Second Annual Report

on

EL 9/2010 – DELORAINE

Reporting Period:	14 September 2011 – 13 August 2012
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Date:	4 September 2012

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1 ABSTRACT

Objective:

Exploration Licence (**EL**) 9/2010 "Deloraine" 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 Mitsubishi 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 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:

Further ground reconnaissance and mapping was undertaken in the second year of tenure to determine the extent of bauxite occurrences in the tenement as well as to evaluate the potential of bauxite targets identified in last year's drilling campaign. Surface samples were taken at Blackwood Target which appeared to be iron rich and very low in silica. Iron often migrates to the surface so drilling may uncover large amounts of lower iron bauxite.

The Deloraine tenement was applied for in early 2010 because of the excellent bauxite potential in the area. The 2010 drilling program commenced in November and aimed to drill new areas identified during field reconnaissance. 129 holes were drilled into the Deloraine Targets with a total of 837m drilled. The approximated tonnage for the targets drilled is around 2 Million Tonnes with more targets identified in the area. The bauxite mineralization in the Deloraine region is generally confined to hills, ridges and plateaus of weathering/bauxitization of basaltic volcaniclastic deposits.

ABx4 Pty Ltd (**ABx4**) is partially relinquishing 56sq km of EL 9/2010. The relinquishment focuses on removing towns, settlements, rivers, mountains and exclusion areas from the current tenement. These areas are unlikely to have bauxite and would constrain any potential developments.

ABSTRACT Ctd

Recommendations for future work:

Recommendation for future work include further:

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 drill testing at close spacings to obtain data for resource estimation in the best target areas defined by program under 4.
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

2 INTRODUCTION

Exploration Rationale

Exploration Licence (**EL**) 9/2010 "Deloraine" 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 Deloraine 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 mineralization in the Deloraine tenement is generally confined to hills, ridges and plateaus of bauxitised volcaniclastic deposits. There are multiple different forms of bauxite in Tasmania which results in different geochemical characteristics in individual deposits.

Tenement Information

EL 9/2010 "Deloraine" was granted on and from 14 September 2010 for a period of 5 years to ABx4 Pty Ltd (**ABx4**).

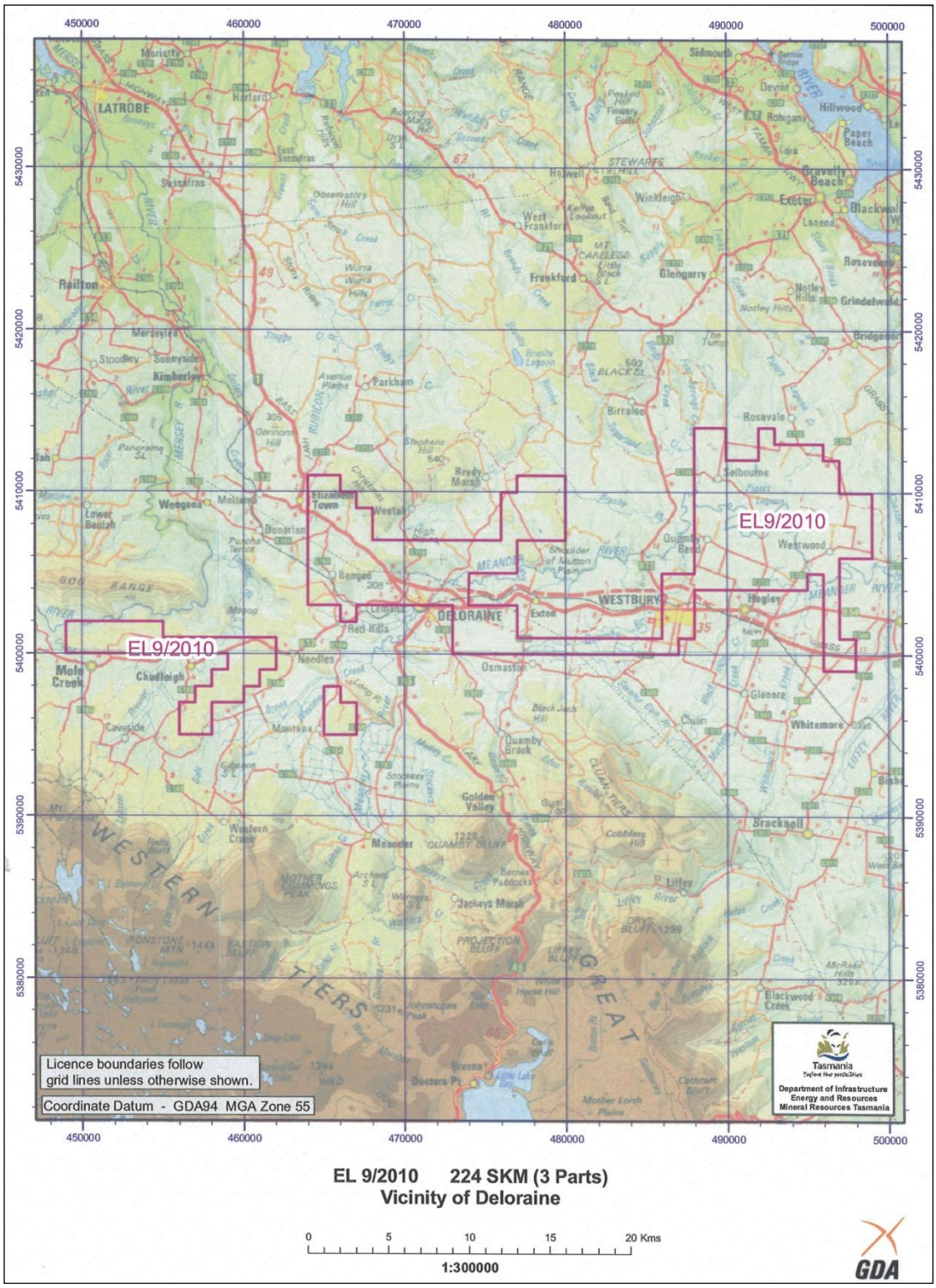
This is the Second Annual Report for the reporting period 14 September 2011 - 14 September 2012 incorporating the results of work completed during the second year of tenure.

