Queensland Bauxite Limited

ABN 18 124 873 507

and Controlled Entities

Half-Year Report

For the half-year ended 31 December 2014

Contents

Corporate Directory

Directors

Pnina Feldman

(Executive Chairman)

Sholom Feldman

(Executive Director, CEO)

Meyer Gutnick
(Non Executive Director)

David Austin

(Alternate Director)

Company Secretary

Sholom Feldman

Bankers

National Australia Bank

Law Courts Branch

75 Elizabeth Street

Sydney NSW 2000

Share Registry

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Auditors

Nexia Court & Co, Chartered Accountants

Level 16

1 Market Street

Sydney NSW 2000

Telephone: (02) 9251 4600

Stock Exchange Listing

The Company is listed on the Australian Stock Exchange Ltd (ASX)

Website

www.queenslandbauxite.com.au

Australian Securities Exchange Code:

QBL

Directors' report

Your Directors present their report on Queensland Bauxite Limited, consisting of Queensland Bauxite Limited ("the Company") and the entities it controlled at the end of or during the half-year ended 31 December 2014.

Directors

The names of the Directors of the Company at any time during or since the end of the financial year are:

Pnina Feldman - Executive Chairman

Sholom Feldman - Executive Director, Chief Executive Officer and Company Secretary

Meyer Gutnick - Non-Executive Director

David Austin - Alternate Director.

Principal Activities

The principal activities of the Group during the half-year ended 31 December 2014 were mineral exploration and identification of potential mining exploration assets for acquisition and development.

Review of Operations and Outlook

The consolidated loss for the half- year ended 31 December 2014 was $ 1,499,663 (2013 loss $1,259,744).

OPERATIONS REPORT

QBL presents the following report on activities for the half year ending 31 December 2014.

QBL has been focused on defining significant bauxite resources at its South Johnstone Bauxite Project in north Queensland with a view to commencing direct shipping ore (DSO) bauxite mining and export operations.

A number of milestones have been achieved at the Project including the release of a highly robust Scoping Study, initial JORC 2012 Compliant Indicated Resource and a large Exploration Target.

The macro bauxite market continues to be favourable toward development of a mining operation to take advantage of the current market conditions and resultant opportunities.

As has been widely publicised the Indonesian bauxite export ban that came into effect earlier last year has increased demand for bauxite from Australia, as Indonesia has previously been a significant exporter of bauxite to China. The Chinese market requires constant supply of bauxite to meet the exponentially growing demand to feed the Chinese Alumina refineries.

QBL's South Johnstone Project is in a uniquely advantageous position, as its bauxite resource is located within 20-25km from the deep water Port of Mourilyan , where there is ample port capacity for low cost, high revenue export operation to be developed to competitively feed the demand from China to secure alternative sources of bauxite.

Bauxite Projects

QBL Acquires Strategic Stake in NSW Gibbsitic Bauxite Province

During the year, the Company acquired 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.

Three drilling programs were carried out between 2010 and 2011 with the completion of 8 Calweld holes and 124 aircore holes. It is the intention of the Company to embark on a further exploration programme to consolidate all the results in order to have these and further exploration results prepared in a report in accordance with the JORC Code 2012 in advance of a potential scoping study being commissioned for that project.

SOUTH JOHNSTONE BAUXITE PROJECT EPM 18463

The South Johnstone permit EPM 18463 covers an area of 400 square kilometres and is situated 16-24km west of the deep water port of Mourilyan in North Queensland which is currently used as a loading facility for the regional sugar cane industry.

Mourilyan Port can berth Handimax vessels with a capacity of 40,000-50,000 tonnes. There is currently a narrow gauge railway which runs through EPM 18463 carrying sugar cane to the port of Mourilyan. In addition there is a network of bitumen and gravel roads within EPM 18463.

South Johnstone Aircore Drilling

During the year, the results from drill samples returned significant bauxite in many of the holes drilled. Based on these data, resource modelling has confirmed a significant, close to port and infrastructure, direct shipping ore (DSO), bauxite 2012 JORC Compliant initial Inferred Resource as follows:

2012 JORC Inferred Resource of 30 million tonnes of bauxite. The average grade of the bauxite at low temperature leaching is 25.2% available alumina and 6.9% reactive silica. The cut-off assumptions are based on 40.5 metres of bauxite of average grade 25.2% available alumina and 6.9% reactive silica drilled in 22 holes

Parts of the existing resource returned available alumina results of approximately 32% and reactive silica results at less than 2%, which is a ratio of over 16:1 available alumina to reactive silica which would be a very attractive ore for many alumina refineries.

The bauxite deposit is located at surface and it is assumed that mining at South Johnstone will be via simple open cut quarrying operations – top soil stripping ahead of a progressing mining face with progressive rehabilitation and return to agricultural use behind.

The Company reported a JORC Exploration Target area ranging between 193 million tonnes and 405 million tonnes of expected bauxitisation, of grades ranging from 31.7% available alumina and 1.9% reactive silica with a cut off grade of 20% available alumina and 10% reactive silica.

XRF Analytical Results from South Johnstone Drilling

X-ray Fluorescence (XRF) results were received for a selection of drill samples from the South Johnstone Bauxite Project. The total alumina lies in the range from 32% to 38% Al2O3 and these results compare directly with the results obtained by Carpentaria Exploration Company (CEC) of 31% to 37% Al2O3, reported by Znebejanek (1961). XRD testing has shown the South Johnstone bauxites to be predominantly gibbsite with lesser amounts of iron/titanium oxides, clay minerals and quartz.

South Johnstone Bauxite Project Scoping Study

A Scoping Study based on the 2012 JORC Compliant Initial Indicated Mineral Resource was released that indicated South Johnstone Bauxite Project represents a robust bauxite deposit with a simple mining and quarrying operation to produce a DSO product with a favourable location with respect to infrastructure and presents a real opportunity to promote sustainable regional development and development of the project in 2015.

Scoping Study Results

The following details the inputs and parameters of the Study that was based on utilising the higher confidence Initial Stage 1 Indicated Mineral Resource Project defined to date. Drilling is planned to further increase the Indicated JORC Resources.

The Study to date assessed the viability of an initial mining operation at Area I producing 800,000 tonnes per annum of bauxite.

Summary - Key Results of Operating Scenario 1: 800,000 tonnes per annum Stage 1 Project:

- Payback of estimated capital costs: <6 months
- Capex: A$5.14m
- Operating Cost: A$20.87/tonne FOB (not including royalties)
- Project Study at A$53.01/tonne bauxite price
- Operating Gross Profit Margin: A$32.14/tonne FOB
- Royalties: A$5.30/tonne
- Current Freight Costs to Shandong, China: A$11.24/tonne
- Average annual bauxite production Operating Scenario Stage 1: 800,000 tonnes
- Annual Gross Revenue: A$42.4m
- IRR: 223%
- Operating annual positive cash flow before tax (Stage 1 Project): A$12.3M
- Environmental approval application and mining lease application processes underway
- Mining estimated start: second half of 2015
- Operating annual positive cash flow before tax (from year 1 Operating Stage 1 Project only): A$12.3M
- Average available alumina of 29.7% and reactive silica of 3.2% for current initial Indicated Resource
- Surface drilling returned up to 33.6% available alumina and as low as 1.8% reactive silica
- Alumina to silica (A:S) ratio for Indicated Resource is approximately 10:1
- Limited deeper drilling to 3m has seen higher alumina, lower silica grades
- Recent drilling is down to average of 1.4 metres bauxite depth only
- Drilling at depth to follow in upcoming program
- Cashed up for development
- Potential for increased bauxite production in Operating Scenario Stage 2 Project
- Commenced Environmental Approval and Mining Lease preparations
- Additional off taker interest received from further commodity trading and alumina refinery groups
- Limited new supplies of seaborne bauxite is forecast on-stream in the next 12 months
- Aiming for mining to commence in second half of 2015

The Study was performed by independent consultants Sandercock and Associates Pty Limited and with key input from other contributors including independent industry experts and consultants and is based on the upgrade in the JORC Mineral Resource estimate in this announcement.

The scoping study shows that based on the current technical and market assumptions, the project is technically and commercially feasible at the lower end of industry operating and capital costs and can generate strong cash flows.

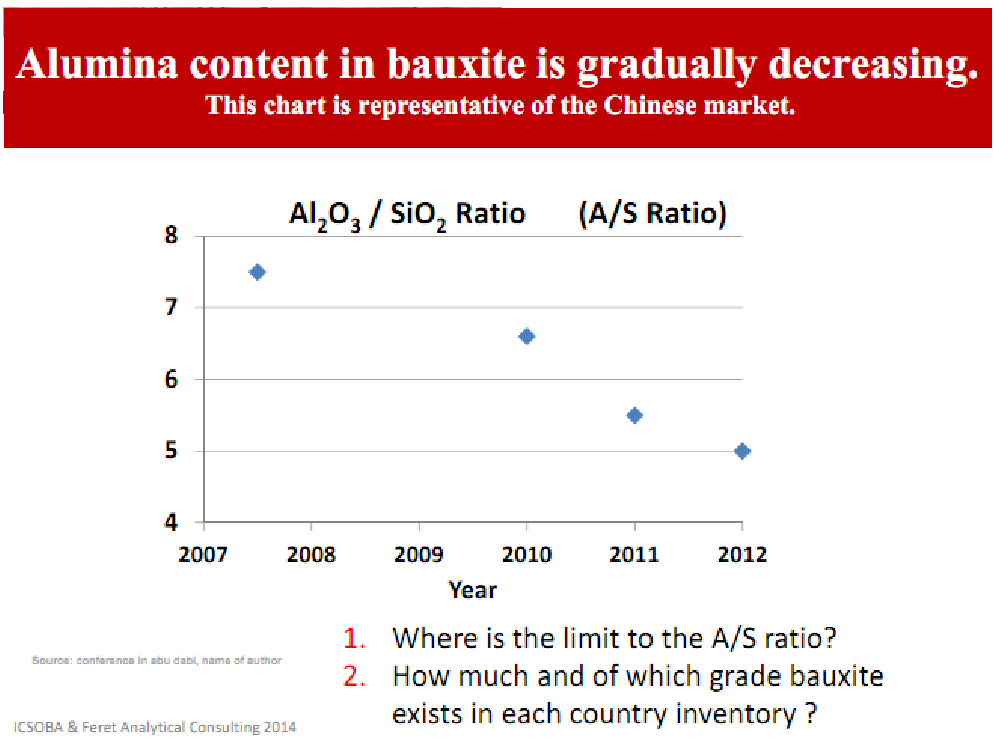
The Project Development Plan envisages a staged production ramp up commencing at 800,000 tonnes per annum based on the initial higher confidence category Indicated Mineral Resource (Initial Stage 1) sufficient for almost 3 years of production which current drilling will look to increase to 10 years (Operating Scenario 1).

Projected costings and detail regarding any potential larger production scenario (Operating Scenario 2) will be detailed in a future study which will incorporate advanced mining, production, transport and shipping options.

