11th July 2014

QUEENSLAND BAUXITE ACQUIRES STRATEGIC STAKE IN NSW BAUXITE PROVINCE

- **QBL to hold key mineralisation in regionally strategic NSW bauxite project**
- **This acquisition further expands QBL's bauxite portfolio across Eastern Australia – with significant large scale bauxite mineralisation already identified**
- **In discussions with neighbouring tenement owners**
- **South Johnstone project remains main focus**

The Board of Queensland Bauxite Limited (ASX:QBL) ("QBL" or "the Company") is pleased to announce that the Company has entered into an agreement to acquire a significant portion of a known gibbsitic bauxite province in the Nullamana region of Inverell in northern New South Wales.

This agreement further consolidates QBL's strategic ownership of emerging gibbsitic bauxite key areas along the Eastern Coast of Australia.

The Company has entered into an agreement to acquire 50% of exploration licence (EL 7301) in New South Wales.

Background to the acquisition

EL7301 was originally granted to Volcan Australia Corporation Pty Ltd (VAC), the controlling shareholder of QBL, in 2008. VAC then entered into a joint venture with Plateau Bauxite Limited (PLB), a public unlisted company, which saw Plateau Bauxite earn 50% of the tenement. Plateau Bauxite has already spent in excess of $3 million in bauxite exploration on EL7301. In October 2013, First State Pty Ltd, a local independent investment company, acquired VAC's remaining 50% interest in EL7301.

Since the Indonesian export ban on unprocessed minerals came into effect in January 2014, which has reinvigorated the bauxite market, the directors of QBL have been negotiating with First State to acquire its interest in EL7301. We are pleased to have come to an agreement that the directors believe is of good strategic value to QBL and in line with the Company's vision of becoming a major emerging force in the bauxite market. With continuing forecast strong demand for bauxite as well as a result of the Indonesian ban on bauxite export that came into effect in January, the Company is looking to increase its portfolio of strategic bauxite projects at the right price. This acquisition fits the criteria.

QBL has agreed to purchase First State's 50% interest in the tenement and will have clear and unencumbered title of its 50% interest with the issue of 37.5 million ordinary shares in the

Company and 30 million options; 10 million options with an exercise price of $0.08, 10 million options at an exercise price of $0.10, 5 million options at an exercise price of $0.15, and 5 million options at an exercise price of $0.20. First State is an independent investor and is not a related party to QBL. The company will need shareholders' approval under Listing Rule 7.1 prior to the issue of the securities.

Following the conclusion of this agreement, QBL will own 50% of the tenement, with PLB owning the remaining 50%. As there are common directors between PLB and QBL, a standard industry arms length JV will be entered into for the continuing operation of the tenement.

Previous Exploration Results in Inverell NSW

PLB had secured an Independent bauxite resource estimate for tenement 7301, prepared by M.M. Morgan (BA Mem AusIMM) on the 29th June 2011 (In accordance with JORC Code 2004 compliance rules). The report states that:

"Resources of Bauxite in the area around Nullamanna - Northern New South Wales - have been assessed. The bauxite is present as a capping of a north-west trending ridge about 7 kilometres long. Resources have been estimated at an inferred level of confidence. At this level bauxite resources are estimated to be in the order of 29 million tonnes with an average grade of 32% Available Alumina and 5% Reactive Silica. The tonnage estimate may be up to ten million tonnes less than this figure but is probably greater and may well be as much as 50 million tonnes."

QBL advises that this estimate has been prepared in accordance with the JORC 2004 Code, and not the JORC 2012 Code; the resource calculation method is described below.
A competent person has not done sufficient work to classify the estimate as mineral resources in accordance with the 2012 JORC Code; and
It is uncertain that following evaluation and/or exploration work that the historical estimates will be able to be reported as mineral resources in accordance with the 2012 JORC Code.

Exploration history (extracted from Mike Morgan's 2011 independent report)

In 2009 field work in the Nullamanna area led to the identification of outcrops of bauxite, and some 295 samples were collected and analysed by alkali digest at ALS Laboratories Brisbane. The analyses confirmed the identification of a typical basalt parented bauxite, ie one with high iron, low reactive silica and moderate available alumina.