Total area of the original licence is 224sq km. ABx4 however is relinquishing 56sq km to bring the total remaining area to 168sq km. The Mineral Category of EL 9/2010 is 1 – Metallic Minerals and Atomic Substances.

Location

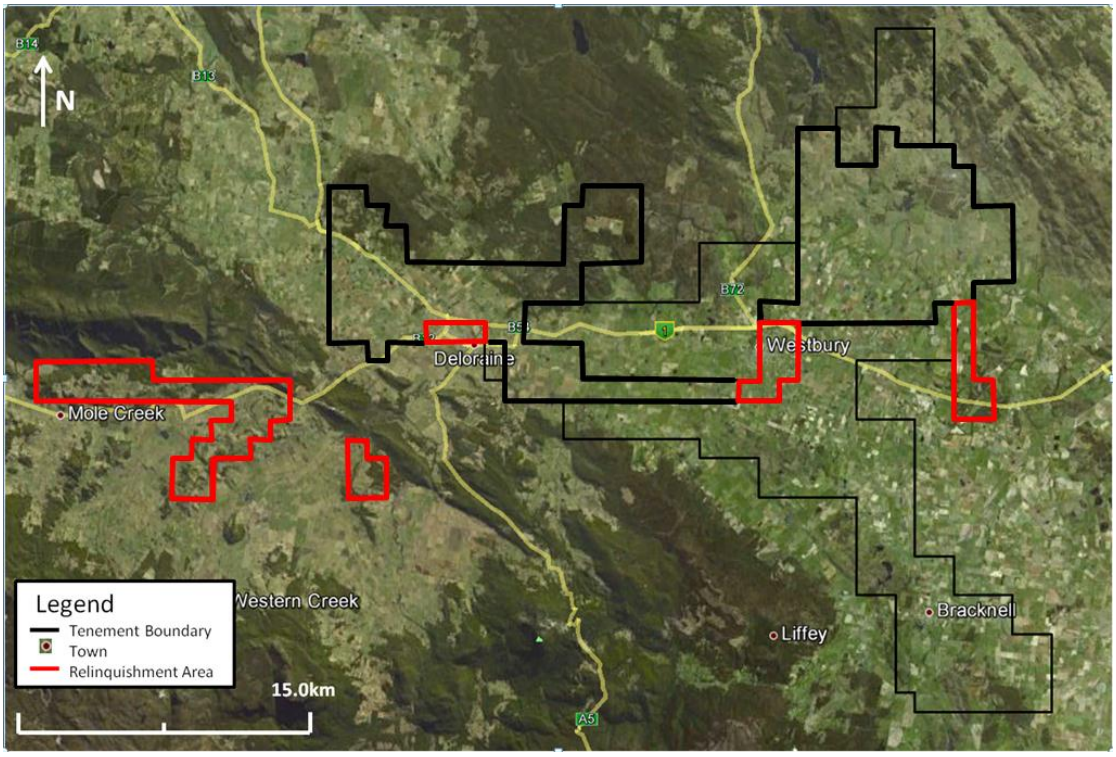
EL 9/2010 is located around the town of Deloraine (Map 1) where there is a rail line which connects all the ports of Tasmania to each other. Ports and rail way lines in Tasmania are generally under capacity and the Deloraine Tenement is only 42km from Devonport. EL 9/2010 is close to the city of Launceston and could offer a wide range of services and skilled work force.