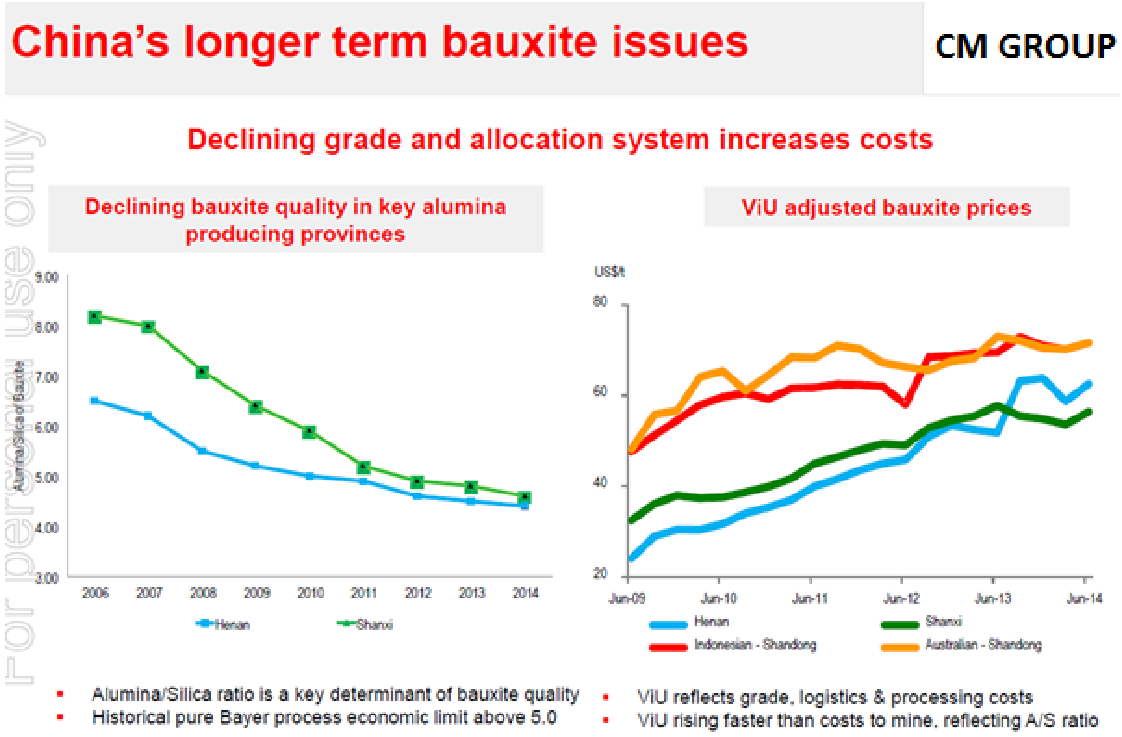
The priority is to develop the 800,000 tonnes per annum project into production given that there is existing infrastructure and Port capacity available to support this level of production.

Economic grade bauxite

As reported by The International Committee for the Study of Bauxite, Alumina & Aluminium in 2014, the average alumina to silica being processed in refineries in China has fallen to an average ratio of available alumina (Al2O3) to reactive silica (SiO2) of less than 5:1 in 2012. Previously, in 2007, this A:S ratio was around 7.5:1.



CM Group highlighted this trend of declining alumina to silica ratios in use in refineries throughout China alongside the rising prices as a result of the looming shortage of bauxite.



In addition, recent exports of Malaysian bauxite at lower grades have been snapped up by Chinese alumina refineries in 2014. Of note, industry and analysts report little new supply of bauxite is likely to be on-stream in 2015, providing opportunities for new bauxite suppliers with favourable infrastructure and CAPEX and OPEX metrics.

Overall, the macro bauxite picture provides confidence in not only the potential of South Johnstone bauxite products to find markets for its higher grade bauxite but also for the lower grade bauxite.

South Johnstone bauxite has similar levels of alumina to the bauxite mined in the Darling Ranges of Western Australia that has average alumina grades of 27-30%. Approximately 20% of the world's bauxite is supplied from the Darling Ranges region.

Capital cost estimate

Table 2 provides the capital cost estimates for the proposed components of the project. The costs are provided in AUD.

Table 2: Capital cost estimate for producing 800,000 tonnes per annum of bauxite.

CAPITAL ESTIMATE EXPENDITURE

Port stockpile $3,762,900

Mining License & environment approvals $430,000

Bulk Sampling, drilling$245,000

Contingencies including land access $700,000

Total $5,137,900

Operating cost estimate

Table 3: Operating cost estimate for producing 800,000 tonnes per annum of bauxite.

ITEM	ESTIMATE
Cost per tonne of ore (including royalties)	$26.18
Shipping/tonne to Shandong, China	$11.24

Bauxite Price

A bauxite price of AUD $53.01 per tonne has been used in the Financial Model by the independent Consultant group based on market prices for bauxite of similar grades and specifications as reported in Area I at South Johnstone. The market for bauxite is forecast to remain strong with the trend to further price increases in 2015/2016 anticipated by industry experts & analysts including CRU, CM Group, Metal Bulletin Research.

Mining Schedule

Various mining production scenarios were examined. The scenario that was adopted as the base case of the Study was a simple mining operation to extract ore from surface to an average of 1.4 metres at the rate necessary to utilise current available Port capacity of 800,000 tonnes per annum.

Bauxite is to be mined by surface methods (open cut mining). The topsoil is removed to allow for the simple extraction of the underlying bauxite. The bauxite is to be mined in panels, with the topsoil from the following panel being placed back into the previously mined panel for a quick rehabilitation of the area.

Mining is estimated to cost an average of $4.11 per tonne.

Mining production would be campaigned throughout the year. During the wet season, production will continue with ore being stockpiled if necessary.

Transport

For the purpose of the Study the only transport option considered was direct trucking of bauxite to the Port of Mourilyan. The project is located 15-25 kilometres west of the Port; the exact distance is dependent on which areas of the project are mined first.

The loading and transport under this scenario is estimated to cost an average of $5.83 per tonne.

Future studies, including for the increased production in Operating Scenario 2 will investigate additional transport scenarios such as utilising the current existing rail network that goes directly from the project area to the port, amongst other transport alternatives.

Further refinement of scoping study inputs are ongoing to minimise costs and maximise future profits.

Port and ship loading costs are estimated to cost an average of $10.51 per tonne.

Indicated Resource

The initial 2012 JORC Indicated Resource was estimated at 1.9 million tonnes at 29.7% available alumina and 3.2% reactive silica which is a ratio of almost 10:1 A:S. These tonnages are the tonnages calculated after deducting any areas covered by or immediately adjacent to sealed roads or other built structures.

The Initial Indicated Resource drilled to date represents significantly less than 1% of our previously reported Exploration Target area, which is encouraging toward achieving a large economic resource.

The initial Indicated Resource that underpins this Scoping Study provides the basis for progressing the development of South Johnstone Bauxite Project and the Scoping Study contains sufficient information to enable the Company to formally commence environmental approvals and apply for a Mining License in 2015.

The Company has upgraded an appropriate portion of its Inferred Mineral resources to a higher level of confidence with sufficient consideration of mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and government factors.

The Scoping Study indicates that South Johnstone Bauxite Project represents a robust bauxite deposit with a simple mining and quarrying operation to produce a DSO product with a favourable location with respect to infrastructure and presents a real opportunity to promote sustainable regional development and development of the project in 2015.

Following receipt of this Scoping Study, Queensland Bauxite is implementing a new drilling campaign to upgrade further Inferred Mineral Resources to Indicated categories.

The new Indicated Mineral Resource confirmed the geological bauxite continuity model at the South Johnstone Bauxite Project as a result of recent drilling which has defined an initial Indicated Mineral Resource.

As drilling continues to increase the Indicated Resources, and results are received, these will be released to the market in a timely manner.

The estimated mineral resources underpinning the Scoping Study production targets have been prepared by competent persons in accordance with the current JORC Code 2012 Edition.

The focus has been on Area I where further drilling has proven continuity and consistency of results from surface. In addition, some results were received from limited drilling to a depth of three metres which returned higher available alumina and lower reactive silica grades.

The upgrade in mineral resources estimation was undertaken by Chief Geologist Dr Robert Coenraads.

Xstract Mining Consultants Pty Ltd provided an additional internal reporting to the Board on the methodology and efficacy of the approach and provided specialist advice to assist the Competent Person in developing the Mineral Resource.

Drilling results were received from ALS Laboratories in Queensland and the Indicated Resource returned an average of 29.7% available alumina and 3.2% reactive silica, which is in line with initial drilling and proving the geological model of Chief Geologist Dr Robert Coenraads.

RESOURCE ESTIMATE BACKGROUND

1.1 Drilling Programs

As previously reported, QBL had conducted a 60-hole air core drilling program to delineate areas of bauxite mineralisation for further exploration (Figure 1). The drilling was targeted as close as possible to the historical bauxite locations identified by CEC so that the 1960s drilling could be verified. Ground mapping by QBL indicated the most ideal location for bauxite development to be ridge tops and flanks to the ridges so drilling was sited in these locations where possible.

A total of 460 m were drilled with each hole averaging 7.5 m in depth. Drilling was conducted at a spacing varying between 100 m and 5 km. The bauxite mineralisation forms a surficial deposit developed on flat-lying to gently undulating topography giving reasonable confidence to interpolate geology and grade across these distances.

The results indicate that the upper parts of the weathering profiles are relatively enriched in alumina and depleted in silica in places.

Nearly half of all the holes drilled (29 out of 60 holes) encountered bauxite between 0.5 and 3 m thick and, together with the 10 m topographic data and geologic model (see Figure 1) a number of areas of bauxite mineralisation were identified, mapped and earmarked for drilling on a 200 m grid.

Figure 1 shows the location of CEC and QBL drill holes, the QBL bauxite discoveries (known as Areas A to K in the QBL June 2014 Addendum), and the QBL Exploration Target within EPM 18463.

In the past quarter, QBL conducted a 51-hole auger drilling program on a 200 m by 200 m grid on a two square kilometre (km) plateau in the Camp Creek area (Area I). This area was chosen as it had the highest grade bauxite at a thickness of 3 m. Samples were collected over 0.5 m intervals vertical downhole with sample weights ranging from 1 kg to 2.5 kg recovered from the 62 mm diameter auger. The bauxite mineralisation forms a surficial deposit developed on flat-lying to gently undulating topography giving reasonable confidence to interpolate geology and grade across these distances. The following Figures and Tables show the location of the auger drilling program.

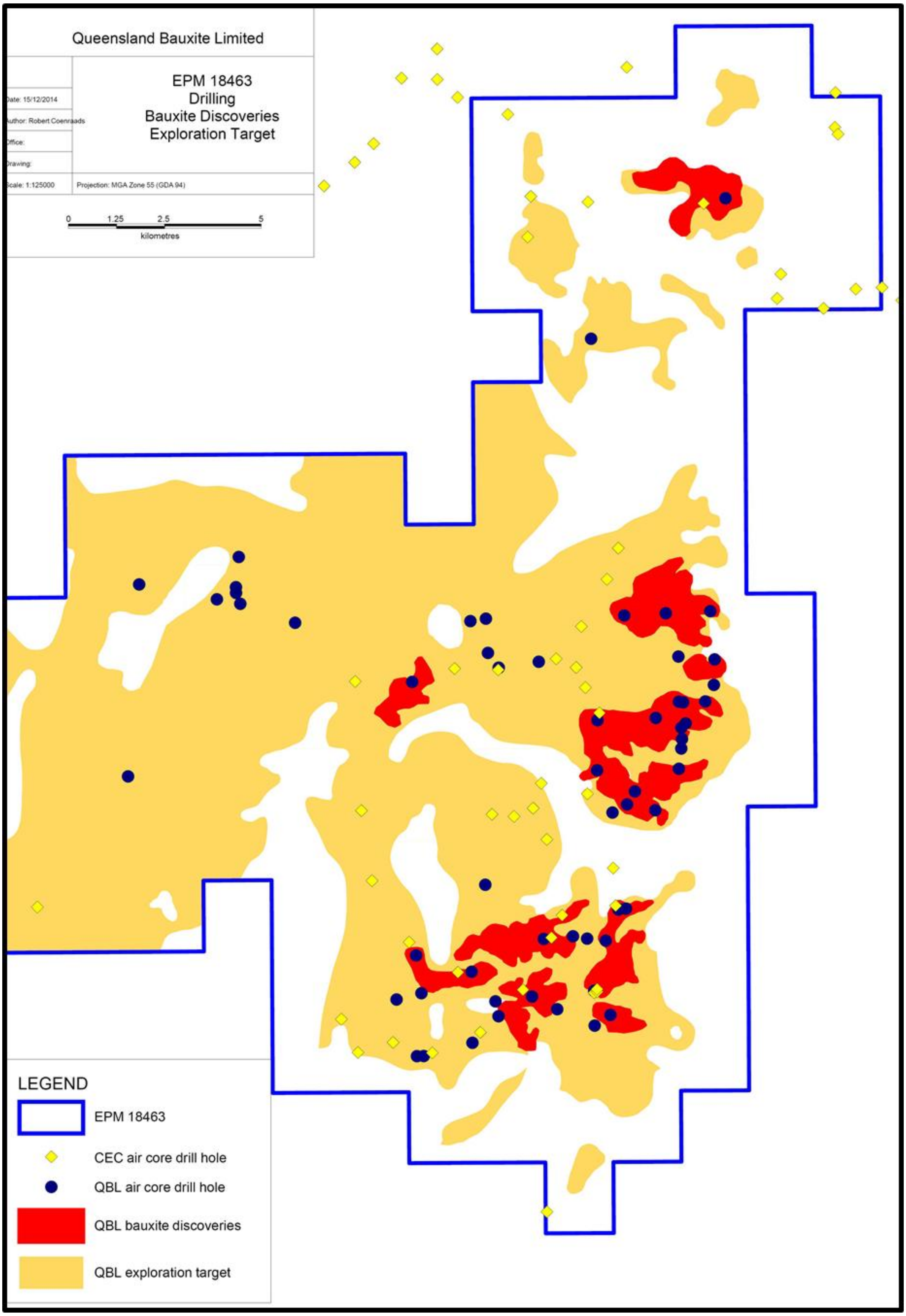
During November and December 2014 QBL analysed the results of its drilling program to calculate a JORC Indicated Resource within the Camp Creek area.

