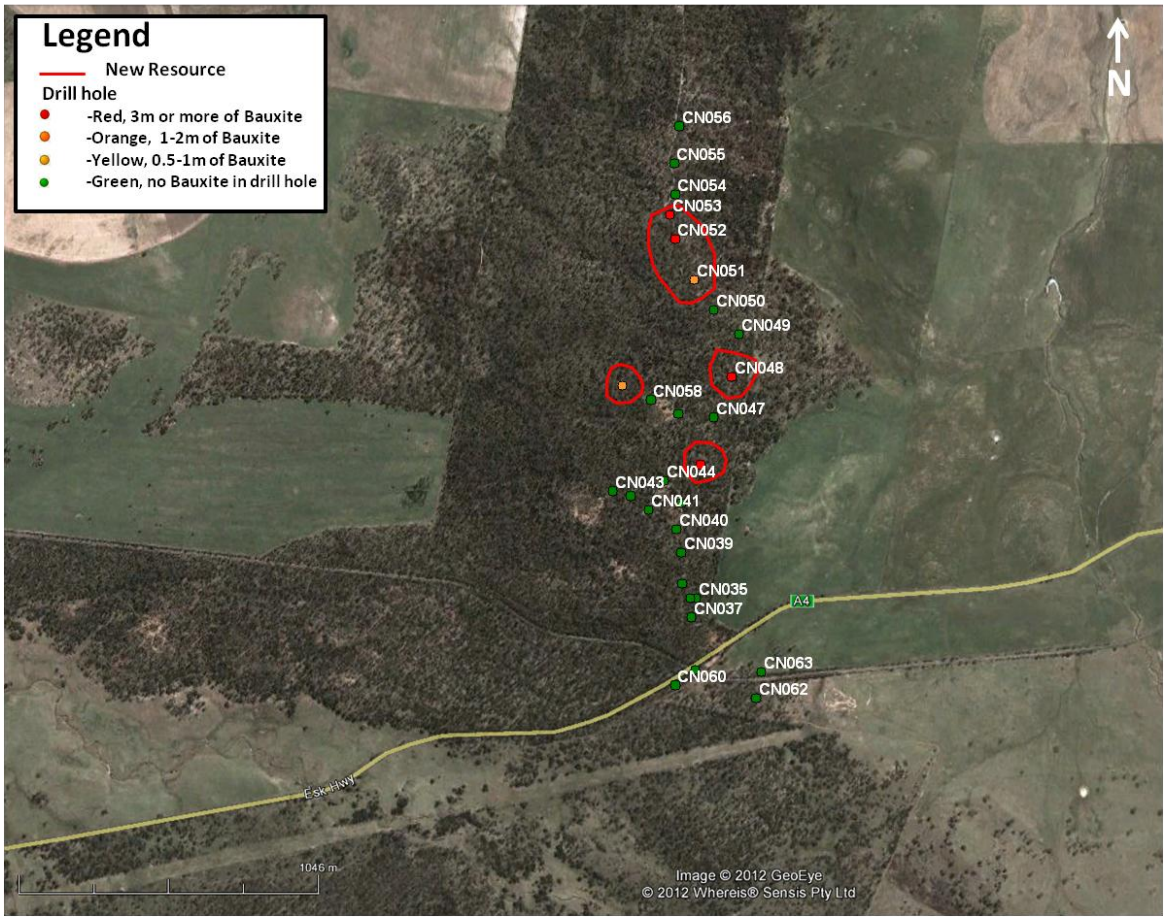
Many of the areas have not been thoroughly drilled. Excellent bauxite intersects in the northern part of the target have no drill holes delineating the contact to the east or west. It's very possible that many of the good intercepts could join up and expand the tonnage significantly.

The bauxite at Fingal Rail has an average thickness of 4m with a maximum thickness of 9m. The bauxite at surface was often expressed as red soil with minor bauxite, pisolites or a hematite rich earthy bauxite. The grade of the Fingal Rail bauxite was very inconsistent, which is possibly related to drainage patterns and has left the bauxite with a patchy appearance. The bauxite profile at Conara shows an Iron rich layer at surface which is often 1-3m thick. The bauxite frequently has a layer of lower grade clay rich gibbsitic bauxite which is generally very thick (~4-6m).

