

5 February 2015

Dear Shareholder

QUEENSLAND BAUXITE LIMITED – pro-rata non-renounceable rights issue

As announced on 4 February 2015 Queensland Bauxite Limited (ACN 124 873 507) (**QBL** or the **Company**) is undertaking a non-renounceable entitlement issue of one (1) Share for every four (4) Shares held by those Shareholders registered at the Record Date at an issue price of \$0.014 per Share to raise up to \$1,782,167 (based on the number of Shares on issue as at the date of this Prospectus) (together with one free attaching option with an exercise price of \$0.10 and an expiry date of 31 July 2016 for every two Shares subscribed for and issued (**New Option**)) (**Offer**). The Company lodged a prospectus for the Offer (**Prospectus**) with ASIC and ASX on 4 February 2015.

The Offer is not underwritten.

Indicative use of proceeds of Entitlement Offer

The Company proposes to use the proceeds of the Offer as follows:

| Use | Approximate amount to be allocated assuming full subscription under the Entitlement Offer (A\$) | % |
|--|---|----------------|
| Mineral exploration - South Johnstone Bauxite Project | \$1,000,000 | 56.11% |
| Mining Lease and Development - South Johnstone Bauxite Project | \$500,000 | 28.06% |
| Expenses of the Offer | \$30,000 | 1.68% |
| General working capital | \$252,167 | 14.15% |
| Total | \$1,782,167 | 100.00% |

The above expenditure budget is indicative only and may change according to circumstances prevailing at the time.

Summary of the Entitlement Offer

The Offer is being made to all shareholders of the Company (**Shareholders**) named on its register of members at 4:00pm on 11 February 2015, whose registered address is in Australia or New Zealand.

New Shares will rank equally with all fully paid ordinary shares in the capital of the Company (**Shares**) already on issue.

Following completion of the Offer, the Company will have issued approximately 127,297,649 Shares and 63,648,825 New Options, resulting in total Shares on issue of approximately 636,488,246.

Optionholders

The terms and conditions of the options you currently hold do not entitle you to participate in the Rights Issue unless you exercise your options in time for new shares to be allotted and to be entered on the Company's register of members on or before 4:00pm on 11 February 2015 (**Record Date**).

To exercise your options and thereby participate in the Rights Issue, you will need to deliver the following to the Company at 67 Penkivil Street, Bondi NSW 2026:

- (a) A notice of exercise of options (attached to this letter);
- (b) An option certificate (where the options are certificated) or a copy of a holding statement (where the options are uncertificated) in respect of those options to be exercised; and
- (c) Payment for the exercise price in respect of those options to be exercised by way of a cheque made payable to "**Queensland Bauxite Limited**".

To ensure that your new shares are allotted prior to the Record Date, the above must be received by the Company **no later than** 10 February 2015. If received after this date, allotment of new shares prior to the Record Date cannot be assured.

Before deciding whether to exercise any or all of your options, you should read the Prospectus in its entirety.

This notice is important and requires immediate attention. If you have any queries concerning the Rights Issue, please contact your financial adviser or Mr Sholom Feldman, the Queensland Bauxite Limited's Company Secretary, on +61 2 9291 9000 or via email at sfeldman@queenslandbauxite.com.au.

Yours sincerely



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