An initial Indicated Resource of approximately 1.9 million tonnes (Mt) of bauxite grading 29.7% available bauxite and 3.2% reactive silica was identified in the immediate vicinity of Camp Creek and the scoping study is based on those resources alone. The Company anticipates that Inferred Resources of similar grades in that area will be converted to Indicated Resources over the coming months.

Based on the results and mapping to date in EPM 18463 QBL has previously reported an Exploration Target area ranging between 193 million tonnes and 405 million tonnes of expected bauxitisation, of grades ranging from 31.7% available alumina and 1.9% reactive silica with a cut off grade of 20% available alumina and 10% reactive silica. (published in the June 2014 Addendum).

The Company has a planned exploration program over the coming year to test these areas of bauxite mineralisation to JORC Code 2012 standard using a 200 m grid of auger holes.

Figure 1: Exploration Drilling, Bauxite Mineralisation and Exploration Target in EPM 18463



Area I Location and Geology

The bauxitised basalt plateau making up Area I is low relief, falling gently in elevation from west to east; a fall of about 20 m over a distance of about 3 km. The higher ground immediately to the west is made up of older silica rich basement rocks. The plateau area was previously defined as being bauxitic as a result of analytical work carried out on samples recovered from air core hole SJAC 052. This hole encountered 3 m of bauxite of average grade 30.2% available alumina (Av Al_2O_3) and 2.2% reactive silica (Rx SiO_2).

The edge of the bauxite is marked by the 80 m Above Sea Level (ASL) contour on the western end of the plateau and 60 m on the east. The geologic model assumes that the bauxite has been eroded away in these younger features. Bauxitic soil profiles bottoming on hard basalt bedrock can be seen in some of the surrounding creek beds.

Sampling and Analysis

1.3.1 Air Core

The following sampling and analysis was undertaken on the air core samples as were previously reported upon:

- Samples showing potential to be bauxite based on hand-held XRF were selected for low temperature alkali leach testing.
- Selected bauxite samples were re-analysed by high temperature leach testing to determine if there were further gains to be achieved in the recovery of available alumina from high temperature processing.
- Selected samples were selected for multi-screen testing (four samples of around 0.9 – 1.2 kilograms [kg] were sieved using the 2.5 millimetre [mm], 1.2 mm, 0.9 mm, 0.6 mm and 0.3 mm screens) to see if grade beneficiation could be achieved for different size fractions.
- Selected bauxite samples were chosen for XRD analyses to determine the mineralogy present.
- Selected samples from drill holes were chosen for XRF analyses. Total alumina results could then be compared directly with those obtained from the earlier drilling by CEC.

Low Temperature Alkali Leach Testing

- A total of 73 drill samples were selected by a hand-held XRF device and tested by low temperature alkali leach for available alumina and reactive silica. It was assumed that samples rejected by hand-held XRF selection because of low total alumina and total silica levels would lie below the bauxite cut-off grade.
- Bauxite was recovered in 29 out of the 60 holes after applying a cut-off grade of 20% available alumina and 10% reactive silica. These holes were used to determine the average thickness and grade for the bauxite mineralisation within EPM 18463.

High Temperature Alkali Leach Testing

For 15 samples tested, available alumina recovered by high temperature alkali leaching was only marginally higher than that recovered by low temperature alkali leaching. There was a marginal increase in reactive silica for the samples tested by high temperature alkali testing compared to low temperature alkali testing.

Dry Multi-screen Testing

Three bauxite and one sub-grade bauxitic grade samples were selected for multi-screen analysis to test the grade recovery at different sieve sizes. Samples of around 0.9 – 1.2 kg were sieved using the 2.5 mm, 1.2 mm, 0.9 mm, 0.6 mm and 0.3 mm screens.

Results across the size categories of the screening on these samples indicate that beneficiation by screening does not seem to be worthwhile. Further work may be done in this regard on samples from different areas of the deposit in the future.

XRD Analysis

Three bauxite and one sub-grade bauxitic grade samples were selected for x-ray diffraction (XRD) analysis to determine the mineralogy present.

The dominant mineral phase present in the samples is gibbsite (36-48%). Other aluminium phases requiring high temperature processing are either absent or in very low concentration (Boehmite 0-2% and Diaspore 0-3%). Various iron-rich phases are present and clays make up 5-9% of the bauxites, rising to 16% in one sample explaining its higher reactive silica.

XRF Analysis

Ten samples were selected for x-ray fluorescence (XRF) analysis to determine the elemental oxides present in the bauxite.

The samples returned a relatively high iron content (25% to 31% Fe_2O_3) with high water content (18.9% to 23.2% loss on ignition [LOI]). The total alumina lies in the range from 32% to 38% Al_2O_3 and these results compare directly with the results reported by the Carpentaria Exploration Company (CEC) of 31% to 37% reported by Znebejanek (1961).

All of the above is a summary of previous work and has been previously reported in greater detail by the Company.

1.3.2 Auger Drilling

A hand auger drilling programme was recently undertaken over a section of Area I. The hand auger holes failed to penetrate the total thickness of the flat lying bauxite body as the ground proved to be too hard. The maximum depth reached by hand was 2 m with the remainder of the holes reaching between 1 m and 1.5 m into the bauxite body and between 0.5 m and 1 m in the surrounding non-bauxite ground. Future exploration programs will be carried out using a mechanised hand auger system which will allow penetration of the full bauxite thickness which is assumed from air core hole SJAC052 to be around 3 m in this area.

Samples from the first 0.5 m to a maximum depth of 3 m in the drill holes were selected for low temperature alkali leach testing.

Sixty eight samples from the auger program were sent to ALS for analysis for available alumina and reactive silica using a standard alkali leach (sample leached in 10 millilitres of 90 grams per litre NaOH at 143^{0}C for 30 minutes). The results support the geologic model returning bauxite from all holes drilled on the plateau surface with the remaining holes on the flanks of the structure and in the surrounding valleys returning analyses that were not bauxitic (Av Al_2O_3 of less than 20% and Rx SiO_2 greater than 10% - a total of 29 samples). The results for the auger drilling program are shown in Appendix A Tables 1 & 2.

1.3.3 Density test work

A dry bulk density value of 1.43 dry tonnes per cubic metre (t/m^3) was used for the resource calculations. This figure is an average of three bulk density tests carried out in different areas across the surface at Camp Creek and shown in Table 3.1. Tests were conducted on level areas of hard, compact, unvegetated and undisturbed surface with sample weights approaching 5 kg each used to minimise measurement error. Samples were taken with a small spade, weighed on a set of scales with 50 g divisions and bagged. The neat hole was lined with a thin plastic bag and filled to the top with water poured in from a measuring bottle with 10ml divisions. The samples were reweighed following being dried in an oven at 110^{0}C for 120 minutes.

As the three samples are from the surface only, it is proposed to test the bulk density through the entire bauxite profile at a later stage. It would be expected for the densities to be higher at depth, which would then further increase the resource tonnages if that is proven to be the case.

Table 3.1: Camp Creek Bauxite Bulk Density Tests

Test location	SJHA 040	SJHA-014	SJHA-023	Average
Sample weight (kg)	4.85	4.51	4.75	
Dry sample weight (kg)	4.15	3.98	4.45	
Sample pit volume (L)	2.99	2.81	3.00	
Density	1.62	1.60	1.58	1.60
Dry density	1.39	1.42	1.48	1.43

Resource Modelling

1.4.1 Modelling Parameters

Bauxite mineralisation occurs at surface in a weathering profile that is known from the drilling to extend from 0 m to a depth of about 3 m. It is found as a continuous blanket overlying flat-lying basalt flows of the Atherton Province within EPM 18463. The deposit has been formed by weathering of the basalt surfaces with resultant leaching of silica downwards and concentration of alumina towards the surface of the profile. It is not clear how much of the material is in-situ or if some transportation has been involved, however in approximately half of the holes a gradual decline in alumina and increase in silica with depth is noted in the first few metres indicating an in-situ profile.

1.4.2 Sampling

Contamination was avoided by ensuring that the hole was completely clean before each successive sample was taken such that the auger could be lowered smoothly and cleanly to the top of the next interval and that the auger was not turned outside of the sampling interval either during entry or exit from the hole.

The average grade of bauxite (Av Al_2O_3 and Rx SiO_2) in each hole was mapped and contoured using 5% Rx SiO_2 grade contours as shown in Figure 2.

The 68 half-metre bauxite samples were also sorted in order of increasing reactive silica and graphed on Figure 4. These data show an inverse linear relationship (decreasing available alumina with increasing reactive silica). Sorting the samples in this way enables grouping of data into various categories each with their own respective areas, volumes, tonnages and grades. A polygonal model was prepared to achieve an optimal tonnage versus grade model to support the project economics.

Figure 2: Camp Creek Auger Drilling Showing R_X SiO_2 Grade Contours

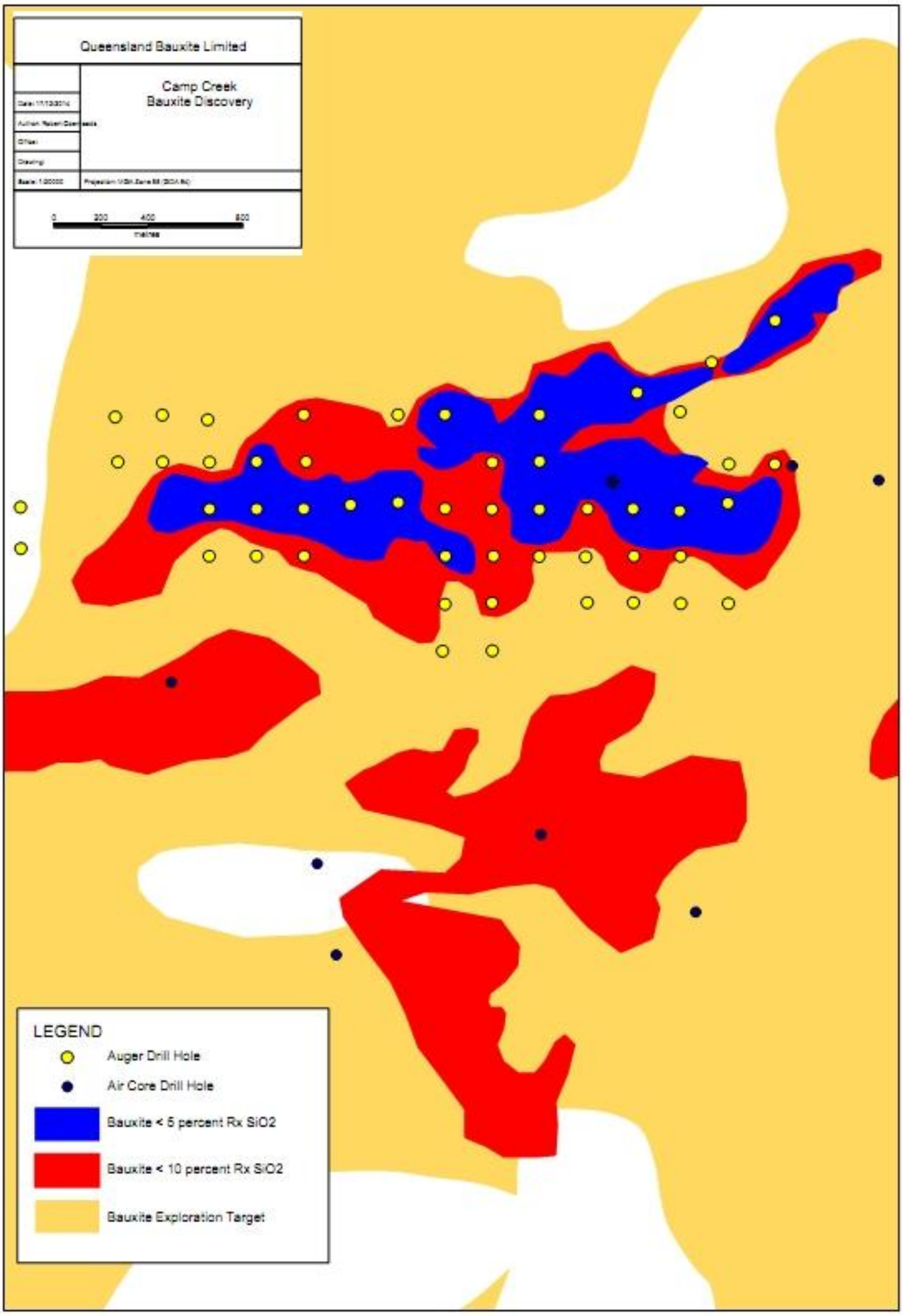


Figure 3 shows the average thickness of the bauxite achieved in the unbottomed auger holes. These thicknesses are expected to be increased with further drilling which should significantly increase the resource tonnages.