INTRODUCTION Cont



Map 1 – Location Map of EL 9/2010 “Deloraine”

INTRODUCTION Cont



Map 2 – EL 9/2010 relinquishment areas marked by red outline

Tenure, including joint venture details and title transfers

EL 9/2010 "Deloraine" is 100% owned by ABx4 which is a fully owned subsidiary of Australian Bauxite Limited.

3 REVIEW OF PREVIOUS WORK

Prior to Current Tenement

Exploration for Bauxite was conducted by C.R.A Exploration Pty Limited (**CRA**) in the late 1960s and early 1970s. CRA decided to relinquish its tenement in central northern Tasmania as no worthwhile results were obtained.

Two reports were composed by CRA:

1. Miss S.E. Close, Feb 1970, Scintillometer Search for Bauxite, Northwest Tasmania, *CRA Exploration Pty Limited*
2. Miss S.E. Close, June 1971, Final Report on Bauxite Search, Devonport E.L. 36/70 Tasmania, *CRA Exploration Pty Limited*

The following is an extract from the second report, summarizing CRA's findings:

Final Report on Bauxite Search, Devonport E.L. 36/70 Tasmania

Final testing of this area in central northern Tasmania was carried out using a Gemco Model 210A auger drill. A total footage of 1148 feet was drilled in 57 holes and 206 samples were sent to Zinc Corporation for Al_2O_3, SiO_2 and Fe_2O_3 analysis.

Drilling was concentrated on the two most promising areas, near Sassafras and near Deloraine, although all areas of soil over basalt within the E.L. were tested.

CONCLUSION

It is recommended that the E.L. be relinquished before the renewal date of 24th June, 1971. A memo has already been written to this effect.

No worthwhile results were obtained. Most of the 206 samples contained less than 30% total alumina, while 8 contained between 30 and 40% total alumina, but were also high in Fe_2O_3 and SiO_2. The higher values occurred in holes B20 and B25.

GENERAL DISCUSSION

As stated before, the drilling was carried out on all the areas of soil over basalt within the E.L. These have been described in preceding reports.

REVIEW OF PREVIOUS WORK Ctd

During current Tenement (first year of tenure)

Over the reporting period, a total of 129 holes were drilled for 837m. Most holes intercepted bauxite mineralization averaging 3m in thickness to a maximum of 9m but varied from a very high to a very low grade. A total of 480 samples were selected for analysis by XRF and analysed for available alumina and reactive silica after wet screening at 260 microns. An additional 82 samples were selected for analysis without screening.