EXPLORATION COMPLETED DURING THE REPORTING PERIOD Cont

Upgrading by sieving of the bauxite showed excellent results. The recovery was very poor overall at 36% on average but the reduced recovery was directly proportional to the increase in grade.

Approximate estimate of tonnage for the Fingal Rail Target is 0.8 million tonnes but large increases could be achieved by drilling through quaternary sand cover. The bauxite could extend through to the north or west under the loose sand deposits.



Map 7 – Potential Resources Map for Fingal Rail Deposit

Table 3 – Approximate Grade of Fingal Rail Deposit

BauxiteType	Al2O3	Rx SiO2	Avl/Rx	Al2O3	SiO2	A/S	Fe2O3	LOI	Yield
DSO	36.7	3.6	19.3	42.1	4.3	15.2	25.7	23.8	43%

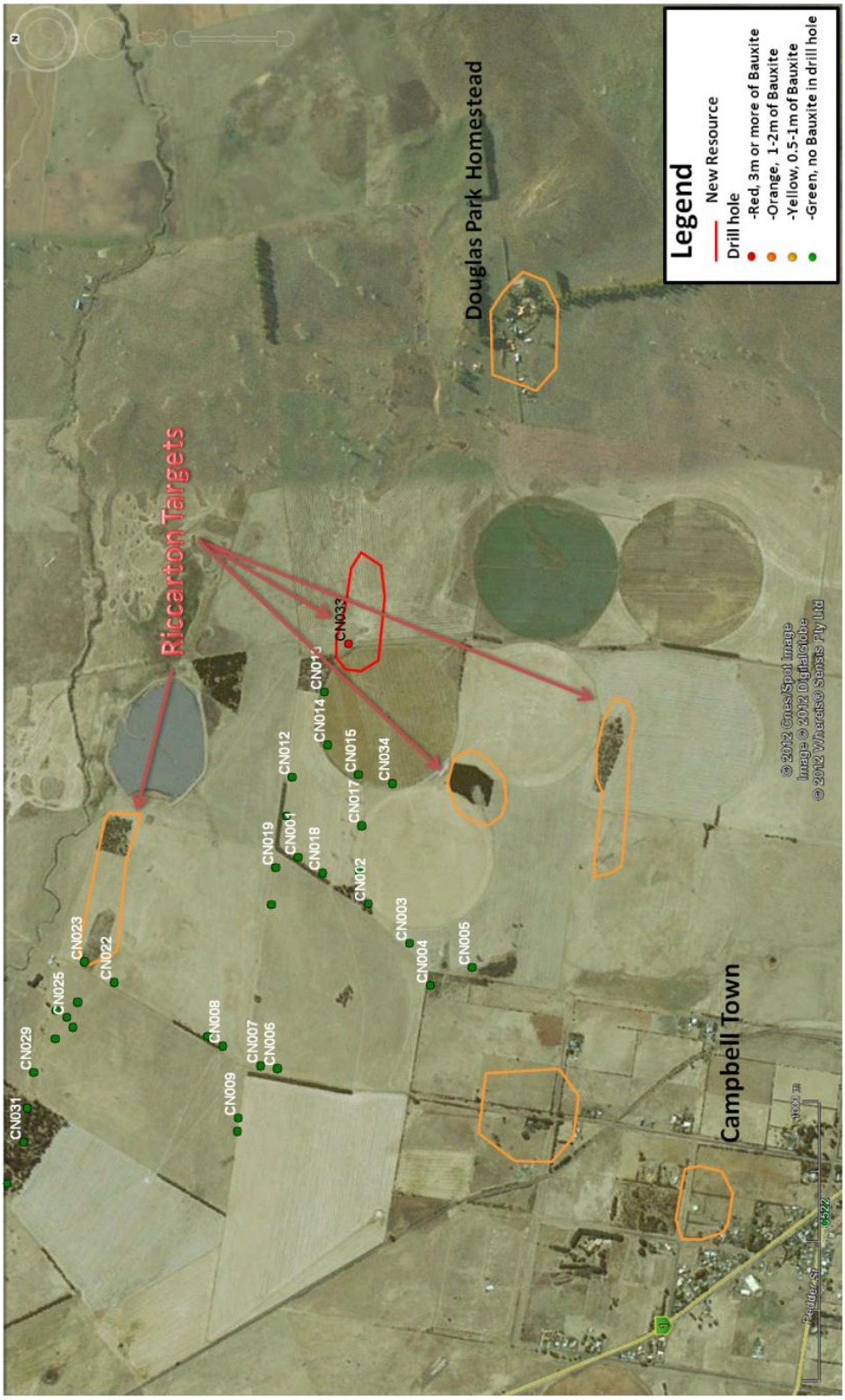
Riccarton Targets

The Riccarton Targets occur mainly on the east side of the midlands highway on the Riccarton Property. The bauxite occurs in small pockets of bauxitised volaniclastic with large slabs of bauxite exposed at surface. Most of the bauxite targets have been fenced off because the rocky outcrops do not make good agricultural land which has allowed native vegetation to grow back.

