

# AUSTRALIAN GOLD INVESTMENTS LIMITED

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## **SECOND QUARTER ACTIVITIES REPORT – DECEMBER 2010**

Australian Gold Investments Limited (to be renamed Queensland Bauxite Limited) (ASX: AGV) (AGV or the Company) presents the following report on activities for the three months ending 31 December 2010.

### **Highlights of Quarter**

- Acquired 80% interests in the South Queensland Projects
- Completed acquisition to increase the Company's position in the South Johnstone Projects to a 100% interest
- The combined area of the prospective bauxite terrain over all of the Queensland Bauxite Projects is now in excess of 5000 km<sup>2</sup>
- Initial field inspections of the Queensland Bauxite Projects carried out by the Company led by experienced bauxite consultant geologist Peter Temby
- Large areas of bauxite mineralisation and or lateritised profiles observed at several locations within the South Queensland and South Johnstone Projects
- Mark Derriman appointed as Chief Operations Officer
- Company to change its name to Queensland Bauxite Limited (QBL)
- After completion of the sale of the Broads Dam Gold Projects to Phoenix Gold Limited the Company has a cash and liquid investment position in excess of \$2.9 million

### **New Acquisition – South Queensland Bauxite Projects**

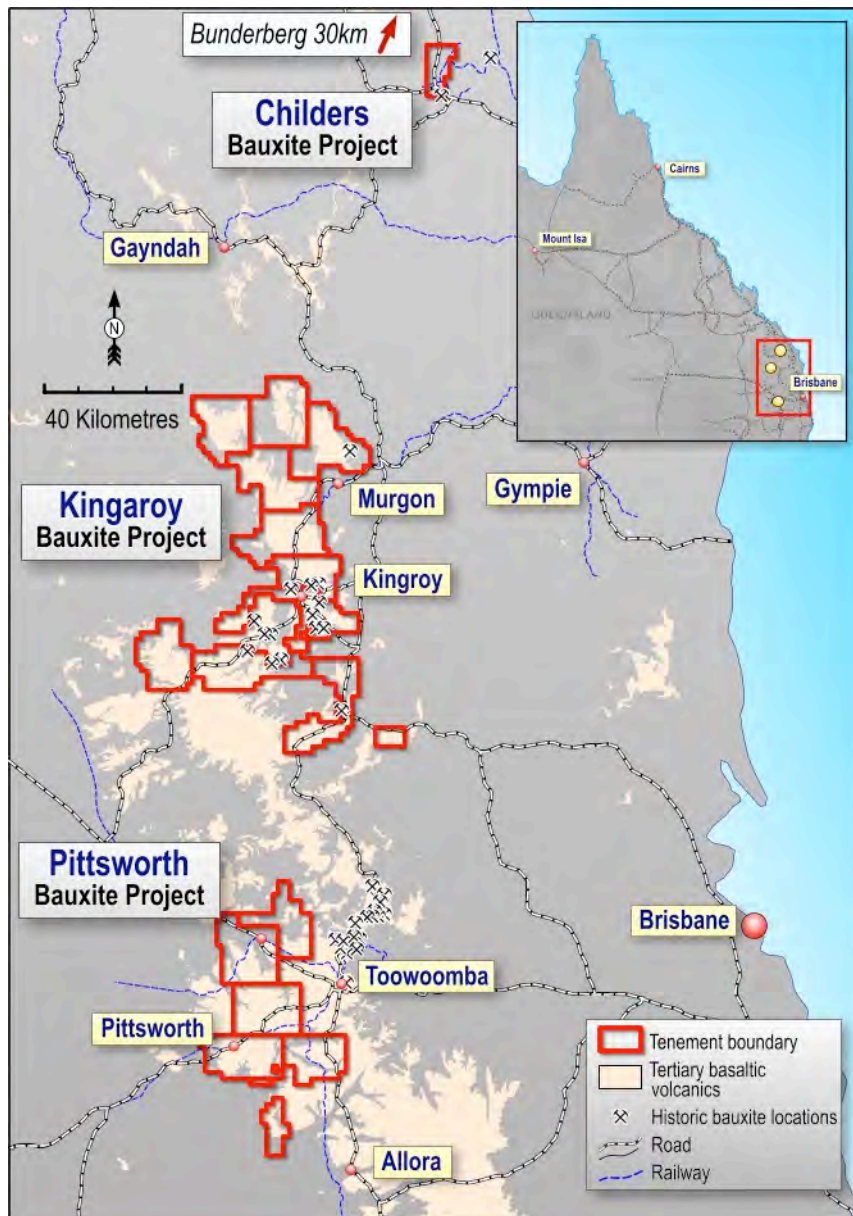
On the 14<sup>th</sup> December 2010 the Company announced that in addition to the acquisition announced on 25<sup>th</sup> June 2010 of 80% interests in the South Johnstone Bauxite Projects, AGV's shareholders voted in favour of the resolution to acquire 80% interests in the South Queensland Projects from Volcan Holdings Inc (Volcan) in consideration for an issue to Volcan of 40 million AGV shares, together with a \$1 per ton royalty on production. The extensive South Queensland Projects include the Childers, Kingaroy and Pittsworth Bauxite Projects, and are believed to contain potential for some of the largest bauxite occurrences in the portfolio.