Figure 3: Camp Creek Auger Holes, Bauxite Thicknesses and Resource Blocks

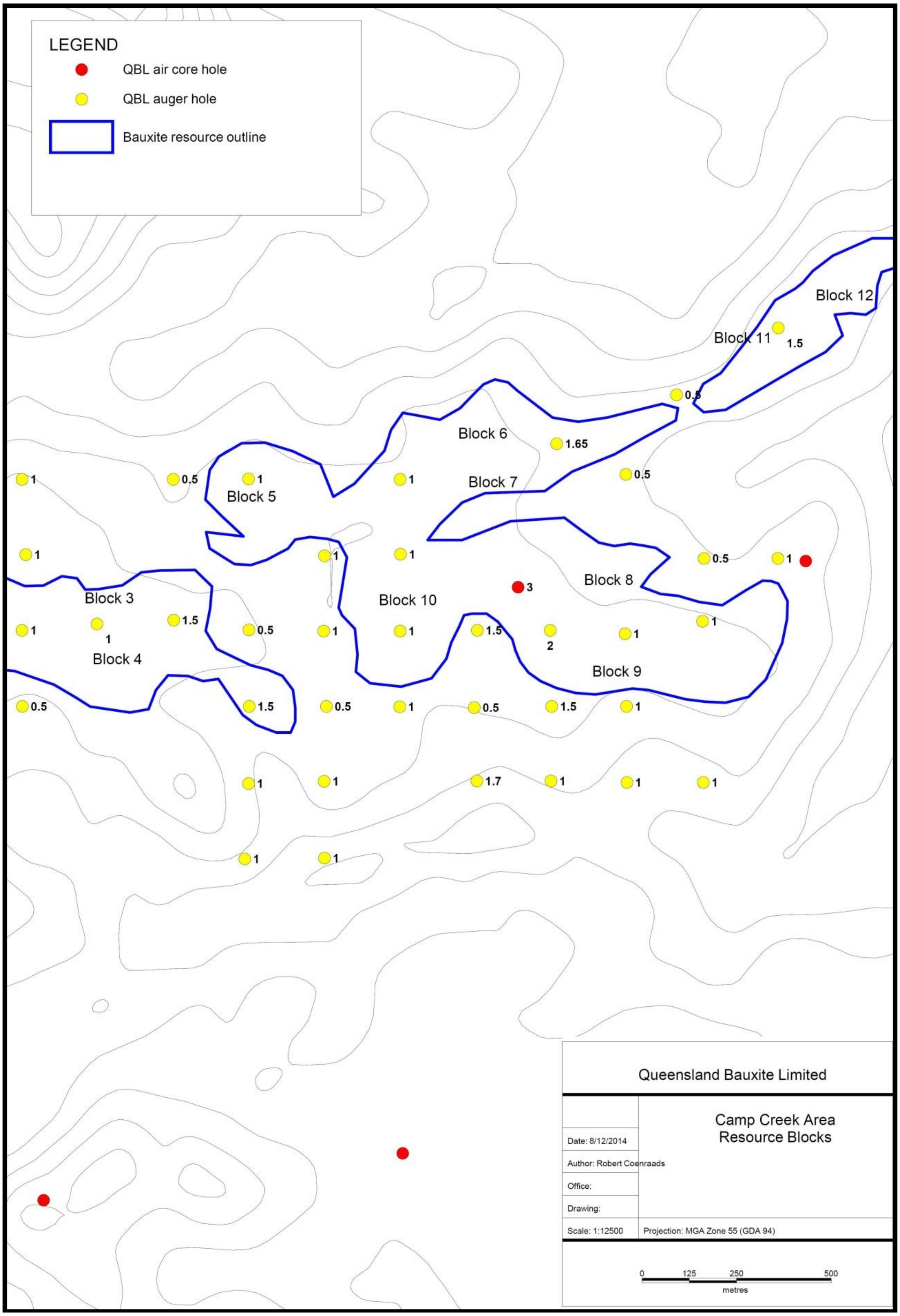
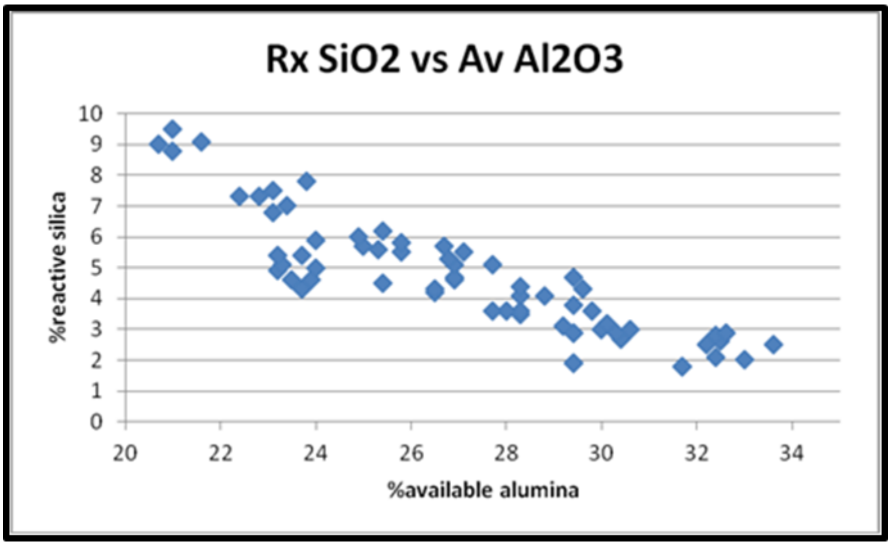


Figure 4: Rx SiO_2 versus Av Al_2O_3 in Camp Creek Area I



The model polygons chosen for this analysis are shown in Figure 3 with the outer boundary being the 5% Rx SiO_2 contour. The 5% Rx SiO_2 contour was divided into twelve polygons, each enclosing between 1 and 4 holes and excluding roads, houses and other infrastructure. These holes included in the easternmost 10 polygons were used to create an average grade of 29.7% Av Al_2O_3 and 3.2% Rx SiO_2 and average thickness of 1.4 m for the model area shown in Figure 3.

The drilled shallower portion of bauxite mineralisation at Camp Creek (i.e. that portion intersected by air core and auger drilling in the 5% Rx SiO_2 grade contour and only that in the easternmost 10 polygons (blocks 3 to 12) was chosen for upgrade to JORC Code Indicated Resource in the modelling exercise. Blocks 1 to 2 were excluded due to lower grade. Similarly bauxite lying inside the 10% Rx SiO_2 contour but outside of the 5% Rx SiO_2 contour was also excluded.

Geostatistical analyses of the exploration data prepared by Mark Noppe of Xstract Group show that the 200 m spacing of samples is sufficient to support the assumption of geological and grade continuity between the sample points, particularly for Av Al_2O_3 and, although less certain, probably also Rx SiO_2.

Volume calculations were made using the surface area defined by the 5% Rx SiO_2 grade contour as indicated by the drilling and topographic constraints multiplied by the average bauxite thickness of 1.4 m calculated for the modelled area. It is known that that the true average thickness must lie somewhere in between 3 m (SJAC052, the deepest hole) and 1 to 1.5m - the thickness encountered routinely in the incompletely drilled auger holes. For modelling Indicated Resources, holes that end in bauxite and were less than the average bauxite thickness of 1.4 m in depth have been extrapolated to that average bauxite depth. In other areas within the 200 m range of influence where holes have ended in bauxite, the depth of the deepest bauxite intercept has been applied to estimate the thickness of bauxite within that range.

Polygon volumes were converted to resource tonnages using a dry bulk density value of 1.43 t/m^3.

Modelling resulted in a JORC Code Indicated Resource of 1.9 Mt of average grade of 29.7% Av Al_2O_3 and 3.2% Rx SiO_2 as shown in Table 3.

1.4.3 JORC Code Classification

The JORC Code classification is based on the coverage of holes on a 200 m by 200 m grid over most of Camp Creek (51 auger holes and 1 aircore hole with bauxite recovered in most of those into a geological model. Modifying factors considered included mining, metallurgical, infrastructure, economic, marketing, legal, environment, social and government issues. Based on this understanding, a select portion of the bauxite mineralisation at Camp Creek (1.9 Mt at 29.7% Av Al_2O_3 and 3.2% Rx SiO_2) has been classified as a JORC Code Indicated Resource.

The mineral resource estimates and modifying factors have been audited and reviewed by Sandercock and Associates Pty Ltd. Geostatistical analysis of the drilling data from Camp Creek was carried out by Mark Noppe Xstract Group who also provided advice and reviewed the modelling discussion and assumptions in JORC Code Table 1 (see Table 2).

1.4.4 Other Considerations

Although there are no known environmental restriction to development of the Project, no detailed environmental studies have been conducted at present. The land on which the bauxite mineralisation occurs is currently being used for large and small acreage agricultural activities, principally sugar cane and bananas. It is assumed that a mining licence would be granted by government for an open cut extraction operation. It is also assumed that no unforeseen environmental difficulties, landholder, or other issues would impact on the mining and processing operation.

1.4.5 Risk Factors

Following is a list of the factors that could affect the relative accuracy and confidence of the estimate:

- The estimate of bauxite thickness: this varies between 0.5 m and 3 m in holes drilled in the Camp Creek area with a mean of 1.4 m. This is a minimum thickness estimate as when these holes are deepened it is assumed that further resource will be intersected. The bauxite dry bulk density has been measured at 1.43 t/m^3 at the surface and this value has been used for modelling. It is planned to make further density measurements at depth in the future.
- The mineral resource estimate is based on the assumption that geology and grade is continuous between 200 m spaced bore holes.

Resource

The resulting resource is shown in Table 3.2.

