

23rd June 2014

Deanna Carpenter
Australian Stock Exchange Limited
Adviser, Listing Compliance (Perth)
Via email

Re: ASX Query Letter

Dear Deanna,

I refer to your letter dated 20th June requesting confirmation of a number of matters, particularly relating to Listing Rule 3.1.

I respond to your queries in the numbering of your letter.

- 1) Yes, we consider the exploration results for the South Johnstone Project disclosed in our recent announcements to be information that a reasonable person would expect to have a material effect on the price or value of our securities.
- 2) N/A
- 3) The lab sent me an email at 2:29pm on Friday 6th June with a summary of the results, which upon receipt I forwarded on to our geologist for review and comment. Prior to the receipt of that email, the Company had no idea at all as to what the results would come back as, and as per the previous responses we gave to the two price queries that the ASX sent to us in the weeks prior to the receipt of the results. Our only anticipation of what the results may be were based upon the previously publicly announced and reported indicative Innovex results the basis of our previous announcements that we

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believed that we had finally located the bauxite areas we were looking for in the South Johnstone project. The Innovex however does not measure available alumina or reactive silica results, which is why the only definitive results to declare a bauxite resource if in fact shown to be present, would be from the subsequent lab results that would provide the available alumina and reactive silica numbers. The results when received were not shared with anyone of the public and were only shared with the Company's staff and consultants who needed to know to assist with the preparation of the report and announcement and were under the clear obligation to keep the results confidential, and I reiterated that responsibility personally to those who received the results. It should also be noted that the Wednesday and Thursday prior to the results being received, when the market speculation significantly increased following the announcement put out at the request of the ASX on the Tuesday referred to in point 1 of your letter, both those days were the Biblical Jewish holiday of Shavuot when our management does not do any business, nor able to follow the market trading at all, as conducting business or usage of the internet or telephones are not permitted during those days in accordance with Jewish Law.

- 4) No. That following Monday was a public holiday. I received an email from our geologist at 4:28 pm on Tuesday 10th June reporting that from his calculations and modeling we have an inferred resource of approximately 30Mt on the parameters and grades he set out in that email, which was subsequently used as the basis to prepare the announcement. As we were previously forced by the ASX to announce an expected date for the release of the results, which we gave as the 12th June, that left us only one day in which to prepare the announcement. In the interim, the speculation in the market as to what the results actually were reached fever pitch, and we were inundated with market and shareholder queries and speculation, which we could only respond that we can not disclose the results or the implication of the results until they are ready to be

disclosed to the ASX. We are confident that all of our staff and consultants kept to their professional obligations of confidentiality and that there was no leak of any of the results to the market, or any statements to the market relating to what the content of those results may be. Nonetheless, we were in fact quite pleased with the results that were received as per our subsequent announcements, and we remain very pleased with the results. At the time we certainly were affected by the excitement of the market speculation and this excitement was reflected in the tone of the subsequent announcement as we strongly believe the results to be extremely positive for the company. In particular, due to the market pressure to release the results immediately, particularly in light of the previous announcement that the ASX requested of us to release as to when the results would be expected, we prepared a short summary announcement to get what we believed to be the material implications of the results to the market to satisfy Listing Rule 3.1, to be followed up in due course by the detailed results as required by the Listing Rules and JORC Code 2012. In the subsequent rush, in our desire to explain the significance of what a major bauxite discovery may mean to the company, we put out in that announcement our understanding of what the revenue implications may be if a bauxite project would be able to export millions of tonnes of bauxite a year as would be our goal based on the positive results received. The ASX subsequently informed us that this may imply a production target, which would need independent reports to be released in conjunction with that release in accordance with the JORC Code 2012. As we don't yet have those independent reports, we retracted any implication of a production target in the following detailed announcement, however, the technical information relating to the project was provided in detail in accordance with the Listing Rules and the JORC Code 2012. The retraction of any implication of a production target strongly disappointed the market as it caused many to question the validity of the resource, with the share price subsequently falling sharply,

notwithstanding that the technical specifications of the project remained the same and full detail was provided. We can only say that we can not and could not control market speculation to the lead up to the release of the results, we were fully compliant with Listing Rule 3.1 which we twice in the previous two weeks were forced by the ASX to respond as such to the price queries, and that we had not yet received any results back from the lab at the time. It is our belief that the repeated ASX price queries and related trading halts requested of us by the ASX, strongly fuelled further market speculation as to what the results may actually turn out to be, as the market attention was turned to what many believed to be the extremely low valuation of the market capitalisation of the company and the speculation as to what the potential value may turn out to be if the results would be positive. As above, we had no idea as to what the results would come back as until they were actually received, and this was well after both price queries from the ASX which were responded to immediately. Immediately following the results being analysed by our geologist on the following Tuesday, we worked as quickly as we could to prepare the summary announcement for release in order to ensure it would be released promptly and without delay, and in fact as a result of working to release the announcement as quickly as possible, although we believe we gave what we believed to be the general material implications of the results to satisfy Listing Rule 3.1, we were not able to complete all the details in the first announcement, which such detail was subsequently released the following week.