*In 2010, an aircore rig using HQ gauge rods was used to drill a roughly 400 *400 metre grid. The grid was distorted to allow the drilling to be constrained to the edges of fields only. A total of 83 holes were drilled.*

RESOURCE CALCULATION METHOD (extracted from Mike Morgan's 2011 independent report)

In the Nullamanna area a perimeter line was drawn around boreholes and samples that include bauxite. It was found that the bauxite occurrences are located on the flanks and top of a northwest trending ridge. This allowed the lines to be drawn following the contours and supplied the confidence to assume continuity of the mineralization.

Three areas were identified, The North West and South East Areas as well as the large Central area (the NW, SE1, SE2 and Central areas for short). The area within these areas was then measured.
The borehole data that falls within these areas was then averaged (by a weighted method) to give the average thickness and grades for the NW and SE1 and SE2 areas.

No borehole data for the central area was available. Instead the grades of some 109 samples taken from outcrops within this area were averaged and a thickness was assumed as 1 metre. This defines a minimum figure for the tonnage calculation and is the minimum thickness of bauxite outcrops. The actual figure will probably turn out to be in excess of 3 metres which is the average thickness of the NW and SE areas.The density of the bauxite was taken to be 1.8, this being a typical density for high iron basaltic bauxites. (e.g. as in Laos)

TABULATED INFERRED RESOURCES (extracted from Mike Morgan's 2011 independent report)

Table 2: Resource table

Region	Area (Mill'nSq M)	Av Thick (m)	AvAl2O3 (%)	RSiO2 (%)	sg	Dry Wt (Million Tonnes)
NW	1.8	3.8	29.2	5.3	1.8	12.3
Central	4.7	1 (assumed)	34.7	3.6	1.8	8.5
SE1	1.1	4	32.0	4.7	1.8	7.9
SE2	0.1	2.8	31.1	7.4	1.8	0.5
SUB TOTAL		3.5 *	31.6	4.7	1.8	29
HISTORICAL						8
TOTAL						37

**Average of the NW, SE1 & SE2 thicknesses as the Central thickness is an assumed minimum value.*

Competent Person statement

Dr Robert Coenraads (BA Hons, MSc, PhD). Dr Coenraads is a fellow of the Australasian Institute of Mining and Metallurgy.
Dr Coenraads contracts services to QBL.
Dr Coenraads has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking and to qualify as a Competent Person as defined in the 2004 JORC Code. (As the historical resource relates to the 2004 Code)
The information in relation to the estimate in the Independent Report (Morgan 2011) was compiled by Dr Robert Coenraads (BA Hons, MSc, PhD) and is an accurate representation of the available data and studies for the tenement.

The Company has relied on these results as being material and relevant in making its decision to acquire EL7301. Terence Willsteed BE[Min]Hons BA FAusIMM MSME MMICA MAICD from Terence Willsteed and Associates, has verified that the methodology used by PLB in processing and analysing bauxite samples was correct and confirmed that the results produced by ALS Laboratory Group is reputable and provides independent laboratory services whose results are accepted in the mining industry.

The Company considers these historical estimates reliable based on reference to the criteria listed in Table 1, Appendix 5A of the JORC Code 2012. These include modern sampling (0.5m intervals down hole, average depth 10m; 1570 samples collected with 1249 (80%) analysed), drilling (8 holes via Calweld bulk sampling and 82 holes carried out using a Wallis Mantis 100 aircore rig), recovery (2-3kg per 0.5m sample interval to an average depth of 10m per hole), spacing and distribution (400 to 800m drill hole spacing on a grid plus outcrop surface sampling), logging (samples logged geologically and by hand held XRF analyser), and state of the art analytical techniques (samples analysed by ALS Brisbane to industry standard for available Al2O3 via Al-LICPO1 and reactive SiO2 via Si-LICPO1, with an independent review of bauxite sample processing techniques carried out by Willsteed (2009))

Further drilling of the Inferred Resource of Morgan (2011) on an infill pattern plus a scoping study of the Modifying Factors involved in the economic extraction of that resource may be required to upgrade the estimates to JORC 2012 standard.
The Company intends to undertake further exploration according to the aircore drilling program described below to verify these presented results. The estimates of Morgan (2011) are historical and not reported in accordance with the 2012 JORC Code. We can therefore not yet say for certain that following evaluation and/or exploration work that the historical estimates will be able to be reported as mineral resources in accordance with the 2012 JORC Code.