Table 2: Camp Creek Indicated Resource Estimate Based on 5% Rx SiO2 Contour

Area & depth	Area (m^2)	Thickness (m)	Volume (m^3)	Tonnage (t)	Av Al_2O_3 (%)	R_xSiO_2 (%)
1 (av)	44,680	1.40	62,383	89,207	23.8	5.0
2 (av)	92,440	1.40	129,066	184,564	23.5	4.9
3 (av)	12,700	1.40	17,732	25,357	28.1	4.5
3 (1.5)	27,300	1.50	40,950	58,559		
4 (av)	41,940	1.40	58,557	83,737	28.2	4.1
4 (1.5)	72,830	1.50	109,245	156,220		
5 (av)	61,640	1.40	89,581	128,101	31.4	2.9
6 (av)	97,650	1.40	136,340	194,966	32.1	2.7
6 (1.65)	26,650	1.65	43,973	62,881		
7 (av)	22,656	1.40	31,633	45,235	32.5	2.7
7 (1.65)	33,990	1.65	56,084	80,199		
8 (av)	42,660	1.40	59,562	85,174	29.5	3.1
8 (3)	56,450	3.00	169,350	242,171		
8 (2)	8,206	2.00	16,412	23,469		

9 (av)	86,950	1.40	121,400	173,603	29.2	3.1
9 (3)	35,270	3.00	105,810	151,308		
9 (2)	26,610	2.00	53,220	76,105		
10 (av)	87,500	1.40	122,168	174,701	27.6	4.1
10 (3)	3,946	3.00	11,838	16,928		
11 (av)	4,879	1.40	6,812	9,741	31.9	2.3
11 (1.5)	17,030	1.50	25,545	36,529		
12 (av)	22,392	1.40	31,624	44,707	31.9	2.3
12 (1.5)	35,590	1.50	48,885	69,906		
Total Areas 1 - 12	961,479	1.61	1,547,808	2,213,366	29.0	3.4
Total Areas 3 – 12 only	824,359	1.64	1,356,360	1,939,595	29.7	3.2

APPENDIX A - AUGER HOLE ANALYSES

Appendix A - Table 1 Camp Creek Auger Drill Hole Sample Analyses

APPENDIX B -Table 1 CAMP CREEK AUGER DRILL HOLE SAMPLE ANALYSES

Sample Number	Al-LICP01	Si-LICP01	Sample Number	Al-LICP01	Si-LICP01	Sample Number	Al-LICP01	Si-LICP01
Auger	%Av Al2O3	% Rx SiO2	Auger	%Av Al2O3	% Rx SiO2	Auger	%Av Al2O3	% Rx SiO2
SJHA 009 0.0-0.5	0.6	15.3	SJHA 031 0.0-0.5	23.2	4.9	SJHA 048 0.0-0.5	18.3	16.5
SJHA 010 0.0-0.5	15.1	13.4	SJHA 031 0.5-1.0	24.0	5.0	SJHA 049 0.0-0.5	0.3	8.7
SJHA 011 0.0-0.5	24.0	5.9	SJHA 032 0.0-0.5	17.4	10.5	SJHA 049 0.5-1.0	0.4	14.2
SJHA 011 0.5-1.0	25.8	5.5	SJHA 032 0.5-1.0	13.6	15.1	SJHA 050 0.0-0.5	4.5	16.4
SJHA 011 1.0-1.5	22.4	7.3	SJHA 033 0.0-0.5	23.3	5.1	SJHA 051 0.0-0.5	26.8	5.3
SJHA 012 0.0-0.5	17.5	10.8	SJHA 033 0.5-1.0	23.7	4.3	SJHA 051 0.5-1.0	27.1	5.5
SJHA 012 0.5-1.0	15.7	13.5	SJHA 034 0.0-0.5	22.8	7.3	SJHA 052 0.0-0.5	30.0	3.0
SJHA 013 0.0-0.5	26.5	4.2	SJHA 034 0.5-1.0	14.6	11.5	SJHA 052 0.5-1.0	32.5	2.6
SJHA 013 0.5-1.0	26.9	4.6	SJHA 035 0.0-0.5	28.3	3.5	SJHA 053 0.0-0.5	30.6	3.0
SJHA 014 0.0-0.5	28.0	3.6	SJHA 035 0.5-1.0	29.2	3.1	SJHA 053 0.5-1.0	32.6	2.9
SJHA 014 0.5-1.0	28.8	4.1	SJHA 035 1.0-1.5	27.7	3.6	SJHA 054 0.0-0.5	13.8	14.6
SJHA 015 0.0-0.5	15.7	13.1	SJHA 036 0.0-0.5	20.7	9.0	SJHA 055 0.0-0.5	25.0	5.7
SJHA 016 0.0-0.5	15.3	12.5	SJHA 037 0.0-0.5	21.6	9.1	SJHA 055 0.5-1.0	27.7	5.1
SJHA 017 0.0-0.5	30.1	3.2	SJHA 037 0.5-1.0	21.0	9.5	SJHA 056 0.0-0.5	32.2	2.5
SJHA 017 0.5-1.0	30.4	2.7	SJHA 038 0.0-0.5	23.1	7.5	SJHA 056 0.5-1.0	33.6	2.5
SJHA 018 0.0-0.5	23.1	6.8	SJHA 039 0.0-0.5	25.3	5.6	SJHA 056 1.0-1.5	32.4	2.8
SJHA 018 0.5-1.0	23.4	7.0	SJHA 039 0.5-1.0	26.7	5.7	SJHA 056 1.5-1.65	29.8	3.6
SJHA 019 0.0-0.5	30.4	2.7	SJHA 040 0.0-0.5	25.4	4.5	SJHA 057 0.0-0.5	26.9	5.1
SJHA 019 0.5-1.0	32.4	2.1	SJHA 040 0.5-1.0	28.3	4.1	SJHA 058 0.0-0.5	26.9	4.7
SJHA 019 1.0-1.5	33.0	2.0	SJHA 041 0.0-0.5	0.6	12.5	SJHA 058 0.5-1.0	29.6	4.3
SJHA 020 0.0-0.5	0.4	21.8	SJHA 042 0.0-0.5	0.2	20.8	SJHA 058 1.0-1.5	29.4	4.7
SJHA 021 0.0-0.5	3.9	12.7	SJHA 043 0.0-0.5	0.4	10.8	SJHA 059 0.0-0.5	26.5	4.3
SJHA 022 0.0-0.5	5.4	14.0	SJHA 044 0.0-0.5	19.9	8.9	SJHA 059 0.5-1.0	28.3	4.4
SJHA 023 0.0-0.5	14.1	9.7	SJHA 044 0.5-1.0	21.0	8.8	Air core		
SJHA 024 0.0-0.5	3.2	17.0	SJHA 045 0.0-0.5	28.3	3.6	SJAC 052 0.0-1.0	29.4	2.9
SJHA 025 0.0-0.5	0.5	21.8	SJHA 045 0.5-1.0	30.3	2.9	SJAC 052 1.0-2.0	31.7	1.8
SJHA 026 0.0-0.5	0.5	13.7	SJHA 045 1.0-1.5	29.4	3.8	SJAC 052 2.0-3.0	29.4	1.9
SJHA 027 0.0-0.5	23.2	5.4	SJHA 045 1.5-2.0	25.8	5.8	SJAC 052 3.0-4.0	16.5	13.4
SJHA 027 0.5-1.0	23.5	4.6	SJHA 046 0.0-0.5	24.9	6.0	SJAC 052 4.0-5.0	5.2	24.4
SJHA 028 0.0-0.5	0.5	15.0	SJHA 046 0.5-1.0	25.4	6.2			
SJHA 029 0.0-0.5	12.7	14.4	SJHA 046 1.0-1.5	23.8	7.8			
SJHA 030 0.0-0.5	23.7	5.4	SJHA 047 0.0-0.5	17.8	10.2			
SJHA 030 0.5-1.0	23.9	4.6	SJHA 047 0.5-1.0	14.7	14.5			

APPENDIX A - Table 2 CAMP CREEK DRILL HOLE COLLARS			
Hole Number	Easting	Northing	Collar Elev
Zone 55K	GDA94 nE	GDA94 nN	m asl
SJHA 009	388604	8050003	58
SJHA 010	388597	8050197	70
SJHA 011	388605	8050401	75
SJHA 012	388400	8050199	72
SJHA 013	388401	8050399	73
SJHA 014	388402	8050602	78
SJHA 015	388998	8050813	62
SJHA 016	389205	8050591	62
SJHA 017	389201	8050425	71
SJHA 018	387411	8050601	85
SJHA 019	389401	8051200	68
SJHA 020	386201	8050233	122
SJHA 021	386199	8050408	102
SJHA 022	386612	8050600	74
SJHA 023	386802	8050600	75
SJHA 024	386993	8050779	61
SJHA 025	386801	8050799	72
SJHA 026	386601	8050791	79
SJHA 027	387001	8050400	85
SJHA 028	387000	8050200	78
SJHA 029	387001	8050599	77
SJHA 030	387201	8050601	83
SJHA 031	387201	8050400	85
SJHA 032	387200	8050200	78
SJHA 033	387401	8050401	85
SJHA 034	387402	8050200	78
SJHA 035	388002	8050200	75
SJHA 036	388206	8050200	74
SJHA 037	388199	8050399	75
SJHA 038	388001	8050402	81
SJHA 039	388201	8050598	80
SJHA 040	388996	8050392	75
SJHA 041	388000	8049996	72
SJHA 042	387990	8049797	68
SJHA 043	388201	8049799	53
SJHA 044	388200	8050002	73
SJHA 045	388798	8050401	75
SJHA 046	388802	8050200	73
SJHA 047	389000	8050200	67
SJHA 048	388800	8050003	62
SJHA 049	389001	8049999	55
SJHA 050	389203	8049999	56
SJHA 051	389400	8050591	65
SJHA 052	388401	8050800	72
SJHA 053	388000	8050801	75
SJHA 054	387801	8050800	68
SJHA 055	387401	8050800	81
SJHA 056	388815	8050894	68
SJHA 057	389132	8051023	63
SJHA 058	387802	8050428	83
SJHA 059	387599	8050418	85
SJAC 052	388713	8050515	73

Section 1: SAMPLING TECHNIQUES AND DATA	
Criteria	**Explanation**
Sampling techniques	Hand Auger drilling of vertical holes to a depth of 0.5 m to 2.0m, depending on the depth of the ground, was carried out to recover 0.5 m sample intervals downhole (holes SJHA 009 to 059) over the area of bauxite mineralisation known as Camp Creek (Area I). Holes were backfilled immediately after sampling. Material was collected in a drawstring calico bag. The entire drilled half metre sample was collected to assure an appropriate sample size. Each bagged sample was weighed at the laboratory on receipt and these weights varied between 1 to 2.5 kg. The hole was drilled to refusal depth which varied between 0.5 and 2.5m depth in the hard dry soils of that area. The samples from each hole, after testing with hand-held XRF, were sent to ALS Brisbane. In the ALS laboratory. samples were riffle split and 1000g pulverized to 85% < 75 micron then analysed for available alumina (according to process Al-LICP01) and reactive silica (Si-LIP01) using an ICP-AES instrument (Leach conditions – 1g leached in 10ml of 90gpl NaOH at 143 degrees for 30 minutes). Leach tests of selected samples at higher temperature showed no significant gain in available alumina with XRD analyses supporting these observations by showing the bauxite mineralogy to be predominantly gibbsitic (i.e. amenable to low temperature leaching) Analytical data are presented in Appendix A - Table 1, with collar coordinates presented in Appendix A - Table 2.
Drilling techniques	Auger drilling was carried out under close supervision to ensure a high standard of sample collection, (to avoid contamination from shallower intervals), using a Dormer 62mm diameter soil auger with a 600mm wide T-handle. Contamination was avoided by insuring that the hole was completely clean before each successive sample was taken such that the auger could be lowered smoothly and cleanly to the top of the next interval, and that the auger handle was not rotated outside of the sampling interval either during entry or exit from the hole. It is planned to compare a selection of auger hole results with those obtained by a different drilling methodology to ensure that no contamination downhole is occurring with deeper drillholes.
Drill Sample Recovery	Samples collected in calico bags labelled with hole number and depth interval. Representative samples collected in chip trays labelled by hole number and interval. Samples collected are noted in a field log book. The entire sample interval was

	collected and no loss of fines was noted.
Logging	Samples described geologically on site in a specifically designed logbook with the first sample from each hole sent for analysis (available alumina and reactive silica). The remainder of the hole to be submitted contingent on positive results in the 0.0-0.5m interval.
Sub-sampling techniques and sample preparation	Bagged samples were not subsampled. Samples were prepared by ALS in Brisbane to industry standards according to the techniques described above in sampling techniques. The material was soft and friable and of grain size fine. Cream white gibbsite nodules up to several cm were noted in certain areas
Quality of assay data and laboratory tests	Samples were weighed and analysed by ALS Minerals according to their industry standards. Results for Avail-alumina and Rx-silica presented to 0.01% accuracy. A QC certificate (BR14078034) was issued by ALS containing 2 standards, 2 blanks and 2 duplicate samples showing acceptable levels of accuracy (ie lack of bias) and precision have been established. The duplicate samples varied by up to 0.2% available Al_2O_3 and 0.2% Rx SiO_2
Verification of sampling and assaying	Sampling was carried out by independent laboratory ALS with standards and blanks. Assay results are presented as reported with no adjustment. Holes SJHA 038 and SJHA 055 were analysed in duplicate and the results presented in a QC certificate. Variation between the duplicates was 0.2% available alumina and 0.2% reactive silica.
Location of Data Points	Drill hole collars were located using hand-held GPS (accuracy 5 m) based on a pre planned 200m x 200m grid. Coordinates recorded in GDA94. Topographic control to +/- 5m provided by digital elevation model (DEM) supplied by Geoimage Pty Ltd, covering the 1:100,000 topographic sheets; Atherton 7963, Bartle Frere 8063, Ravenshoe 7962 and Tully 8062. Coordinates are stored in the GPS memory for later download and also hand recorded in the field geologist. Auger drill collar coordinates are presented in Appendix A - Table 2.