4 EXPLORATION COMPLETED DURING THE REPORTING PERIOD

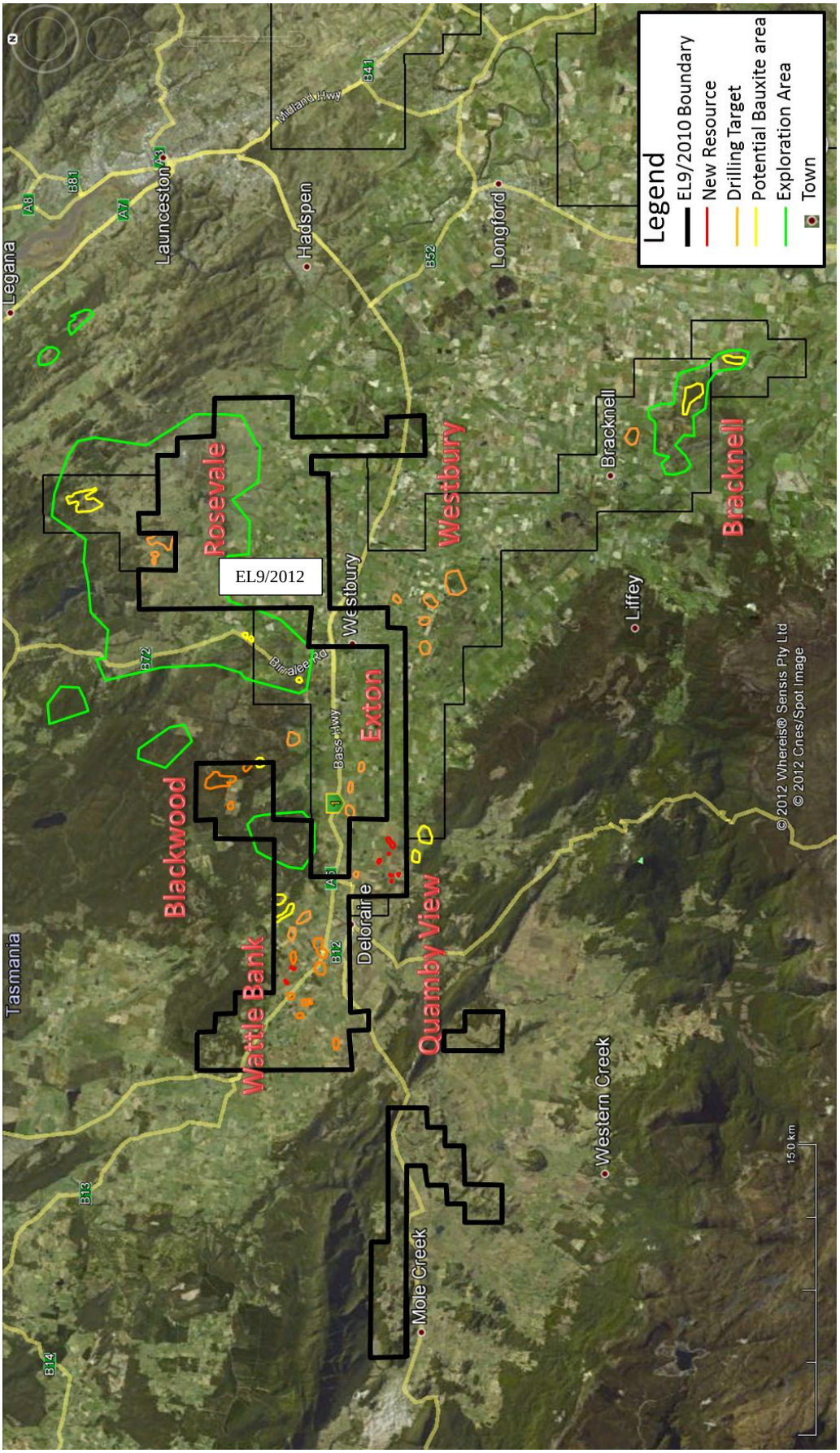
Literature Review

Two reports were composed by CRA:

- Miss S.E. Close, Feb 1970, Scintillometer Search for Bauxite, Northwest Tasmania, *CRA Exploration Pty Limited*
- Miss S.E. Close, June 1971, Final Report on Bauxite Search, Devonport E.L. 36/70 Tasmania, *CRA Exploration Pty Limited*

EXPLORATION COMPLETED DURING THE REPORTING PERIOD Cont

Regional Exploration Activities



Map 3 – EL 9/2010 Deloraine Overview of Exploration Conducted

EXPLORATION COMPLETED DURING THE REPORTING PERIOD Cont

Wattle Bank Targets

Map 4 – Overview of Wattle Bank Targets

Map 5 – Close-up view of Wattle Bank Targets, red outline represents potential resources defined by drilling

Table 1 - Approximate Grade of Wattle Bank Deposits

BauxiteType	Al_2O_3 Avl%	Rx SiO_2 %	Avl/Rx Ratio	Al_2O_3	SiO_2	A/S Ratio	Fe_2O_3	TiO_2	LOI	Yield
DSO	40.3	3.1	28.6	46.1	3.8	20.3	20.9	2.5	26	34%

The Wattle Bank Targets are poorly located in the Deloraine farming district. Although bauxite is generally very poor soil the underlying mottled zone can make quite good soils for cropping and hence a lot of the area is category 3 farming land.