In addition, the Company acquired the remaining 20% interests in the South Johnstone Projects in Queensland, from Plateau Bauxite Limited (PLB), for an issue to PLB of 15 million AGV shares. This acquisition increases the Company's position in the South Johnstone Projects to a 100% interest.

These acquisitions were conditional only upon shareholder approval. Details of the transactions and a Notice of Meeting which included independent expert fair and reasonable reports were sent to shareholders on 14<sup>th</sup> November 2010, and on 14<sup>th</sup> December 2010 shareholders unanimously approved the transactions and the transactions were subsequently completed.

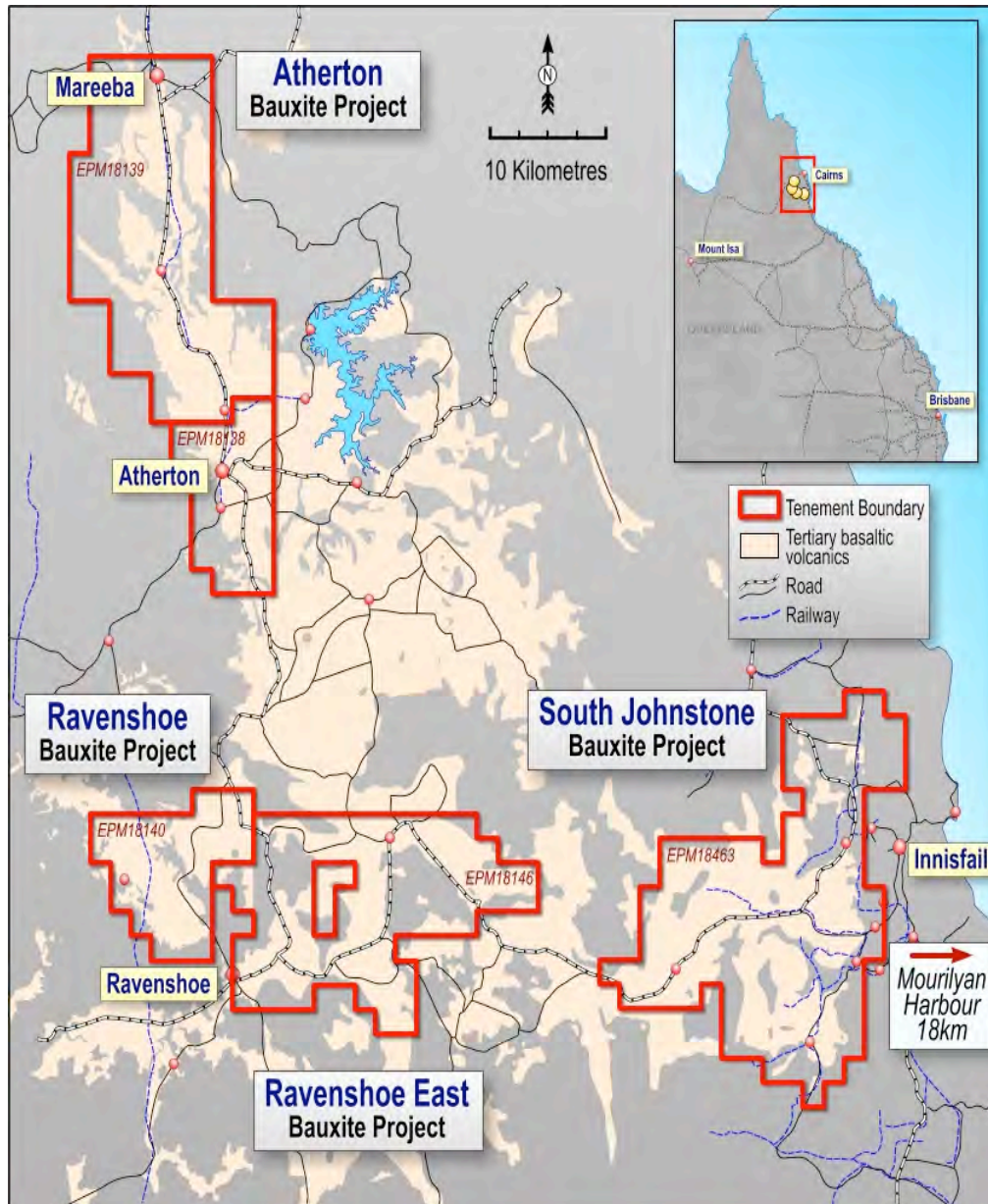
## The South Queensland Projects

The South Queensland Projects cover a number of discrete volcanic provinces that are known to contain historic occurrences of bauxite within widespread blankets of highly altered and weathered basaltic rocks, and are close to major infrastructure, rail, ports and power. A number of these projects are as close as 80 kms from port with extensive rail networks running through the projects that have capacity. These Bauxite Projects, which include the Childers, Kingaroy and Pittsworth Bauxite Projects, are Exploration Licenses EPM18131, EPM18132, EPM18133, EPM18134, EPM18135, EPM18136, EPM18137, EPM18141, EPM18142, EPM18143, EPM18144, EPM18145, EPM18146, EPM18149, EPM18152, EPM18153, EPM18155, EPM18156 and EPM18794 (the South Queensland Projects).



## The South Johnstone Projects

The South Johnstone Projects are Exploration Licenses EPM18138, EPM18139, EPM18140, EPM18463 and EPM18464 (See maps below). The Company has now acquired the remaining 20% of the South Johnstone Projects, from Plateau Bauxite Limited. The South Johnstone Projects are located as close as 18 kms from the Mourilyan Port in a region of excellent infrastructure and power availability, with direct rail link to the main project area.