Data spacing and distribution	Camp Creek (Area I) within EPM18463 was drilled at a grid spacing of 200m x 200m over the majority of target geological unit (Atherton Basalt Terrain), inferred as a 10 Mt resource by the previous Aircore drilling program. Certain gaps in the data coverage that can be seen on Figure 2 resulted from physical inability to access the site or landowner access problems. This resulted in a spacing of up to 400m between certain drill holes. The deposit is a surficial deposit formed on flat-lying to gently undulating topography giving high confidence to interpolate geology and grade across these distances – suitable for estimation of indicated resources. Samples were collected at 0.5 m intervals downhole. Bauxite samples in each hole were averaged. Non-bauxites (i.e. those with >10% Rx SiO2 and <20% Av Al2O3) were not included in the average calculations. It is proposed to further test the assumption of the suitability of a 200m drill spacing with a test area of at least 200m by 200m with a cross of holes drilled at 25m spacing to detail the potential grade variability and thickness variability of bauxite on a local scale (i.e. shorter than the 200m spacing) – this will be crucial for testing the spacing at which data may be required to better define the DSO qualities and quantities for actual mining.
Orientation of data in relation to geological structure	The bauxite mineralisation at Camp Creek (Area I) is considered as a planar horizontal sheet of approximately 1 to 3 m thick located at surface (surficial deposit developed on weathered top of flow basalts of the Atherton Province). Shallow vertical drilling was carried out on a 200m x 200m grid over the deposit sampling the mineralisation at right angles to the planar sheet (i.e. yielding a true thickness). The first half metre sample 0.0-0.5m was analysed to determine the aerial extent of the mineralisation with the boundary clearly conforming with topography. The deeper samples were then analysed.
Sample security	Samples were shipped in sealed boxes by TNT road transport to ALS minerals in Brisbane. Samples and pulps securely stored by ALS for the duration of the project.
Audits or reviews	Calculations and conclusions drawn from analytical work carried out on the air core and hand auger drill samples have been audited and peer reviewed by Heath Sandercock of Sandercock and Associates as part of an independent technical study. Drill hole analytical data, hole spacing and grade continuity assumptions, and this JORC Code Table 1 have been reviewed by Mark Noppe of Xstract Group.

SECTION 2: REPORTING OF EXPLORATION RESULTS	
Criteria	**Explanation**
Mineral tenement and land tenure status	The Exploration Permit EPM 18463 is held by Volcan Queensland Bauxite Pty Ltd (80%) and South Johnstone Bauxite Pty Ltd (20%); both these companies are 100% owned by Queensland Bauxite Limited. The tenement is secure at the present time.
Exploration done by other parties	Exploration in the area was carried out by Carpentaria Exploration Company in the 1960s. Znebejanek (1961) reported results for total (acid soluble) alumina rather than for alkali leach and results for silica were not reported. Location of CEC drill holes are shown as yellow diamonds on Figure 1.
Geology	Bauxite mineralisation occurs at surface in a weathering profile that is known from the drilling to extend from surface to a depth of about 3m. It is found as a continuous blanket overlying flat-lying basalt flows of the Atherton Province within EPM 18463. The deposit formed by weathering of the basalt surfaces with resultant leaching of silica downwards and concentration of alumina towards the surface of the profile. In at least half of the Aircore holes drilled, a gradual decline in alumina and increase in silica with depth was noted in the first few metres indicating an in-situ weathering profile over basalt.
Drill Hole Information	Date, GDA94 Zone 55K collar coordinates, collar elevation, hole depth and bauxite thickness for the 51 auger holes and 1 air core hole drilled over the Camp Creek area (Area I) are presented in Table 3. Analytical data (Available Alumina and Reactive Silica analyses) for each of the 52 holes are presented in Table 2. No material data have been excluded.

Data aggregation methods	The results for Camp Creek (Area I) were plotted on DEM topography and, together with the elevation data, modelled and contoured according to the reactive silica in the sample (Figure 3.2). Of the 52 holes drilled, 28 holes contained bauxite (defined as <10% Rx SiO_2 and >20% Avail Al_2O_3). The 10% Rx SiO_2 contour and outer edge of bauxite mineralisation conforms with the edge of the remnant plateau at Camp Creek. This plateau (>1.5ma weathering surface as shown on Figure 2) varies in elevation by no more than 20m and corresponds with the 60, 70 and 80m asl contours. Within the <10% Rx SiO_2 boundary, holes with lower reactive silica values lie in well defined areas and are enclosed by a <5% Rx SiO_2 boundary. Seventeen of the holes (grouped into 12 polygonal blocks) are enclosed by the <5% Rx SiO_2 contour and these higher grade data were aggregated for the purposes of estimating a JORC Code Indicated Resource of suitable average grade and tonnage required by the Sandercock and Associates scoping study for mining startup. These resource areas are shown on Figures 3 & 5.
Relationship between mineralisation widths and intercept lengths	Bauxite mineralisation occurring as part of a surface weathering layer can be modelled as a thin horizontal tabular body. Vertical drill holes perforated this horizontal body at right angles, and therefore all down hole mineralisation intercept lengths are true thicknesses. The only hole penetrating the full thickness of the horizontal bauxite sheet is air core hole SJAC052. This hole indicates a thickness of at least 3m. This hole lies on the boundary of blocks 8 and 9
Diagrams	Figure 1 shows the location of EPM 18463, collar locations of CEC and QBL air core holes drilled, bauxite discoveries and exploration target area. Figure 2 shows bauxite mineralisation and reactive silica grade contours at Area I, Camp Creek. Figure 3 shows how the 5% contour has been divided into polygonal modelling blocks), in relation to topography and the collars of all drilling in and around this body.
Balanced reporting	All exploration data (ALS analytical results and their location and depth range, etc) are presented in the report – grade averages, number of samples used, and maximum variation from the mean are presented and explained.

Other substantive data	All exploration data collected at Camp Creek pertinent to the resource calculation (bauxite thickness and grade - available alumina and reactive silica - data) have been included here. Other mineralogical test work carried out on selected samples, includes high temperature leach testing, multi screen testing to determine suitability of bauxite to beneficiation, XRD analyses to determine bauxite mineralogy (predominantly gibbsitic), multi element XRF analyses to determine range of elemental oxides and their concentration present in the bauxite. The results of these tests have been previously reported to market, and are reported in the 2014 annual report for EPM 18463 to the Queensland Department and in the 2014 Scoping Study by Sandercock and Associates - Appendix A - Tables 3, 4 & 5.
Further work	Further drilling is required to define the true thickness of the bauxite body at Camp Creek which is currently inferred as 3 vertical metres based on hole SJAC052. Ground hardness has prevented any of the auger holes penetrating beyond 2 metres in this area to date. A motorised auger is now being investigated to achieve this. An auger drilling program on a grid of 200m x 200m will be conducted on the remainder of the bauxitic areas defined by the 2011 drilling. A shallow auger drilling program on a broader grid of 400 sq m within the 250 sq km Atherton Basalt target area is proposed (1600 points) to define further mineralisation within the remainder of EPM 18463. At present the entire area of the Atherton basalt remains prospective with a 48% success rate achieved (29 out of 60 holes in aircore drilling to date).

SECTION 3: ESTIMATION AND REPORTING OF MINERAL RESOURCES

Criteria	**Explanation**
Database integrity	Samples collected and labelled with permanent marker on drawstring calico bag. Samples bagged by hole and shipped to ALS in sealed boxes by TNT Road Transport. Samples stored on site at the ALS Brisbane facility for the duration of the project. Data also returned by ALS as non-editable PDF file and editable .csv file which can be cut and pasted to eliminate keying & transcription errors. Data is stored in a back up drive at the Company's office, and also with ALS as a backup.

Site visits	The field program is being conducted by local geologist Mr. Trevor Mitchell, supervising two field assistants operating the hand auger. The competent person, Dr Robert Coenraads, was present for the majority of the sampling program and has visited the project area six times in order to arrange landholder Standard Conduct and Compensation Agreements for property access and oversee the drilling project.
Geological interpretation	Confidence in the geological interpretation of the mineral deposit in Camp Creek (Area I) is high because of its simple geometry and topographic conformity (see Figure 3) - a flat-lying visible weathering horizon at surface. Drilling to date indicates there is little to no overburden. Drilling on a 200m x 200m grid provides confidence that the geology and mineralisation can be interporlated between boreholes containing bauxite across un-dissected terrain at the same general elevation with areas of high grade mineralisation clearly visible and extrapolated from the outer holes at least 200m beyond. Mineralisation at Camp Creek (Area I) was only previously inferred from hole SJAC052 with the topography/ geomorphology guiding the initial Inferred Resource estimation with topographic features such as plateaus, ridge tops etc , interpreted to be part of the original flat lava surface. Results from the auger drilling program at Camp Creek have shown the geological model to be accurate, giving higher confidence to the other resource areas inferred by the Company elsewhere in EPM18463. • Continuity of the mineral deposit is not assumed where the terrain has been dissected by younger drainages (i.e. around the plateau edges). Drilling at Camp Creek has also shown this assumption to be correct - i.e. that the surrounding bauxite has been eroded away beyond the current plateau edges.
Dimensions	The deposit at Camp Creek is a flat-lying body measuring 3km x 1 km (area of about 2km^2 with air core penetration of 6m in hole SJAC052, and between 0.5 and 1.5m in the 51 auger holes (SJHA009-SJHA059). Bauxite was encountered in the upper 3 metres of hole SJAC052 and in the 27 out of the 51 auger holes drilled (i.e. in 54% of the holes drilled).

Estimation and modelling techniques	• The model polygons chosen for this analysis are shown in Figure 3 with the outer boundary being the 5% Rx SiO_2 contour. The 5% Rx SiO_2 contour was divided into twelve polygons, each enclosing between 1 and 4 holes and excluding roads, houses and other infrastructure. These holes included in the easternmost 10 polygons were used to create an average grade of 29.7% Av Al_2O_3 and 3.2% Rx SiO_2 and average thickness of 1.4 m for the model area shown in Figure 3. The drilled shallower portion of bauxite mineralisation at Camp Creek (i.e. that portion intersected by air core and auger drilling within the 5% reactive silica grade contour - and only that in blocks 3 to 12) was chosen for upgrade to JORC Code Indicated Resource in the current modelling exercise. Blocks 1 to 2 were not included at the present time as they would lower the average grade of the bauxite from grade 29.7% Av Al_2O_3 3.2% Rx SiO_2 to 29.0% Av Al_2O_3 3.4% Rx SiO_2) nor was the lower grade bauxite lying inside the 10% reactive silica contour but outside of the 5% contour included as this would further lower the average to grade 27.0% Av Al_2O_3 4.7% Rx SiO_2. This remainder of the bauxite body will not be upgraded until mechanised drilling allows proper exploration of the deeper parts of the mineralisation. Continuity of the bauxite mineralisation (Rx SiO_2<10%) was confidently assumed to the edge of that topographic feature with the higher grade contour (Rx SiO_2<5%) lying inside and constrained by the drilling results. The Rx SiO_2 5% contour was extrapolated using a 200m range of influence (or shape of similar area) around <5% RxSiO_2 grade boreholes and only where not constrained to a lesser distance by the geologic model. Geostatistical analyses of the exploration data prepared by Mark Noppe of Xstract Group show that the 200 m spacing of samples is sufficient to support the assumption of geological and grade continuity between the sample points, particularly for Available Alumina and, although less certain, probably also Reactive Silica. • Volume calculations were made using the surface area defined by the 5% reactive SiO_2 bauxite grade contour as indicated by the drilling and topographic constraints multiplied by the average bauxite thickness of 1.4m calculated for the modelled area. It is known that that the true average thickness must lie somewhere in between 3m (SJAC052, the deepest hole) and 1 to 1.5m (the thickness encountered routinely in the unbottomed holes. For modelling the Indicated Resource, those holes that end in bauxite and are less than the average bauxite thickness of 1.4 m in depth have been extrapolated down to the average bauxite depth. In other areas, the depth of the deepest bauxite intercept has been applied to estimate the thickness of bauxite within each 200m range of influence. Selective units were not modelled. Assumptions were made about mineralisation and grade continuity between holes spaced at 200m and these assumptions considered justifiable because of the similarity of grade values between holes within different parts of the

	mineralized area as shown by the variograms.The edges of the mineralization were controlled by the geologic model (landform model). Polygon volumes were converted to resource tonnages using a dry bulk density value of 1.43 dry tonnes per cubic metre . This figure is an average of three bulk density tests carried out in different areas across the surface at Camp Creek (Previously it was assumed that the bulk density of the bauxite had an approximate value of 1.8, lying within a reasonable bauxite density range of 1.6-1.9. However following field testing the dry bulk density, these assumptions proved to be too high, with the true dry bulk density being more akin to that of soil). Modelling resulted in a JORC Code Indicated Resource of 1.9Mt of average grade of 29.7% Av Al2O3 3.2% Rx SiO2 as shown in Table 2 Calculations were checked manually.
Moisture	Preliminary estimates of the “free” or surficial moisture were obtained as part of the oven drying process. These samples were collected from the ground surface during an extremely dry weather period and were weighed before and after oven drying at 110 degrees C for 3 hours. It is clear that these “surface moisture” or “air dried moisture” values calculated at the ground surface will vary with the weather. Loss On Ignition (LOI or water of crystallisation and volatiles lost at high temperatures - ramped up to 1000 degrees C over a period of 2 hours). Values of between 18.8 and 23.2% were reurned from 10 XRF analyses conducted by ALS (including from the 3 one-metre samples of bauxite from hole SJAC 052 which returned 21.71% (0-1m), 23.23% (1-2m) and 23.04% (2-3).)