The Company intends to test surface samples using a hand-held XRF analyser and infill drill strategic sections of the lease not yet drilled, over the course of the next 12 months, to better define the tonnage present within the lease. The estimated budget of this proposed drilling program is approximately $200,000.00.

Air Core Drilling Parameters and Program Details

The following parameters will be used for future program:
1. Drill hole spacing of 200 metres to 400 metres.
2. Average drill hole depth = 10m.
3. Sample interval = 0.5m approx. 3kg sample weight collected in calico bag
4. Hand held XRF analyses
5. Selected samples analysed for available alumina and reactive silica percentages.

The following field programs, as shown on Figure 1, are proposed.
1. Central Nullamanna infill program – 100 holes (assuming successful landholder negotiations)
2. Nullamanna northwest infill program – 50 holes
3. Nullamanna southeast – 50 holes
That is a total of 200 holes drilled as defined above.
(See Figure 1 and 2 below.)

Two drilling programs were carried out between 2010 and 2011 with the completion of 8 Calweld holes and 82 aircore holes. These and further exploration results to date, are being prepared in a report in accordance with the JORC Code 2012 and will be released to the market as soon as the report is completed.

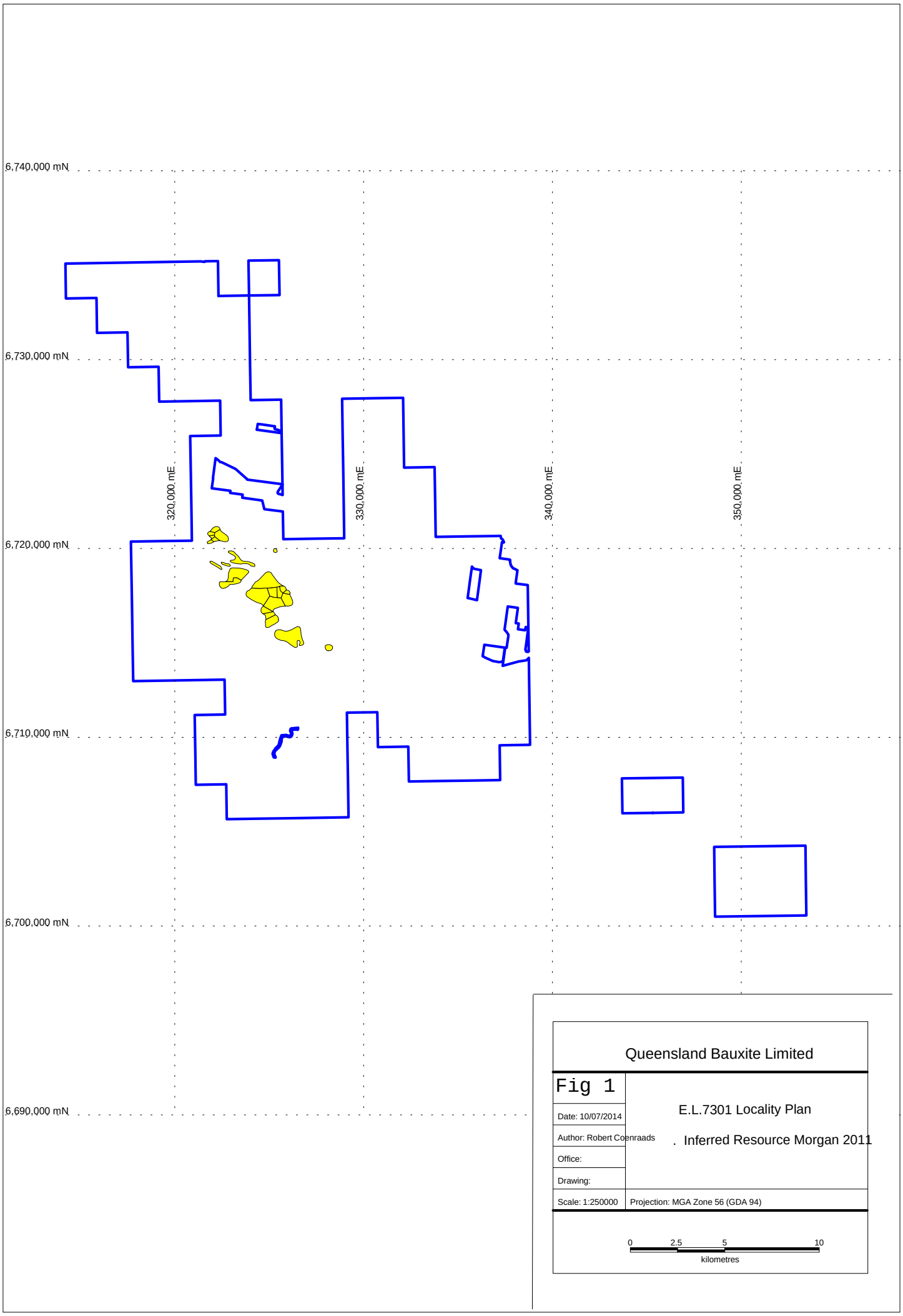

Figure 1. Inferred Resource of Morgan 2011 within EL 7301

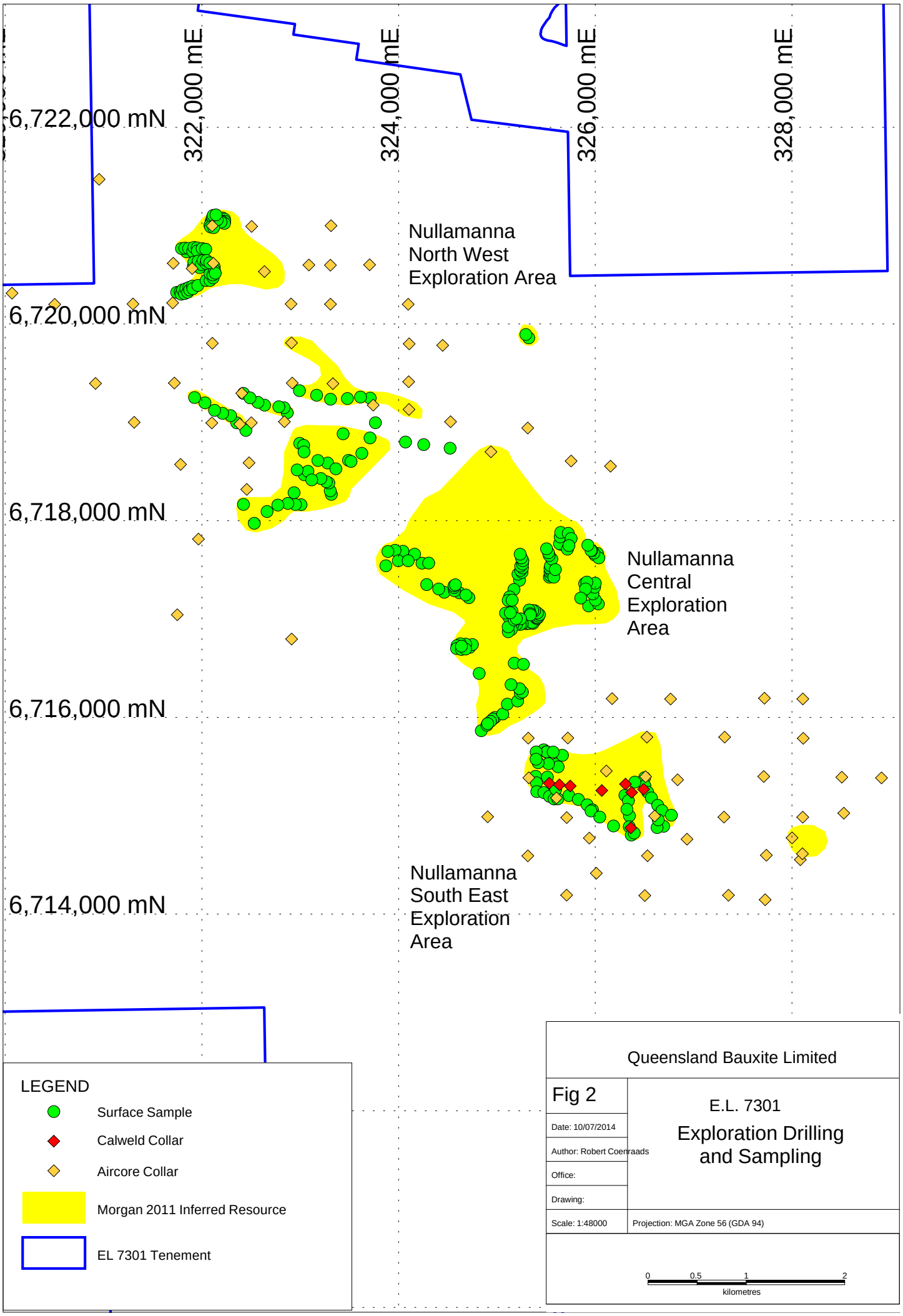

Figure 2. Sampling and Drilling upon which Morgan(2011)estimates are based

The project is close to available labour, services and power, and infrastructure that may be able to be developed and upgraded to transport bauxite ore, such as road and rail networks that lead to major east coast deep water ports,.