The tenements acquired by AGV are located within the East Australian Bauxite Province which extends from Queensland into New South Wales. The East Australian Bauxite Province has had its considerable potential confirmed by Australian Bauxite Limited's (ASX: ABZ) recent announcements of a combined 41 Mt gibbsite-rich bauxite resource (ASX Announcement, Feb & Sep 2010).

Initial results from those drilling programmes displayed significant potential with high available alumina and low reactive silica and the material is considered to be ideal for direct shipping (DSO) to foreign or local alumina refineries.

The Company will in future refer to the South Johnstone Projects as the North Queensland Projects.

Pnina Feldman, Company Chairperson, said *"this is a very important step for AGV in acquiring all of the highly prospective South Johnstone Projects and a significant interest in all of Volcan's bauxite tenements in Queensland. The Company will now have an extensive portfolio of bauxite prospective tenements that are ideally placed close to infrastructure and available deep water port facilities. With a ramp up in activity expected to commence shortly we look forward to an exciting period for AGV."*

### **Activity and Further Information**

Over the quarter, in preparation for a drilling program to test the previously reported bauxite occurrences at the South Johnstone Projects, the Company signed access agreements with a number of key landholders. In addition, several lateritised profiles were mapped (see photos below) and discussions were held with Mourilyan Port staff.