A large amount of residual bauxite is exposed at surface but drilling rarely found a consistent bauxite layer. An approximate tonnage estimate for the Riccarton Targets would be around 0.3Mt but there is potential for more than 1Mt of bauxite in the area. Only one drill hole intersected a significant bauxite layer which was ~3m thick. The bauxite at Riccarton is pisolitic at surface with large cemented slabs

EXPLORATION COMPLETED DURING THE REPORTING PERIOD Cont

and has a more massive bauxite layer below. Unsuccessful targets in the area were characterised by bauxite lumps at surface and a hematitic red cemented layer in first the few meters of each drill hole. This hematite layer could correspond to the bauxite layer but the drainage conditions may not have been ideal for bauxite formation.



Map 8 – Potential Resources Map for Riccarton Target

EXPLORATION COMPLETED DURING THE REPORTING PERIOD Cont

Table 4 – Grade for hole CN033, the only significant bauxite intercept at Riccarton Target

CN033

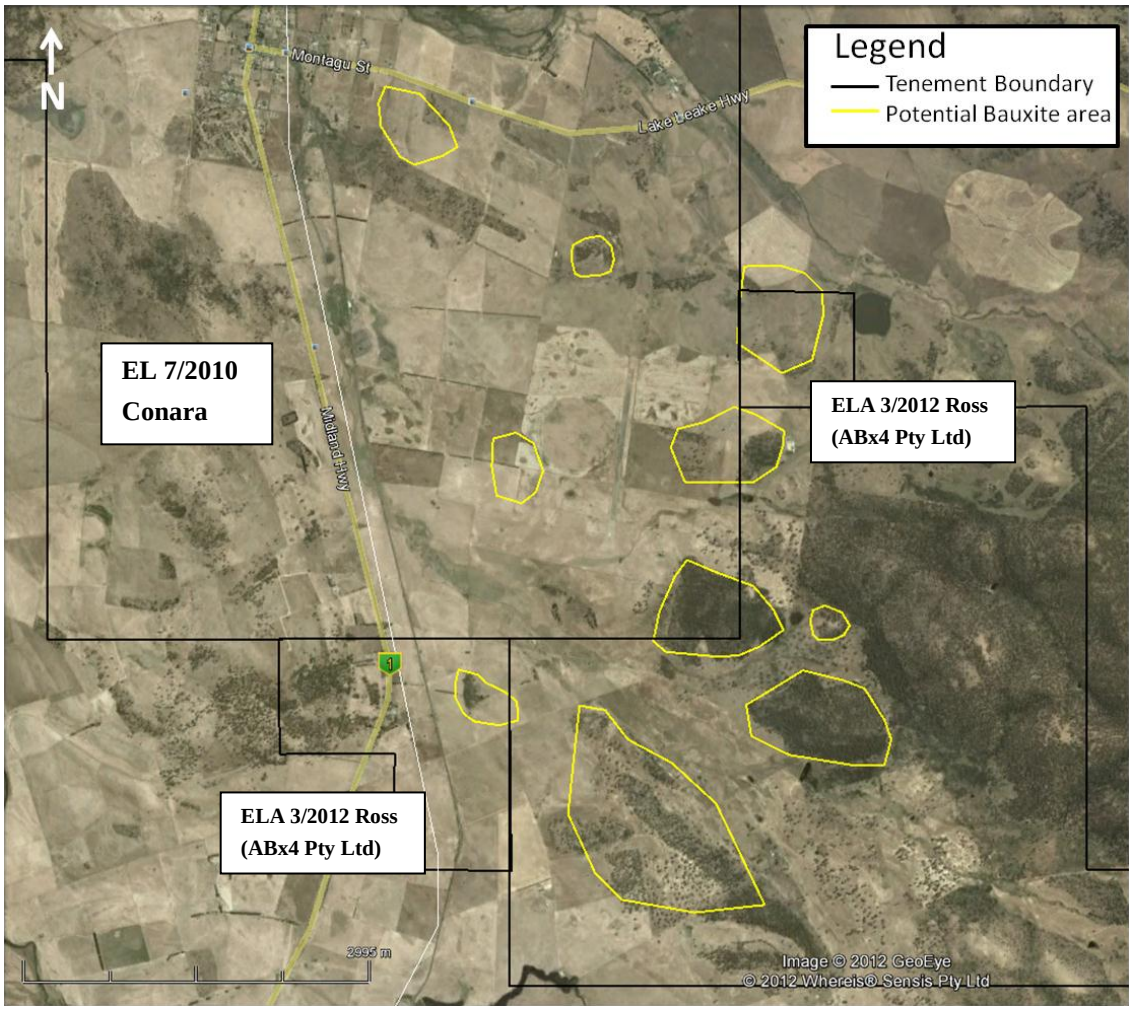
Sieved at 0.260mm

From	T	Al_2O_3Av	RxSiO	Al_2O	SiO_2	Fe_2O_3	LOI	Avl/R	A/S	Yield
0	1	32.9	1.0	37.5	1.9	34.8	21.	32.9	19.5	61%
1	2	35.0	1.2	39.0	2.1	31.2	22.	29.2	18.2	56%
2	3	30.9	1.3	34.9	2.2	37.2	20.	23.8	15.9	69%
3	4	22.2	12.5	35.2	13.7	27.1	18.	1.8	2.6	50%
4	5	2.5	22.1	23.1	23.9	36.2	12.	0.1	1.0	30%
5	6									

DS

Quorn Hall Targets

The Quorn Hall Targets are made up of small laterised hills that occur immediately south east of Campbell Town in the Quorn Hall property. These targets have been identified because they have the similar morphology to other volcanic hosted bauxite deposits in the area. Reconnaissance has identified one of these targets as bauxite but other targets have not yet been explored.



Map 9 – Map of Quorn Hall Targets

5 DISCUSSION OF RESULTS

The bauxite mineralization in the Campbell Town region is generally confined to hills, ridges and plateaus of weathered/bauxitised basaltic volaniclastic deposits. The bauxite is only partially continuous along the ridge tops and seems to form pockets of bauxite on the old surface. The original layer may have been more extensive but could have eroded away over time. The bauxite is sometimes pisolitic at surface (Figure 2) with massive red/yellow vuggy gibbsitic bauxite