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6 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.

A copy of the Prospectus is available on ASX's and the Company's website. Eligible Shareholders will be mailed a Prospectus together with an Entitlement and Acceptance Form no later than 13 February 2015. Your entitlement will be set out on the personalised Entitlement and Acceptance Form accompanying the Prospectus.

For the purposes of calculating each Eligible Shareholders' entitlement, fractions of entitlements have been rounded up to the nearest whole number of New Shares.

Actions required of Eligible Shareholders

There are a number of actions Eligible Shareholders may take:

- You may wish to accept all of your rights to subscribe for New Shares pursuant to the Prospectus (**Entitlement**). To take up all or some of your Entitlements you will need to ensure your application money for the Entitlements you wish to take up is received by Computershare Investor Services Pty Limited (**Share Registry**) by no later than 5:00pm AWST on 24 February 2015, by completing and returning your Entitlement and Acceptance Form together with your cheque, drawn on an Australian bank or bank draft made payable in Australian currency, for the amount indicated on the Entitlement and Acceptance Form.
- You may wish to accept part of your Entitlement. To take up part of your Entitlement you will need to ensure your application money for the Entitlements you wish to take up is received by the Share Registry by no later than 5:00pm AWST on 24 February 2015, by completing and returning your Entitlement and Acceptance Form by filling in the number of New Shares you wish to accept in the space provided on the Entitlement and Acceptance Form together with your cheque, drawn on an Australian bank or bank draft made payable in Australian currency, for the appropriate application monies (at \$0.014 per New Share).
- You may do nothing. If you choose to do nothing with your Entitlements, while you will continue to hold the same number of Shares, your interest in the Company will be diluted and you will receive no value for your Entitlement.

Key dates for the Offer

| | |
|---|------------------|
| Prospectus and Appendix 3B lodged with ASX | 4 February 2015 |
| Notification sent to option holders | 5 February 2015 |
| Notice of Rights Issue sent to security holders | 6 February 2015 |
| Existing shares quoted on an 'ex' basis | 9 February 2015 |
| Record date | 11 February 2015 |
| Despatch of Rights Issue Documents to Eligible Shareholders Offer Period Opens | 13 February 2015 |
| Offer Period Closes | 24 February 2015 |
| Securities quoted on a deferred settlement basis. | 25 February 2015 |
| Notification of under-subscriptions to ASX (if any) | 27 February 2015 |
| Shares Issued Holding statements despatched | 3 March 2015 |
| Quotation of Shares issued under the Offer | 4 March 2015 |

If you have any queries concerning the Rights Issue, or the action you are required to take to subscribe for New Shares, 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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