There is no Native Title over the granted tenements either on the South Johnstone Project or the South Queensland Projects.

Although the Company has not yet undertaken any drilling or testing of the project to report a bauxite ore resource on the South Johnstone tenements, records of previous exploration in the 1960's are held on file by the Queensland Department of Mines and Energy. Carpentaria Exploration Pty Ltd, a wholly owned subsidiary of Mt Isa Mines, reported bauxite within the South Johnstone and Ravenshoe East tenements following a drilling programme undertaken by that company. AGV intends to undertake drilling over the area drilled by Carpentaria that reported the bauxite.

On the most recent field trip, the Company successfully located the drilling locations reported in the historical maps and reports, and also signed access agreements with the key landowners.

The latest acquisition of the South Queensland Projects adds significant prospectivity to the Company's aim of becoming a significant bauxite company. The combined area of the prospective South Queensland bauxite terrain on the projects is 4,329 km<sup>2</sup>.

In December 2010, AGV's geologist, Dr Robert Coenraads, and newly appointed Chief Operating Officer, Mark Derriman, accompanied Executive Director Sholom Feldman, and consultant geologist Peter Temby on a field visit to the Queensland bauxite projects to further identify where bauxite is present and visit historic bauxite locations.

The bauxite observed within the South Queensland Project was found to be related to a lateritisation event on an older basaltic sequence in much the same way as bauxite is developed on granite/greenstone terrains in the Darling Ranges also due to a lateritisation process. At one location the bauxite mineral gibbsite was observed. The bauxite has a typical bright red tone on the ground and can often be identified using varying satellite imaging technologies. Bauxite sections up to 6 metres were exposed at several road cuts and bauxitic soils and outcrops were observed at several locations.

The initial field visit to the South Queensland Project has highlighted several areas with the potential to host large quantities of bauxite mineralisation. The next phase of exploration will be to carry out a constraints analysis of the area to identify the most promising areas to focus our exploration efforts. In the most favourable areas all landholders will be contacted to discuss our ongoing exploration plans with a view to drill testing the highest priority areas (see photos below).

The Company believes that the South Queensland Project is ideally placed close to infrastructure and available deep water port facilities to be suitable for a direct shipping operation of bauxite.

Geological mapping performed by the Company during a field visit within just one of the South Queensland tenements identified a potential 40km<sup>2</sup> area of lateritised Tertiary basalt, and bauxite mineralisation (gibbsite) was noted.

Recent drilling by Australian Bauxite Limited (ASX: ABX) targeting potentially bauxitic lateritised tertiary basalt to the north of AGV's projects at Binjour, returned results showing that the average thickness of the bauxite profile at Binjour is 6.3m with Al<sub>2</sub>O<sub>3</sub>avl% (*Available Aluminium Oxide*) in the range of 28.9% to 50.5% (*ABX - ASX announcement 13 August 2010*).

Based on those results and the above mapping by AGV, this gives AGV an exploration target for just one tenement out of the South Queensland Project's tenements of 250Mt to 300Mt with an Al<sub>2</sub>O<sub>3</sub>avl% range of 30% to 50% using a target tonnage calculation of a density of 1.8 and a potential thickness range of 3.5m to 4.2m.

### **APPOINTMENT OF CHIEF OPERATIONS OFFICER**

AGV has appointed Mark Derriman as Chief Operations Officer who will be focused on bringing the bauxite projects into production.

### **CHANGE OF COMPANY NAME TO QUEENSLAND BAUXITE LIMITED (QBL)**

The Company is also proposing to change its name from Australian Gold Investments Limited to Queensland Bauxite Limited. A Notice of Meeting to shareholders has been distributed, and shareholders will vote on this proposed resolution on the 14th February 2011. The code QBL has been reserved by the Company with the ASX, to be changed from AGV.