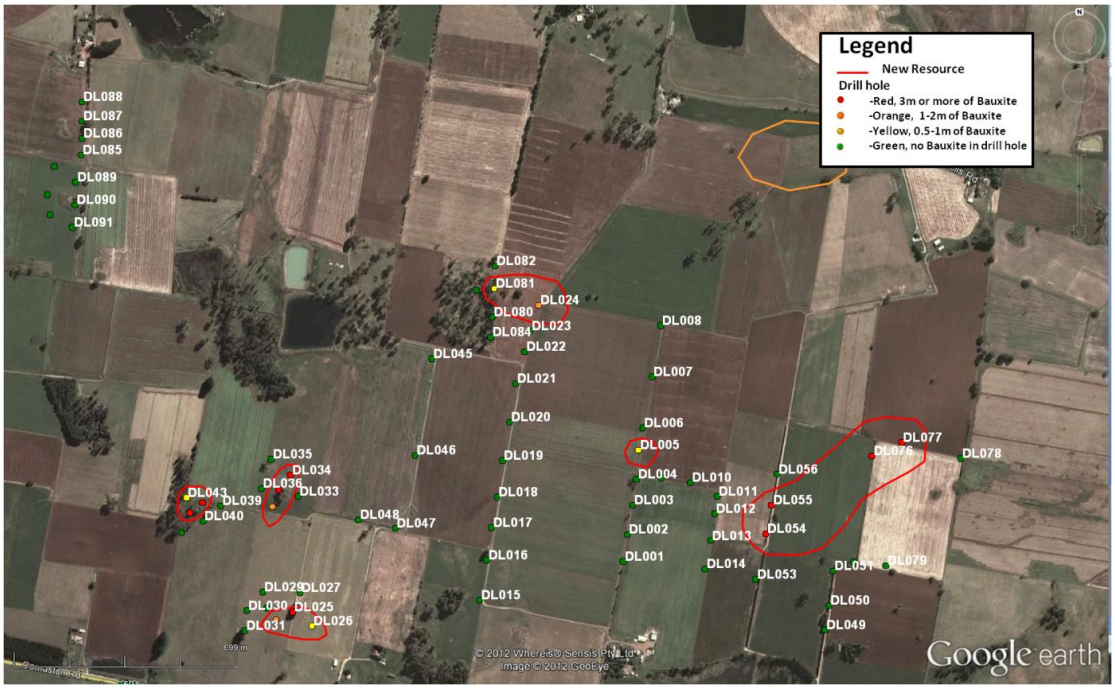
EXPLORATION COMPLETED DURING THE REPORTING PERIOD Cont

The Wattle Bank bauxite deposits are hosted in laterized basaltic volcanics of tertiary age. The prospective area is 6km long and consists of a ridge line with bauxite in the highest points of the terrain. There is a total of 8 high points along the ridge line which make up the Wattle Bank target area. Bauxite hosted in volcanics have shown to be higher grade than those overlying dolerites and have greater thicknesses. The maximum thickness intercepted in drill holes is 9m of bauxite found in multiple locations around Tasmania.

The Wattle Bank deposit averages 3.4m thick with a maximum thickness of around 9m. The tonnage is approximately 0.5 Million Tonnes so far but in Wattle Bank targets alone there is more than 5 times that many tonnes in the area. Unfortunately many of these are very poorly located and hence will never be drilled.

Total Silica of the Wattle Bank deposits is around the 6-8% before sieving which is quite high. Only the thickest of intercepts have low Total Silica but sieving of the bauxite always reduces the silica significantly and increase alumina content. The average yield for this material is 34% and is quite low. Further investigation and experimentation will need to be completed in the future to determine the optimum sieve size. The overall sieved grade for the Wattle Bank Target is approximately 20.3 A/S ratio which is excellent.

