

4<sup>th</sup> February 2015

**LETTER TO SHAREHOLDERS – NON RENOUNCEABLE ENTITLEMENT AND FREE OPTION ISSUE**

Dear Shareholders,

I am pleased to be in a position to write this letter to all of the shareholders of Queensland Bauxite Limited (“Queensland Bauxite” or “the Company”) to endorse to each of you a non renounceable entitlement and free attaching option for every two shares acquired in the offer.

The Directors believe that the shares of the Company are currently significantly undervalued when taking into consideration the cash reserves of the Company as well as the significant advanced development asset it holds in the South Johnstone Bauxite Project.

I understand that the extended period when shareholders were not able to trade their shares caused significant inconvenience and this offer aims to provide our Shareholders who are registered as shareholders of the Company as at 11<sup>th</sup> February 2015; with the right to purchase 1 (one) share at a price of \$0.014 for every 4 (four) shares held, with 1 (one) free attaching option at an exercise price of \$0.10 for every 2 (two) shares acquired, exercisable by 31 July 2016.

This will enable you to acquire additional shares with no brokerage costs and provides our loyal shareholders, who have supported the Company, with an opportunity to acquire shares at what we consider a discount to fair value which currently does not incorporate the value created by near term mining and production opportunities.

The offer proceeds will be utilised with the aim of quickly proving up significantly larger tonnages of Indicated bauxite resource from drilling an initial surface only Exploration Target area, as previously reported<sup>1</sup>, ranging between 193 million tonnes and 405 million tonnes of expected bauxitisation, of grades ranging between 31.7% available alumina and 1.9% reactive silica with a cut off grade of 20% available alumina and 10% reactive silica. It must be noted as per JORC and ASX requirements that the potential quality and grade of the company’s exploration target is conceptual in nature, that there has

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<sup>1</sup> 29-12-2014 ASX Announcement “Upgrade of Resource & Scoping Study”

been insufficient information to estimate a Mineral Resource and that it is uncertain if further exploration will result in the estimation of a further mineral resource.

The Company will use the proceeds to enable the further exploration while concurrently preparing for the mining of the existing indicated resources.

The Directors intend to take up their full entitlements, reflecting their confidence in the Company and their commitment to aggressively pursue the mining and production of bauxite in 2015. Given the operating profit margins outlined in the Scoping Study, this would provide significant profit margins for the Company and shareholders.

The past year has witnessed a number of notable achievements for the company. Key among these was the definition of an initial Indicated Bauxite Mineral Resource and the release of a Scoping Study for the South Johnstone Bauxite Project in Queensland which indicated a highly profitable bauxite export business can be achieved as detailed in that report<sup>2</sup>.

That Study detailed the low capital costs, low operating costs and significant profit margins from a bauxite export mining operation.

In conclusion, the Board once again thanks shareholders and other stakeholders for their continuous support which we appreciate and do not take lightly.



For and on behalf of the Board  
Pnina Feldman  
Chairperson  
Queensland Bauxite Limited

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<sup>2</sup> 29-12-2014 ASX Announcement "Upgrade of Resource & Scoping Study"