### **SALE OF ML1492**

As part of the transactions with Volcan presented to shareholders, AGV sold its interest in ML1492 which contains an alluvial sapphire mining project to Volcan in consideration of Volcan paying \$1.2 million to AGV prior to the end of 2012.

### **GOLD PROJECTS**

The Company currently has four gold projects in Australia, comprising two principle gold exploration projects in Western Australia - the Broads Dam Gold Project near Kalgoorlie and the Pilbara Gold Project in the south-west Pilbara, and two gold projects in New South Wales - the Tia River Gold Project and the Lost River Gold Project, both in the New England Orogen.

#### **Broads Dam Gold Project**

The Broads Dam Gold Project covers approximately 3,000 hectares of the highly prospective Zuleika Shear Zone, located in the Eastern Goldfields Province of the Yilgarn Craton, Western Australia, approximately 40km north-west of Kalgoorlie. The Zuleika Shear Zone hosts a number of nearby, currently working, underground gold mines, including Barrick Gold's Raleigh and Bullant deposits, and La Mancha's Frog Leg mine.

SRK Consulting, has finalized "leapfrog" 3D models of all exploration data within the northern tenement area. Leapfrog modelling allows the different historic exploration drilling and grade control data sets, together with soil geochemistry, aeromagnetic data, etc, to be overlain and modelled in 3D. The models show gold grades (at various cut-offs) lying within discrete geologic structures.

The Company has been approached by parties interested in purchasing the Broads Dam tenements. As announced on the 31st January 2011, AGV has signed a Letter of Agreement with ASX-listed Phoenix Gold Limited (“PXG” or “Phoenix”) to purchase a 100% interest in AGV’s Broads Dam Gold Project.

AGV has agreed to sell the Broads Dam Gold Project for the following consideration:

- Non-refundable deposit on signing formal agreement \$100,000
- Cash payable at settlement \$400,000
- 10 million Phoenix fully paid ordinary shares
- A \$10/oz production royalty on gold mined from the Broads Dam Gold Project

Phoenix has also agreed to replace the environmental bonds in respect of the tenements contained in the Broad Dams Gold Project immediately following settlement. The royalty is a project royalty and to also include production on associated Broads Dam tenements owned by Phoenix.

Depending on a number of conditions, AGV and Phoenix expect to be in a position to sign a formal Sale Agreement by the end of February 2011. Settlement is subject to any AGV or Phoenix shareholder approvals that may be required by law and any governmental or other regulatory approvals that may be required.

### **Pilbara Gold Project**

The Pilbara Gold Project comprises Exploration Licence E47/1153 which covers the northern half of the Rocklea Dome and encompasses an area of approximately 200km<sup>2</sup>.

Outcropping quartz “blows” and stockworks located along well developed east-west shear zones near the intrusion boundary between the Rocklea Dome monzogranite and Hardey Formation pelites and metasandstones are considered prospective for the discovery of gold.

### **Tia River Gold Project**

The Tia Gold Project comprises Exploration Licence 7224 located within the New England Orogen, near Walcha, in north-eastern New South Wales.

A moderately-sized shallow (i.e <4m) Holocene alluvial gold target covering ~85 ha has been identified in the upper reaches of Swamp Creek and Agnes Creek. A 100-hole Calweld drill program is planned to test the gold resource potential and minability in these valleys.

### **Lost River Deep-Lead Gold, Ruby, Sapphire and Diamond Project**

AGV holds a 94 Unit exploration license (EL 7409) over a 20 km long Cainozoic basalt-capped palaeovalley defined by inverted topography, near Nowendoc, NSW.

Historic records record a gold-bearing deep-lead system partly exposed along the eastern edge of the basalt cap in the license area. Initial topographic inversion modelling indicates the existence of a buried palaeovalley whose axis appears to lie to the west of the exposed gold-bearing gravels cropping out along the eastern edge of the basalt cap. Gravity and magnetic surveys are currently being considered along the axis of the inverted topography to help aid in locating drill holes designed to test the width and depth of the deep lead beneath the basalt cap.