Cut-off parameters	A cut-off grade of <20% avail Al2O3 & >10% reactive SiO2) was used to define the edges of bauxite mineralisation. For the purposes of this modelling exercise, a cut-off grade of Rx SiO2 <5% was used to draw a contour and define an area/volume and tonnage of average grade similar to that used in the scoping study prepared by Sandercock and Associates Pty Ltd, satisfying assumptions that the bauxite will be marketable under current economic circumstances, and therefore suitable for initial mining. The remainder of the bauxite at Camp Creek was not included in the modelling exercise. This cutoff grade gives a surface area of 0.82 km2 (excluding sealed and infrastructure calculated to be more valuable than the bauxite itself), and the purposes of volume and tonnage calculations. The model polygons chosen for this analysis and shown on Figures 3 and 5 with the outer boundary being the 5% rx SiO2 contour which encloses all 17 holes with intervals of bauxite with reactive silica lower than 5%. Twelve polygons were drawn, each enclosing between 1 and 4 holes, and these holes were used to create an average grade and minimum thickness for each polygon. The results of this analysis give a total of 2.2 Mt for an average thickness of 1.64m and average grade of 29.0% Av Al2O3 and 3.4% Rx SiO2 and are shown in Table 2. This is a conservative estimate of thickness as the tenement average based on all of the bauxite discoveries in 30 out of the 60 air core holes drilled was 1.8m. By subtracting various polygons from the model, different tonnage and grade scenarios could be achieved. For the JORC Code Indicated Resource calculation it was decided to include only 10 of the 12 blocks (blocks 3 to 12 on Figure 3) yielding 1.93 Mt of grade 29.7% AvAl2O3 and 3.2% Rx SiO2 (blocks 4 to 12) This cutoff grade and careful selection of modelling block allows an average which meets the requirements of the bauxite modelled in the scoping study by Sandercock and Associates Pty Ltd.
Mining factors or assumptions	Mining factors and assumptions are discussed in the independent scoping study prepared for the Company by Sandercock and Associates Pty Ltd. Mining at South Johnstone will be via simple open cut quarrying operations – top soil stripping ahead of a progressing mining face with progressive rehabilitation and return to agricultural use behind, according to parameters and costs discussed in the study. Ore will be trucked the short distance to Mourilyan Harbour as a direct shipping ore (DSO) product. The Sandercock report shows the mining operation to be viable based on these assumptions. For the purposes of this modelling exercise, it is assumed that bauxite below existing infrastructure, principally houses and sealed roads, will not be mined. It is also assumed that a surface layer of topsoil and organic matter of approximately 20cm thick will be stripped and stockpiled for rehabilitation purposes prior to

	bauxite mining.
Metallurgical factors or assumptions	Available alumina and reactive silica results are obtained from low temperature alkali leach techniques used by ALS laboratories to simulate conditions found in a bauxite refinery.No further benefits are expected to be achieved via metallurgical treatment, such as magnetic separation, screening of fines and the bauxite is most likely to be mined and shipped without further treatment. High temperature leach trials and XRD work on selected samples, as reported previously, indicate the bauxite to be predominantly gibbsitic.The Sandercock and Associates scoping study shows the mining operation to be viable based on these metallurgical factors assumptions.
Environmental factors or assumptions	No detailed environmental studies have been conducted at present, although the Company is currently engaging an environmental consultancy group to begin work in preparation for mining lease application. The land at Camp Creek is currently being used for large and small acreage agricultural activities (principally sugar cane and bananas) and cattle grazing. It is being assumed that a mining licence would be granted by government for an open cut extraction operation. Areas of forest, buffer zones around creeks, road verges and other infrastructure have been excluded from the resource calculation. Discussions with landowners have taken place concerning access of their land for mining purposes and it is being assumed that no unforeseen environmental difficulties, landholder, or other issues would impact on the mining and processing operation.
Bulk density	A dry bulk density value of 1.43 dry tonnes per cubic metre was used for the resource calculations. This figure is an average of three bulk density tests carried out in different areas across the surface at Camp Creek as shown in Table 5. Measurements were made on level areas of hard, compact, unvegetated and undisturbed surface with sample weights approaching 5kg each used to minimise measurement error. Samples were taken with a small spade, weighed on a set of scales with 50 g divisions and bagged. The neat hole was lined with a thin plastic bag and filled to the top with water poured in from a measuring bottle with 10ml divisions. Two of the samples were reweighed following being dried in an oven at 110 degrees C for three hours. It is proposed to test the bulk density through the entire bauxite profile at a later stage.

Classification	The JORC Code classification is based on a coverage of holes on a 200m x 200m grid over most of Camp Creek (51 auger holes and 1 aircore hole drilled into a sound geological model with bauxite recovered in most of those) plus an excellent understanding of the Modifying Factors of the Mineral Resource, based on the scoping study prepared by Sandercock and Associates Pty Ltd, that will come into play in planning for a simple open pit quarrying and DSO operation (mining, metallurgical, infrastructure, economic, marketing, legal, environment, social and government). Based on this understanding, a select portion of the bauxite mineralisation at Camp Creek (1.9Mt at 29.7% Av Al2O3 3.2% Rx SiO2) has been classified as a JORC Code Indicated Resource, the middle JORC Code category of confidence.
Audits or reviews	The mineral resource estimates and modifying factors have been audited and reviewed in an independent scoping study prepared by Sandercock and Associates Pty Ltd. Variograms of the drilling data from Camp Creek were prepared by Mark Noppe of Xstract Group who also provided advice and reviewed the modelling discussion and assumptions in JORC Code Table 1.
Discussion of relative accuracy/confidence	A range of influence of 200m has been applied between holes based on the interpreted geological and grade continuity and correlation between holes, together with the support of the grade continuity at these distances from preliminary geostatistical analysis. Confidence in these estimates and the accuracy of the geologic model has enabled a JORC Code Indicated Resource estimate of 1.9Mt of bauxite grade 29.7 Av Al2O3 3.2% Rx SiO2. Confidence in the JORC Code Indicated Resource is high because it is based on results from only the upper portion of the bauxite mineralisation in the 17 holes used. It is therefore likely that further work will allow the resource to be indicated to a greater depth with further exploration. The relative accuracy and confidence of the estimate is based on drill holes and landform which involves interpolation and extrapolation (200m range of influence in most cases, or distorted ellipse of approximately same area), although this range is supported by geostatistical analyses of the data.

GOLD PROJECTS

The Company currently has one remaining gold project in Australia, comprising a gold exploration project in Western Australia - the Pilbara Gold Project in the south-west Pilbara.

Pilbara Gold Project

The Pilbara Gold Project comprises Exploration Licence E47/1153 which covers the northern half of the Rocklea Dome and encompasses an area of approximately 200km2.

No work has been done on this project over the half-year. As a result, we have impaired this asset (refer to Note 6 of the financial statements).

Auditor's independence declaration

The lead auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 41 and forms part of the directors' report for the half-year ended 31 December 2014.

Signed in accordance with a resolution of the Board of Directors:

Pnina Feldman

Chairperson

Sydney

16 March 2015

Consents

The information in this report that relates to Exploration Results, Exploration Targets, Mineral Resources or Ore Reserves is based on information compiled by Dr Robert Coenraads (BA Hons, MSc, PhD). Dr Coenraads is a fellow of the Australasian Institute of Mining and Metallurgy.

Dr Coenraads is employed by Australian Gemstone Mining Pty Ltd which contracts services to QBL.

Dr Coenraads has sufficient experience which is relevant to the style of mineralization 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 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources or Ore Reserves".

Dr Coenraads consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

the next solution

The Board of Directors
Queensland Bauxite Limited
67 Penkivil Street
BONDI NSW 2026

To the Board of Directors of Queensland Bauxite Limited

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*

As lead audit partner for the review of the financial statements of Queensland Bauxite Limited for the half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Nexia Court & Co
Chartered Accountants

Joseph Santangelo
Partner

Date: 16 March 2015
Sydney

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Condensed consolidated statement of profit or loss and other comprehensive income

for the half-year ended 31 December 2014

Continuing Operations	Consolidated Entity 31 Dec 2014 $	 31 Dec 2013 $
Interest received	81,183	84,733
General and administrative expenses	(45,776)	(89,925)
Depreciation	(3,225)	(6,528)
Management services	(107,992)	(185,516)
Directors fees	(143,000)	(116,000)
Legal expenses	(18,409)	(81,560)
Finance costs	-	(168,042)
Occupancy expenses	(30,000)	(30,000)
Exploration written off (Note 5)	(60,790)	(201,020)
Other expenses	(5,430)	(40,754)
Travelling expenses	(22,956)	(115,242)
Exchange loss realised	(26,510)	-
Impairment of receivable	5,773	(25,000)
Impairment of exploration assets (Note 5)	(672,140)	(89,890)
Share based payments expense (Note 6)	(450,391)	(195,000)
Loss before income tax	(1,499,663)	(1,259,744)
Income tax expense	-	-
Loss after tax from continuing operations	(1,499,663)	(1,259,744)
Other comprehensive income, net of tax	-	-
Total comprehensive income	(1,499,663)	(1,259,744)
Loss attributable to members of Queensland Bauxite Limited	(1,499,663)	(1,259,744)
Total comprehensive income attributable to members of Queensland Bauxite Limited	(1,499,663)	(1,259,744)
Basic earnings per share (cents per share)	(0.32)	(0.44)
Basic earnings per share from continuing operations (cents per share)	(0.32)	(0.44)
Diluted earnings per share (cents per share)	(0.32)	(0.44)
Diluted earnings per share from continuing operations (cents per share)	(0.32)	(0.44)

The accompanying notes form part of these financial statements.

Condensed consolidated statement of financial position

as at 31 December 2014

	Consolidated Entity	
	31 Dec 2014 $	30 June 2014 $
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	4,344,778	4,110,629
Trade and other receivables	42,365	65,346
Prepayments	74,356	-
TOTAL CURRENT ASSETS	4,461,499	4,175,975
NON-CURRENT ASSETS		
Other financial assets	1,292	1,292
Exploration and evaluation (Note 6)	1,796,780	835,794
Property, plant and equipment	15,712	25,050
TOTAL NON-CURRENT ASSETS	1,813,784	862,136
TOTAL ASSETS	6,275,283	5,038,111
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	281,394	295,195
Other financial liabilities	304,804	69,506
TOTAL CURRENT LIABILITIES	586,198	364,701
NON-CURRENT LIABILITIES		
Other financial liabilities	-	-
TOTAL NON-CURRENT LIABILITIES	-	-
TOTAL LIABILITIES	586,198	364,701
NET ASSETS	5,689,085	4,673,410
EQUITY		
Issued capital (Note 7)	17,169,085	15,549,138
Share based payments reserve	3,700,041	2,816,550
Accumulated losses	(15,180,041)	(13,692,278)
TOTAL EQUITY	5,689,085	4,673,410

The accompanying notes form part of these financial statements.