Quamby View Targets



Map 6 – Drill-holes and Potential Resources for Quamby View Targets

Table 2 – Approximate Grade of Quamby View Targets

BauxiteType	Al_2O_3 Avl%	Rx SiO_2 %	Avl/Rx Ratio	Al_2O_3	SiO_2	A/S Ratio	Fe_2O_3	LOI	Yield
DSO	36	3.3	15.9	42.9	4.3	13.1	24.6	24.4	55%
Iron Zones	20.3	1.4	20.4	24.9	4.4	7.2	50.6	14.3	73%
Overall Grade	28.4	2.4	18	34.2	4.3	10.3	37.2	19.5	64%

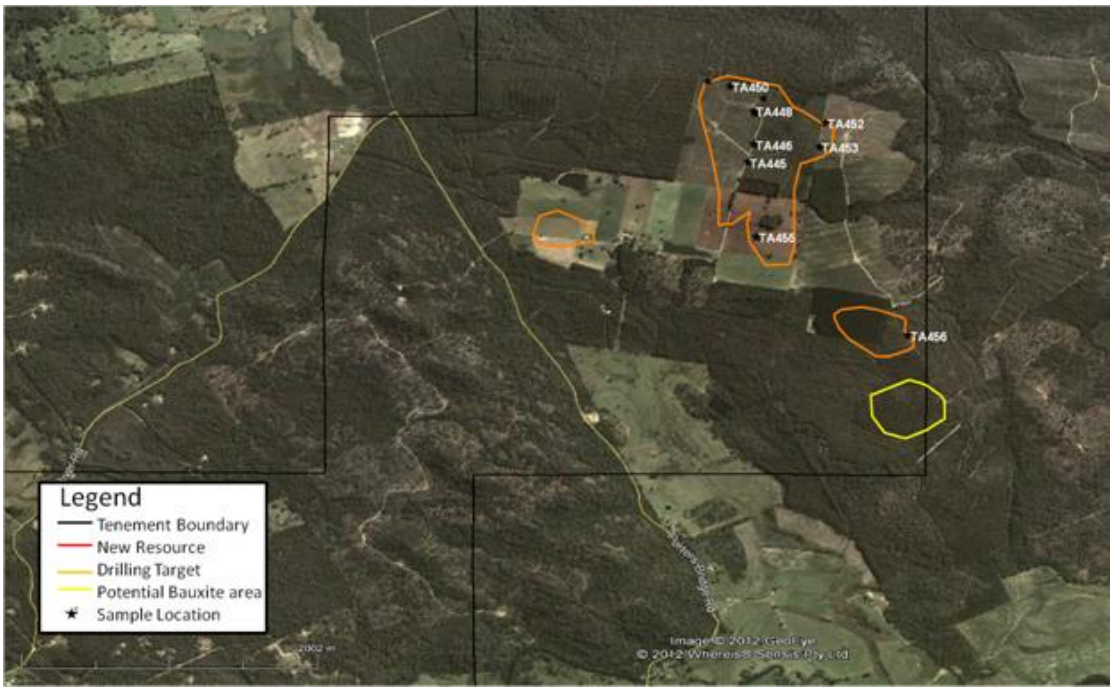
EXPLORATION COMPLETED DURING THE REPORTING PERIOD Cont

The Quamby View Targets are located to the south east of Deloraine in the Deloraine farming district. The bauxite is hosted in tertiary laterized basaltic volcanics which forms a large undulating Plateau with steep sides. The western Quamby View Targets are quite small and consist of 7 small hills (on top of the plateau) with a diameter of about 100m each. These hills have no trends or patterns. The eastern targets are larger, and are either 4 larger hills or one large hill with a smaller one to the north. Bauxite soil is generally quite poor and some locations have been left to grow scrub. But because the underlying mottled zone and volcanics can make quite good soils for cropping, much of the area is Category 3 farming land.

The Quamby View drilling commenced in November and drilled 75 holes into the targets totalling 468m. The deposit is on averages 3.4m thick with a maximum thickness of around 7m. The tonnage is approximately 1.7 Million Tonnes so far with some favourable extensions to the north and south.

The deposits are split into two chemically distinct types of bauxite. To the west the bauxite is very heavy, Iron rich and pisolitic. The deposits in the east are more typical Direct Shipping Ore (**DSO**) quality bauxite, with fine grained friable yellow volcanic derived bauxites. Sieving increased the grade significantly in samples with less than 13% reactive silica but the recovery for almost all high grade samples suffered severely. The overall sieved grade for the Quamby View Targets is approximately 10.3 A/S ratio which is good.