making up most of the lower mineralized layer. In some zones, probably in areas of increased drainage; a fine grained yellow friable bauxite forms which is difficult to identify because of its similarity to clay. The fine grained bauxite is highly gibbsitic, low in iron and slightly higher in reactive silica. The bauxite zone also contains zones of increased iron and clay; also likely associated with drainage patterns. Iron rich layers most often form near surface or on the edge of the bauxite deposit. The clay (reactive silica) rich bauxite forms an inter-burden waste or low grade bauxite usually between two layers of gibbsitic or iron rich bauxite. The underlying contact zone "Mottled Zone" is sometimes defined by red and white irregular mottled layer sometimes with cemented lumps of red iron rich clay just below the bauxite layer. In lower parts of the Mottled Zone relic textures of the original volcanic is evident. Figure 3 shows complete weathering of the volcanic layer converted to clay but retains the spheroidal weathering texture typical of massive volcanics and dolerite.

The bauxite in the Conara Tenement was mostly gibbsite which produces high LOI (loss on ignition) results. The bauxite also contained zones of iron and reactive silica which reduces the grade in these areas but in some cases could still be minable bauxite or could be blended with higher grade material. Sieving was completed at 0.26mm and is sometimes essential for some deposits to reach economic grades. Some of the deposits have reasonable grades without sieving.

Figure 2 – Pisolitic bauxite exposed at Riccarton Target

DISCUSSION OF RESULTS Cont

Figure 3 – Mottled Zone at Meadowbank Target in road cutting (Spheroidal weathering)

6 CONCLUSIONS AND RECOMMENDATIONS

A detailed study of geological mapping, satellite images and literature was conducted over the second year of tenure to define the areas with the best potential for bauxite. Exploring on foot was undertaken in private properties and focussed on the old ternary surface, analysing erosional patterns and looking for escarpments exposing red soil on a number of private properties. Either brief or detailed reconnaissance was conducted on; Quorn Hall, Meadowbank, Riccarton, Fordon estate, Donald Cameron (NE of Pretty Plains), Milford and Vaucluse.