Condensed consolidated statement of changes in equity

for the half-year ended 31 December 2014

	Consolidated Entity			
	Issued Capital $	Accumulated Losses $	Share Based Payments Reserve $	Total Equity $
Balance at 1 July 2013	13,559,013	(11,572,652)	2,409,750	4,396,111
Loss for the half-year attributable to members of consolidated entity	-	(1,259,744)	-	(1,259,744)
Share and option based payments	-	-	601,800	601,800
Balance at 31 December 2013	13,559,013	(12,832,396)	3,011,550	3,738,167
Balance at 1 July 2014	15,549,138	(13,692,278)	2,816,550	4,673,410
Loss for the half-year attributable to members of consolidated entity	-	(1,499,663)	-	(1,499,663)
Transfer form share based payment reserve to accumulated losses	-	11,900	(11,900)	-
Share and option based payments	-	-	450,391	450,391
Shares issued during the half year	569,947	-	-	569,947
Shares and options issued during the half year for the acquisition of exploration and evaluation assets	1,050,000	-	445,000	1,495,000
Balance at 31 December 2014	17,169,085	(15,180,041)	3,700,041	5,689,085

The accompanying notes form part of these financial statements.

Condensed consolidated statement of cash flows

for the half-year ended 31 December 2014

	Consolidated Entity	
	31 Dec 2014 $	31 Dec 2013 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(508,208)	(613,977)
Interest received	81,183	84,733
Interest paid	-	(70,818)
Net cash outflow from operating activities	(427,025)	(600,062)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from security deposits	20,000	-
Payment for exploration assets	(138,126)	(16,002)
Net cash outflow from investing activities	(118,126)	(16,002)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan provided to Regius Coal Mining Limited	-	(495,624)
Proceeds from share issue	170,000	-
Proceeds from issue of convertible notes/bonds	609,300	200,000
Net cash inflow/(outflow) from financing activities	779,300	(295,624)
Net increase/(decrease) in cash held	234,149	(911,688)
Cash and cash equivalents at the beginning of the half - year	4,110,629	5,203,483
Cash and cash equivalents at the end of the half – year	4,344,778	4,291,795

The accompanying notes form part of these financial statements.

Notes to the consolidated financial statements for the half-year ended 31 December 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report for the interim half year reporting period ended 31 December 2014 has been prepared in accordance with applicable Accounting Standards including Accounting Standard AASB 134 *Interim Financial Reporting,* Accounting Interpretations and other authorative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by Queensland Bauxite Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The Group has adopted all of the new and revised Accounting Standards and Accounting Interpretations issued by the AASB that are relevant to their operations and effective for the current half-year.

NOTE 2: USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The only area involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, is in relation to share and option based payments and convertible notes/bonds.

NOTE 3: SEGMENT INFORMATION

The Group has applied AASB 8 *Operating Segments* from 1 July 2010. AASB 8 requires a management approach under which segment information is presented on the same bases as that used for internal reporting purposes. The QBL Group consists of one business segment operating predominately in Australia relating to the exploration of mining tenements. It is in this manner that internal reporting is provided to the chief operating decision maker of the QBL Group, being the Board of Queensland Bauxite Limited.

NOTE 4: LOSS FOR THE HALF-YEAR

The consolidated loss for the half- year ended 31 December 2014 was ($1,499,663) (2013: loss ($1,259,744)

NOTE 5: SHARE BASED PAYMENTS EXPENSE

The share based payments expense for the half-year ended 31 December 2014 relates to the following share issues:

	Half-Year Ended 31.12.2014 $	Half-year ended 31.12.2013 $
Shares issued in lieu of directors fees to Meyer Gutnick	110,000	-
Shares issued in lieu of directors fees to Paul Stephenson	-	27,000
Shares issued to employees of related entity Australian Gemstone Mining Pty Ltd	42,000	-
Shares issued to consultants	274,300	168,000
Shares issued in respect to finance costs relating to the issue of convertible notes	24,091	-
	450,391	195,000

NOTE 6: IMPAIRMENT OF EXPLORATION ASSET

At the end of each reporting period, the Group is required to assess whether there is any indication that an asset may be impaired. In assessing the Group's assets, the Board has reviewed the value of the entity's Pilbara Gold Project and considers that in the current market conditions, there has been a decrease in its fair value. To ensure that this asset is not carried at more than its current recoverable amount, it has been decided to impair the exploration asset.

	31 December 2014 $	30 June 2014 $
NON-CURRENT		
Balance as at beginning of the period	835,794	888,023
Mining permits, tenement acquisition and administration and geologist expenses	1,633,126	37,661
Impairment of exploration assets – Pilbara Gold Project	(672,140)	(89,890)
Balance as at reporting date	1,796,780	835,794
Exploration expenses written off during the period	(60,790)	(201,020)

NOTE 7: ISSUED CAPITAL

	31.12.2014 No.	31.12.2014 $.	30.06.2014 No.	30.06,2014 $.
Ordinary shares				
At the beginning of reporting period	403,104,263	15,549,138	271,363,192	13,559,013
Share based payments	20,017,070	-	31,000,000	-
Conversion of convertible bonds/notes into	24,418,048	399,947	100,741,071	1,990,125

ordinary shares				
Placement shares	16,000,000	170,000	-	-
Shares issued for acquisition of exploration asset	37,500,000	1,050,000	-	-
At reporting date	501,039,381	17,169,085	403,104,263	15,549,138

NOTE 8: RELATED PARTY TRANSACTIONS

Identity of related parties
The Group has related party relationships with its subsidiaries, its key management personnel and companies related due to common directorships, Pnina Feldman and Sholom Feldman being Directors of both Queensland Bauxite Limited and the direct related companies.

Related party transactions with Australian Gemstone Mining Pty Limited.
The Company and Australian Gemstone Mining Pty Limited (**AGMPL**) are parties to a management services agreement (**Management Services Agreement**) dated 1 July 2007, for the provision by AGMPL of executive and corporate services, including geological and technical expertise, to the Group by the following executives:

- Pnina Feldman – Executive Director, Business Development;
- Dr Robert Coenraads – Head Geologist, Exploration and Mining; and
- Sholom Feldman – Chief Executive Officer and Company Secretary.

In respect of each of these executives (**Key Management Personnel**), AGMPL was paid a retainer for the half-year ended 31 December 2014. The Company was also reimbursed for all reasonable expenses incurred by or on behalf of the Key Persons.

AGMPL is a company owned and controlled by Pnina Feldman.

Each of Pnina Feldman, Dr Robert Coenraads and Sholom Feldman has entered into an executive services agreement with AGMPL. Each of these executive services agreements contains standard provisions dealing with employment obligations and standard covenants dealing with general duties and the protection of AGMPL's interests and mirrors the Management Services Agreement in respect of termination provisions.

AGMPL also provided suitable fully serviced offices to the Group at its Sydney offices at 67 Penkivil Street, Bondi, which includes use of office space, kitchen, daily cleaning, and essential office infrastructure, including telephones, fax, printer, broadband internet connections and suitable office furniture.

AGMPL also provided additional administrative services to the Group, such as secretarial, accounting and office management services. These services were provided to the Group by AGMPL on reasonable arm's length terms as approved by the independent director(s).

	Half-year ended 31.12.2014 $	**Half-year ended 31.12.2013 $**
Consulting services	90,000	53,208
Rent	30,000	30,000
Management and secretarial	54,000	36,000
Exploration and geological	9,427	6,116
Executive and corporate services	108,000	108,000
Reimbursement of expenses	3,481	8,351
TOTAL	294,908	241,675

Other transactions with related parties

The Company accrued directors' fees of $35,000 (2013: $NIL) for the non-executive director, Meyer Gutnick, during the half-year ended 31 December 2014.

The Company paid directors' fees of $NIL (2013: $NIL) to the non-executive director, David Austin, during the half-year ended 31 December 2014.

NOTE 9: RELATED PARTY TRANSACTIONS

Loans advanced to director related companies	**31.12.2014**	**30.06.2014**
	$	**$**
Volcan Australia Corporation Pty Ltd	1,200,000	1,200,000
Impairment recognised as at 31 December 2014	(1,200,000)	(1,200,000)
Due for repayment on 14 December 2012*		
Volcan Australia Corporation Pty Ltd	64,759	70,532
Impairment recognised as at 31 December 2014	(64,759)	(70,532)
No due date for repayment.		
Australian Iron Ore Pty Ltd	1,292	1,292
No due date for repayment.		

The above loans are unsecured and interest free.

*The loan to Volcan Australia Corporation Pty Ltd is the amount that was to be paid in consideration for the purchase by Volcan Australia Corporation Pty Ltd (VAC) of ML1492 from the Company pursuant to the transactions completed on 14 December 2010 as approved at the time by shareholders at an EGM. This amount is unsecured, due for payment in cash on 14 December 2012, and there is no interest payable on the amount due. The Directors have agreed that it is in QBL's interest to allow VAC further time to secure the funds to make the payment. As the timing of this payment is at present uncertain, it is considered prudent for this amount to be impaired in the financial statements until the payment is able to be made.

NOTE 10: FINANCIAL INSTRUMENTS

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	31.12.2014 Total Carrying Amount $	31.12.2014 Net Fair Value $	30.06.2014 Total Carrying Amount $	30.06.2014 Net Fair Value $
Financial assets				
Trade and other receivables	42,365	42,365	65,346	65,346
Other financial assets	1,292	1,292	1,292	1,292
Financial liabilities				
Trade and other payables	281,394	281,394	295,195	295,195
Other financial liabilities	304,804	304,804	69,506	69,506

NOTE 11: COMMITMENTS FOR EXPENDITURE

	31 December 2014 $	30 June 2014 $
Exploration and evaluation		
- not later than 1 year	385,000	198,000
- later than 1 year but no later than 5 years	374,000	-
	759,000	198,000

NOTE 12: EVENTS SUBSEQUENT TO BALANCE DATE

Since 31 December 2014, Queensland Bauxite Limited ("QBL") lodged a Prospectus dated 11 February 2015, with ASIC and ASX, for the non-renounceable entitlement issue of one ordinary share for every four shares held by those Shareholders registered at the Record Date (being 11 February 2015), at an issue price of $0.14 per ordinary share to raise up to $1,782,167 (based on the number of ordinary shares on issue as at the date of the 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 ordinary shares subscribed for and issued.

The Company has received by the closing date applications under the rights issue offer for 62,099,719 shares. These shares under the rights issue have not yet been issued and are to be issued on Tuesday 17 March 2015 in accordance with the ASX timetable. The Company has also received applications from shareholders for the remaining shortfall which will be dealt with in accordance with the terms of the offer as set out in the Prospectus.

On 4 March 2015, QBL accepted an investment of $910,000 AUD via a placement of 65,000,000 ordinary shares issued at $0.014 per share and a further 5 million options exerciseable at $0.03 per share expiring 28 February 2018 to China Bauxite Trading & Investments Company ("CBTIC").

On 5 February 2015, QBL signed a Heads of Agreement with Far North Queensland Ports Corporation Limited (Ports North) for Mourilyan Port. Mourilyan Port is located within 16 to 25 Kms by road from the South Johnstone Project. The Agreement confirmed the port capacity available to be for a minimum of 800,000 tonnes of product per annum.

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and accompanying notes set out on pages 42 to 51 are in accordance with the *Corporations Act 2001*, and:

  (i) comply with Accounting Standards and the *Corporations Regulations 2001*; and

  (ii) give a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year ended on that date;

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors:

Pnina Feldman
Chairperson

Sydney
16 March 2015

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INDEPENDENT AUDITORS' REVIEW REPORT
TO THE MEMBERS OF QUEENSLAND BAUXITE LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Queensland Bauxite Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2014, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors declaration of the Company and the consolidated entity (the Group), comprising the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Queensland Bauxite Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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INDEPENDENT AUDITORS' REVIEW REPORT
TO MEMBERS OF QUEENSLAND BAUXITE LIMITED
(CONTINUED)

Opinion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Queensland Bauxite Limited is not in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

b complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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Nexia Court & Co
Chartered Accountants

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Joseph Santangelo
Partner

Date: 16 March 2015
Sydney