- 5) Yes. Since the Company acquired the South Johnstone project, there have been many investors who have invested in the company primarily in the belief of the exponential upside in value that may be seen by the company and its shareholders with a viable resource being discovered by the Company on that project particularly a surface deposit situated close to a deep water port in Northern Queensland being so relatively close to Asia. The actual discovery and modeling of the resource announced

therefore we believe is a monumental step in the company being able to achieve its stated goals, and therefore we believe this is very material information to the company and the market.

- 6) N/A.
- 7) As per my response in number 4 above, at 4:28pm on Tuesday 10th June.
- 8) No. As per my response to question 5 above. We worked to release what we believed to be the material points of the results for release as quickly as we possibly could, keeping in line with what we believed to be the expectations that the ASX and the market had placed upon us for an immediate release.
- 9) I confirm that the Entity is in compliance with the Listing Rules and, in particular, Listing Rule 3.1

Best regards,



Sholom D Feldman
Executive Director / Company Secretary



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20 June 2014

Mr Sholom Feldman
Chief Executive Officer & Company Secretary
Queensland Bauxite Limited
67 Penkivil Street
BONDI NSW 2026

By email

Dear Mr Feldman

Queensland Bauxite Limited (the “Entity”): ASX aware query

ASX Limited (“ASX”) refers to the following:

1. The Entity’s announcement entitled “Update on Timing of Expected Results” lodged with ASX Market Announcements Platform and released at 10:40am (WST) on Tuesday, 3 June 2014, disclosing that:

“As advised in the company’s recent quarterly and in subsequent announcements, the results on the South Johnstone bauxite project should be received shortly. As an update to that, we further advise that those results are expected to be received and released to market by the 12th of June.”

2. The recent change in the price of the Entity’s securities from a closing price of \$0.034 on Tuesday, 10 June 2014, to an intra-day high of \$0.045 on Wednesday, 11 June 2014 and a substantial increase in the volume traded over this period.
3. The trading halt verbally requested by the Company at approximately 12:19pm (WST) on Wednesday, 11 June 2014, for which a written request was provided to ASX and released at 1:32pm (WST), following discussions with ASX regarding the Company’s ability to make an announcement regarding exploration results for the Company’s South Johnstone Bauxite Project in North Queensland (“South Johnstone Project”).
4. The Entity’s announcement entitled “Exploration Results Confirm Significant Bauxite Resource” lodged with ASX Market Announcements Platform and released at 1:58pm WST on Thursday, 12 June 2014 (the “Announcement”), disclosing, amongst other things, exploration results and an initial inferred mineral resource for the South Johnstone Project.
5. Listing Rule 3.1, which requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity’s securities.
6. The definition of “aware” in Chapter 19 of the Listing Rules. This definition states that:

“an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity.”

Additionally, you should refer to section 4.4 in Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B “When does an entity become aware of information”*.

7. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

“3.1A Listing rule 3.1 does not apply to particular information while each of the following requirements is satisfied in relation to the information:

3.1A.1 One or more of the following applies:

- It would be a breach of a law to disclose the information;*
- The information concerns an incomplete proposal or negotiation;*
- The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- The information is generated for the internal management purposes of the entity; or*
- The information is a trade secret; and*

3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and

3.1A.3 A reasonable person would not expect the information to be disclosed.”

5. ASX's policy position on the concept of “confidentiality” which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B* “Listing Rule 3.1A.2 – the requirement for information to be confidential”. In particular, the Guidance Note states that:

“Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule.”

Having regard to the above, we ask that you answer the following questions in a format suitable for release to the market in accordance with Listing Rule 18.7A:

1. Does the Entity consider the exploration results for the South Johnstone Project disclosed in the Announcement to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. If the answer to question 1 is “no”, please advise the basis for that view.
3. If the answer to question 1 is “yes”, please advise when the Entity first became aware of the exploration results contained in the Announcement. Please include details of the relevant time and circumstances of the Entity becoming aware of the laboratory analysis results.
4. If the answer to question 1 is “yes” and the Entity first became aware of the exploration results before the relevant date, did the Entity make any announcement prior to the Announcement which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe the entity was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps the Entity took to ensure that the information was released promptly and without delay.
5. Does the Entity consider the results of the resource modelling for the South Johnstone Project disclosed in the Announcement, namely, the disclosure of an initial inferred resource, to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
6. If the answer to question 5 is “no”, please advise the basis for that view.

7. If the answer to question 5 is “yes”, please advise when the Entity first became aware of the results of the resource modelling disclosed in the Announcement. Please include details of the relevant time and circumstances of the Entity becoming aware of the results of the resource modelling.
8. If the answer to question 5 is “yes” and the Entity first became aware of the results of the resource modelling before the relevant date, did the Entity make any announcement prior to the Announcement which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe the entity was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps the Entity took to ensure that the information was released promptly and without delay.
9. Please confirm that the Entity is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than **half an hour before the start of trading (ie before 7.30 a.m. WST) on Tuesday, 24 June 2014**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in the Entity’s securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, the Entity’s obligation is to disclose the information “immediately”. This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at **Deanna.Carpenter@asx.com.au** and **TradingHaltsPerth@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity’s securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

The obligation of the Entity to disclose information under Listing Rules 3.1 and 3.1A is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

In responding to this letter, you should have regard to the Entity’s obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in the Entity’s securities under Listing Rule 17.1.

If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and

- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

[Sent electronically without signature]

Deanna Carpenter

Adviser, Listings Compliance (Perth)