Exploration in the Conara tenement has been very successful with approximately 3Mt of bauxite already identified and could have up to 5Mt in current target areas. The deposits are located in agricultural properties and are generally considered poor quality farm land. The proposed partial relinquishment of 85sq km focuses on removing towns, settlements, rivers, mountains and exclusion areas from the current tenement. Many of these areas are unlikely to have bauxite because of increased amounts of erosion. In other areas it would not be practical to explore because it would constrain any potential developments if bauxite was found.

Recommendations for future work include:

1. Detailed geological mapping, including geomorphological mapping and study of satellite images to define the areas with the best potential for bauxite.
2. Systematic sampling of natural outcrops and exposures in road cuts of lateritic weathering profile.
3. Chemical analyses of samples, including specialist analyses to determine total and available alumina, total and reactive quartz, loss on ignition and sieving (+0.26mm) at 260 microns as required in the bauxite search.
4. Drill testing of zones with best potential with an RC drill rig mounted on a light six wheel truck to get samples representing the whole lateritic weathering profile (from upper-most iron rich zone through alumina rich zone down into mottled and pallid saprolite zone).
5. Systematic sampling and drilling at waypoints with best bauxite potential.
6. Sieve testing to find optimal sieve size for Tasmanian bauxites.
7. Detailed analysis of assay results to determine assaying strategy for future drilling.
8. Testing new sample processing techniques to improve silica reduction.

7 ENVIRONMENT

Surface Disturbing Operations:

No surface disturbing operations were undertaken in the second year of tenure. Only exploration on foot and traversing on existing tracks was undertaken.

ABx4's surface disturbing operations are in general minimal.

Drilling is conducted by an RC drill rig mounted on a light 12 tonne truck. All drill holes are filled immediately after completion.

Existing tracks are used wherever possible. In the event that any specific access is required for drill rigs and/or service vehicles, track construction will be minimised and in accordance with directions of any landowners who may be affected.

Surveys (archaeological, botanical):

Four botanical surveys were conducted by Philip Milner Consultant Pty Ltd covering the following areas within EL 7/2010.

1. Fingal Rail Target Area
2. Meadowbank Rosedale Target Area
3. Nile Road Target Area
4. Campbelltown Target Area

Please refer to Appendix D in EL7/2010 First Annual Report for the Surveys.

Rehabilitation:

No rehabilitation was required during the second year of tenure.

ABx4 has a policy that all drill holes are filled immediately after completion. Drill holes are plugged using octo-plugs at a depth of 1.5m and re-filled using innocuous material from the drill hole.

8 EXPENDITURE

Table 5 – Exploration Activity and Expenditure Table for reporting period 14 September 2011 – 13 August 2012

Exploration Category	Description of Activity	Quantity	Expenditure
Office Administration			
Authority Management	Rent		$5,498
Office Activities	Data Processing & Interpretation		
Field Activities	Geological Mapping		$100
	Sampling	core storage	
	Equipment Hire		$403
	Travel & Accommodation		$2,905
	Vehicle Hire		
	Vehicle Petrol		
	Field Supplies		$1,447
	Field Assistance		
	Field Reconnaissance		
	Geophysics		
	Airborne		
	Type	Line kms	
	Ground		
	Type	Line kms	
	Drilling (program cost)		
	RAB/AC	Holes/total metres	
	RC	Holes/total metres	
	Diamond	Holes/total metres	
	Other	Holes/total metres	
Laboratory	Sample Preparation & Analysis		$800
Salaries / Wages	Geologist Contractors		$2,109
	Geologist Employees		$3,800
		Grand Total	**$17,062**

Note: Office Administration was met by parent company – Australian Bauxite Limited.

ABx4 has 11 tenements in Tasmania, 3 of which are still pending grant. Although expenditure was low this last reporting period, ABx4 is planning to undertake a scoping study of the economic potential for developing a Tasmanian Bauxite Project this September. Please see ASX announcement in Appendix A.

9 REFERENCES

H.B. Owen, 1954, Bauxite in Australia, Bulletin 24

T. Coyte, J.Rebek, EL 7/2010 Conara First Annual Report August 2011, *ABx4 Pty Ltd*