Blackwood Targets



Map 7 – Blackwood Targets

Bauxite at the Blackwood Targets appears to overly dolerite very extensively through the Gunns Plantations forests at Allen's bush. The bauxite profile has a Poorly Diffracting Material (**PDM**) rich bauxite layer at surface, often with a breccia texture. Tubular vughs appear just below the surface layer and are filled with a gibbsite/clay mix. At the base of the bauxite zone, high grade, yellow friable, densely vuggy bauxite occurs with strong relic crystal structures which look similar to dolerite textures. The bauxite quickly grades into the mottled zone and apart from the vughs, this zone looks very similar to high grade bauxite. Large dolerite boulders occur within and above the bauxite layer particularly around the edges of the deposits. Dolerite boulders become more common in the mottled zone and

EXPLORATION COMPLETED DURING THE REPORTING PERIOD Cont

often have 2inch crusts of mottled material as a rim. Overall the bauxite appears to be iron rich with very low silica. Iron often migrates to the surface so drilling may uncover larger amounts of lower iron bauxite beneath if the Blackwood Targets have significant thickness.

Table 3 – Assay results for surface samples from Blackwood Target (see Appendix A)

Sample No	Al_2O_3 Avl%	Rx SiO_2 %	Al_2O_3	SiO_2	Fe_2O_3	LOI	Avl/Rx Ratio	A/S Ratio
TA444	29.6	1.2	33.7	1.72	35	20.82	24.7	19.6
TA445	27.9	1.2	31.8	3.55	42.4	17.07	23.3	9
TA447	27	0.7	32.3	1.57	42	18.28	38.6	20.6
TA448	24.6	0.6	29.1	1.51	48	15.93	41	19.3
TA449	14	2.4	28.5	9.98	48.5	9.13	5.8	2.9
TA450	24.4	2.5	31.2	8.32	37.9	17.37	9.8	3.8
TA451	31.5	1.2	35.5	4.7	32.9	19.73	26.3	7.6
TA452	21	8.5	34.3	17.05	26.8	20.16	2.5	2
TA453	34.1	3				25.5	11.4	
TA454	20.1	7.9				19.41	2.5	
TA455	27.1	4.3				18.92	6.3	
TA456	20.8	1.6				14.68	13	

EXPLORATION COMPLETED DURING THE REPORTING PERIOD Cont

Bengeo Target

Map 8 – Bengeo Target

Bengeo Target is a small high grade bauxite hill in a potato paddock. These surface samples are the highest grades so far found in Tasmania. The bauxite has strong relic vesicular basalt textures which indicate it has derived from volcanics. Drilling of this target was not completed because there was an increased risk to people and a high possibility of damaging property. The landowner was keen at the prospect of mining because the paddock was very steep and bauxite mining would have flattened the paddock making it more useable. The land use falls within the Category 3.

Table 4 – Surface Samples from Bengeo Target

Sample No.	AvlAl_2O_3	RxSiO_2	Al_2O_3	SiO_2	Fe_2O_3	LOI	Avl/Rx	A/S
TA122	51.8	2.2	59.4	2.93	5.63	30.16	23.5	20.3
TA123	56.4	1.8	59.7	2.43	4.94	31.59	31.3	24.6
TA124	46.8	0.9	50.9	1.42	16.75	28.28	52	35.8
TA125	47.8	1.3	52.2	1.92	14.45	28.96	36.8	27.2
TA126	44.2	0.8	53.6	1.61	15.3	26.61	55.3	33.3
TA127	1.6	6.8	10.05	33.6	42.7	10.38	0.2	0.3
TA128	1.4	26.6	26.7	32.4	22.8	13.86	0.1	0.8
TA129	1.4	34	32.4	37	13.45	14.31	0	0.9

5 DISCUSSION OF RESULTS

The bauxite mineralization in Deloraine is generally confined to hills, ridges and plateaus of bauxitised volcaniclastics or dolerites. There are multiple different forms of bauxite in Tasmania which result in different geochemical characteristics in individual deposits. Tasmanian bauxites are generally very friable, often without the typical cementiceous nature of bauxite and have a very similar consistency to clay. The main sort of bauxite with these characteristic is a fine grained yellow vughy bauxite which is generally friable and contains numerous tiny vughs. This bauxite is often richer in silica and low in Iron. High grade zones of this material can be indicated by the density of small vughs or the increasing cementiceous nature of the bauxite. The presence of the grey volcanic bauxite is also associated with high grade zones and can be mistaken for vuggy basalt. The distinctive difference between vuggy basalt and grey volcanic bauxite is that the bauxite will have an SG 1.8; the vughs will also be coated in red and yellow clay. The grey volcanic bauxite can also have white blebs and spots of pure gibbsite. This bauxite contains around 1% Reactive silica, 5% iron and >%50 total alumina. Rare quartz rich bauxites were also drilled in the southern area of Quamby View but these were located mostly at surface and had less quartz and higher grade bauxites at depth.