*The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based" on information compiled by Dr Robert Coenraads (BA Hons, MSc, PhD). Dr Coenraads is a fellow of the Australasian Institute of Mining and Metallurgy And Mr Mark Derriman (BAppSC Hons, MAppSc, MBA). Mr Derriman is a member of the Australian Institute of Geoscientists.*

*Dr Coenraads contracts services to AGV. Mr Mark Derriman is a full time employee of Australian Gold Investments.*

*Dr Coenraads and Mr Mark Derriman have sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking and to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources or Ore Reserves".*

*Dr Coenraads and Mr Mark Derriman consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.*

### **SOUTH QUEENSLAND FIELD PHOTOS**



*Bauxite profile at Yarraman*



*Bauxite profile at Yarraman*



*Gibbsite*

**NORTH QUEENSLAND FIELD PHOTOS**





South Johnstone Laterite profile

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

Australian Gold Investments Limited

ABN

18 124 873 507

Quarter ended ("current quarter")

31 Dec 2010

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'ooo	Year to date ( 6 months) \$A'ooo
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	-206  -589	-434  -1,115
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	3	6
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material) Reimbursement of Exploration Expense	81	81
<b>Net Operating Cash Flows</b>	<b>-711</b>	<b>-1,462</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets		
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		
1.10 Loans from other entities	-	60
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
<b>Net investing cash flows</b>	<b>-</b>	<b>60</b>
1.13 Total operating and investing cash flows (carried forward)	-711	-1,402

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	-711	-1,402
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-42	1,830
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		2
	<b>Net financing cash flows</b>	-42	1,832
	<b>Net increase (decrease) in cash held</b>	-753	430
1.20	Cash at beginning of quarter/year to date	1,359	176
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	606	606

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	185
1.24	Aggregate amount of loans from the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

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**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

<ol style="list-style-type: none"> <li>1. 65,000,000 shares issued as consideration for the acquisition of assets from Volcan Australia Ltd and Volcan Holdings Ltd</li> <li>2. 20,750,000 shares issued to Hartleys Ltd as consideration for advisory services in lieu of advisory fees.</li> <li>3. 40,000,000 shares as consideration for the acquisition of all the share capital of Volcan South Queensland Bauxite Pty Ltd</li> <li>4. 15,000,000 shares as consideration for the acquisition of all the share capital of South Johnson Bauxite Pty Ltd</li> <li>5. 2,000,000 shares to Cunningham Peterson Sharbanee Securities Pty Ltd trading as CPS Securities in lieu of services provided</li> </ol>
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+ See chapter 19 for defined terms.

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	220
4.2 Development	
4.3 Production	
4.4 Administration	300
<b>Total</b>	<b>520</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	446	1,199
5.2 Deposits at call	160	160
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>606</b>	<b>1,359</b>

+ See chapter 19 for defined terms.



### Issued and quoted securities at end of current quarter

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	242,791,763	242,791,763		
7.4 Changes during quarter (a) Increases through issues 65,000,000 40,000,000 15,000,000 2,000,000  (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	45,291,763	Nil	<i>Exercise price</i> \$0.20	<i>Expiry date</i> 31/12/2012
	5,000,000	Nil	\$0.20	31/12/2012
	Performance Options 5,000,000	Nil	\$0.30	31/12/2012
	Performance Options 65,000,000	Nil	\$0.05	31/12/2015

+ See chapter 19 for defined terms.

## Appendix 5B Mining exploration entity quarterly report

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7.8	Issued during quarter	65,000,000	nil	\$0.05	31/12/2015
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	<b>Debentures</b> <i>(totals only)</i>				
7.12	<b>Unsecured notes</b> <i>(totals only)</i>				

### Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: ..... Date: 31 January 2011  
(Company secretary)

Print name: Sholom Feldman

### Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

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+ See chapter 19 for defined terms.

- 3      **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
  
- 4      The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
  
- 5      **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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