The bauxite mineralisation in Inverell is gibbsitic. Gibbsite is one of three mineralogical forms of bauxite ores, and is generally recognised as the most economic to treat using the Bayer Process, as it is able to be refined at a lower temperature than the other bauxite mineralogical forms, and requires less reagent consumption.

Neighbouring Tenement Owners

The Company has been in discussion with the owners of tenements in the same area as EL7301. One such tenement has already been reported to ASX in May 2012[1] by Australian Bauxite Limited (ASX: ABX) as containing an inferred and indicated resource of 38 million tonnes[2] of bauxite. ABX is not a related party to QBL.
This estimate was prepared in accordance with the JORC 2004 Code and has not been updated to be reported in accordance with the 2012 Code. ABX has not released any other JORC Code Compliant Public Report on that resource since May 2012.

The combined tonnages of the tenements in the region should further add to the potential development options for the bauxite mineralisation. Critical mass is a factor in major bulk commodity developments, and the consolidation of the mineralisation in the region should further assist with any potential feasibility studies to be conducted in due course and increase the likelihood of potential involvement of major strategic partners, who have already shown interest in the area.

Further Information

The transaction is conditional on the issue of securities as per above, following which the vendor's interest is vested immediately into QBL. Other than the issue of these securities, any material effect on the company's assets is unknown as no independent valuations have been completed either on this asset or on the company's current assets. However the directors believe that this transaction represents a value adding acquisition taking into account current market dynamics.