Classic Inverell bauxite was common to the Quamby View targets along with the Yellow volcanic bauxite. Typical Inverell style bauxite is generally bright red with 24% iron and 4% reactive silica and has yellow coated vughs in high grade areas. In one or two targets a similar bauxite contained shiny black pisolites in a red matrix, this was typically very high in Iron >40%.

Bauxites overlying dolerite have a Pisolitic cap (PDM) with red very Iron rich bauxite at surface and then grades into a brecciated Red/Yellow massive bauxite which is sometimes vuggy and often has tubular vughs filled with a low iron gibbsite/clay mix. Yellow friable vuggy bauxite very similar to the volcanic material is common near the base of the bauxite layer and will often contain strong relic crystals structures. The bauxite layer grades into a yellow mottled zone with similar relic crystal structures**.** Large weathered dolerite boulders occur within and above the bauxite layer particularly around the edges of the deposits. Dolerite boulders become more common in the mottled zone and often have 2inch crusts of mottled material as a rim.

Table 5 – Example of assay results for the different types of bauxite

Sample No.	AvlAl_2O_3	RxSiO_2	Al_2O_3	SiO_2	Fe_2O_3	LOI	Avl/Rx	A/S	TiO_2	ZrO2
Doleritic Bauxite	**29.6**	**1.2**	**33.7**	**1.72**	**35**	**20.82**	**24.7**	**19.6**	**7.65**	**0.06**
Volcanic Bauxite	**43.1**	**1.6**	**48.8**	**2.53**	**18.1**	**27.41**	**26.9**	**19.3**	**2.61**	**0.03**

6 CONCLUSIONS AND RECOMMENDATIONS

Exploration in the Deloraine tenement has been very successful with approximately 2 Million Tonnes of bauxite already identified and has a large new area of bauxite potential. The deposits are located in agricultural properties and plantation forest. The partial relinquishment of 56sq km focuses on removing towns, settlements, rivers, mountains and exclusion areas from the current tenement. These areas are unlikely to have bauxite and would constrain any potential developments.

Recommendations for future work

- 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 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 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.

7 ENVIRONMENT

Surface Disturbing Operations:

No surface disturbing operations were undertaken during the second year of tenure. Traversing was undertaken only on existing tracks and public roads.

ABx4's surface disturbing operations are 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):

A botanical survey was conducted by Philip Milner Consultant Pty Ltd covering EL 9/2010.

No detailed report was considered warranted. All areas surveyed were located in arable farmland which consisted of crops and no remnant areas of native vegetation communities were observed at any of the sites surveyed.

Please refer to Appendix A from "First Annual Report for EL 9/2012 – August 2011" for the correspondence from Philip Milner.

Rehabilitation:

No rehabilitation was required during the second year of tenure – only desktop review was undertaken.

ABx4 has a policy that all drill holes and tracks are fully rehabilitated immediately after drilling. 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 6 – 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		$5,174
Office Activities	Data processing and compilation		$5,273
Field Activities	**Geological Mapping**		
	Mapping		$300
	Equipment Hire	Vehicle hire	$942
	Accommodation/Field Camp	Days	
	Travel		$7,699
	Land Holder Liaison		
	Field Supplies	Equipment	$3,853
	Field Reconnaissance		$4,130
	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	ME-XRF 13B, Reactive Silica & Available Alumina	12 Surface Samples	$398
Salaries / Wages	Geological contractors		$16,704
		Grand Total	**$44,473**

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

9 REFERENCES

Miss S.E. Close, Feb 1970, Scintillometer Search for Bauxite, Northwest Tasmania, *CRA Exploration Pty Limited*

Miss S.E. Close, June 1971, Final Report on Bauxite Search, Devonport E.L. 36/70 Tasmania, *CRA Exploration Pty Limited*

H. B. Owen (1954). *Bauxite* in *Australia*, Bureau of Mineral Resources Bulletin no. 24

T.Coyte, J.Rebek, August 2011, First Annual Report on EL 9/2010 Deloraine, *ABx4 Pty Ltd*