The Company does not have any plans to raise further funds in conjunction with this transaction as this transaction is not dependent upon further raisings.

There are no annual expenditure commitments that the Company has in relation to this transaction other than the ongoing annual required expenditure of the NSW Department which is $104,000 and which would be covered by the abovementioned drilling program. QBL intends to fund its portion of the drilling program from its existing cash resources.

[1] The following JORC 2004 compliant report was released to ASX: 08/05/2012 ASX announcement - Inverell Resource Grade Improvement – 38 million tonnes resource.
[2] 17.5mt inferred (31%Al2O3, 4.2%Rx SiO2) and 20.5mt indicated (32% Al2O3, 4.0%Rx SiO2)

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South Johnstone Project

Given the highly encouraging results and continuing strong progress at the Company's South Johnstone Project in North Queensland, this Project remains the key focus.

The Company is continuing to progress South Johnstone while evaluating strategic bauxite opportunities where they are considered to provide additional value to the Company and its shareholders. Further exploration results will be released to the market as soon as available.

With two major gibbsitic projects at hand, and particularly following the highly encouraging results and progress at South Johnstone in North Queensland, the directors believe that QBL will become a significant force in the bauxite industry.

The Company is targeting potential long-life bauxite operations that we believe will add value as well will be attractive to major international bauxite partners and continues to build on its strong position ahead of predicted rises in bauxite prices, and hopes to expand its portfolio through the acquisition of further tenements in the Inverell area.

Yours Sincerely,

Pnina Feldman
Chairperson
Queensland Bauxite Limited