

31st October 2016

## SEPTEMBER 2016 QUARTERLY REPORT

### HIGHLIGHTS

- **Finalising the Requested Details of the amended Work Programme with the Department to Secure the Minerals Development Licence (MDL) for the South Johnstone bauxite Project**
- **Granting of MDL should enable immediate shipping from South Johnstone Bauxite project to effectively prove the long-term economic and operational feasibility of the project**
- **South Johnstone project of the lowest cost bauxite projects in projected production costs, thereby giving confidence in the long term viability of the project**
- **South Johnstone project remains main focus for short term production**
- **New Projects Being Actively Evaluated and Considered by the Board for Acquisition**
- **Rights Issue Successfully Completed**

During the September quarter 2016, Queensland Bauxite Limited (ASX: QBL, or the "Company") continued to press to progress the development of its flagship South Johnstone DSO bauxite project in northern Queensland.

A number of corporate and operational milestones were achieved during this period, with the Company aiming to generate positive net cash flows in the short term through the commencement of DSO bauxite production and shipping.

In addition, the Company and its team have been actively evaluating and assessing a number of additional opportunities that the Board believes may greatly enhance the Company's market value.

### Operational Overview

The Queensland Department of Natural Resources and Mines (DNRM) has notified the Company that they have concluded their technical review of the Minerals Development Licence (MDL) application for the South Johnstone Bauxite project in Northern Queensland. The DNRM have notified the Company that its technical assessment has formed a view that it would be appropriate for a MDL to be granted to the Company to enable the Company to conduct trial operations and export, with the express purpose of definitively finalising the feasibility assessment of the larger South Johnstone project. The Department during the quarter asked for a number of amendments to be made to

the Work Plan, and the Company and its consultants are currently finalising those requested amendments. It is anticipated that the work should be finalised during November.

Granting of the MDL will enable the Company to begin initial trial production of bauxite to the customer refinery, which should consequently prove the long-term economic and operational feasibility of the entire project. The technical view of the Department is that full feasibility should be able to be confirmed with trial production of up to approximately 50,000 tonnes of bauxite. Putting this into perspective, Australian Bauxite Limited (ASX:ABX) has recently completed its maiden shipment of 5,000 tonnes of bauxite out of its bauxite project in Tasmania. It is open to the Company to make submissions to the Department for further shipments under the MDL should the Company believe it to be required for the formal feasibility.

Once the project feasibility has been confirmed under the MDL, any further production will require a full Mining Lease to be granted. The Company is currently preparing the ML application, and it is the Company's understanding that due to the extensive technical and environmental work already completed and in place with the MDL, that a full ML grant should not take much longer to achieve.

The work under the MDL will also give the local farmers and community an ability to see first hand the results of the production and rehabilitation of the area to be mined. The successful trial production should ensure the local support for the granting of the intended full Mining Leases for long term production. The Mining Lease applications will be progressed in parallel with the work to be undertaken under the MDL to ensure as smooth a transition as possible, and to ensure the Company is in a position to profitably mine as soon as possible after operations are proven successful under the now expected MDL.

The granting of the MDL is also subject to an appropriate security being provided by the Company to the DNRM as required under sections 190 and 277 of the Mineral Resources Act 1989. The amount of the security to be provided has not yet been determined. Prior to the formal grant the Company has to provide a further specific work programme to the Department on the exact area within the larger identified resource area the Company intends to begin its initial trial production.

The conducting of work under the MDL is subject to the Company finalising the approval from the Department of Environment and Heritage Protection (DEHP) to operate under an Environmental Authority License (EA). The EA application has been made at the same time as the MDL application, however the finalising of the EA with the DEHP could only take place once the parameters of the grant of the MDL by the DNRM were detailed to the Company so the Company could finalise the work programme accordingly. The Company is now working with its environmental consultants and with the DEHP to finalise the EA.

The bauxite mineralisation at South Johnstone being close to surface and right off the main highway adjacent to port, close to the Asian markets, means that the Company's capital and operational costs are estimated to be of the lowest cost producers in the world. As previously reported in the Company's released scoping study, capital expenditure is expected to be only approximately \$5 million, and operating expenditure

is expected to be only AUD\$20.87 per tonne FOB Mourilyan Harbour. For the full summary of the scoping study please see the announcement released by the Company on 29 December 2014 which can be accessed using the following link:

<http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=01588588>

The operational results from the working of the MDL will be a key part of the overall strategy to develop an export operation in a staged development of South Johnstone that allows for long term mining and export on a prospect by prospect basis at low cost within the entire project area.

This anticipated MDL grant will help the Company to determine its ability to enter into the large international bauxite market in the short term, apply for larger ML's throughout the project area, and to generate positive net cash flows in the near term.

The Company has ensured that it has consulted and thoroughly briefed relevant federal and state members of parliament on all aspects of the project, including federal MP the Hon Bob Katter. The South Johnstone Bauxite project is located in Mr Katter's electorate of Kennedy.

QBL is encouraged by the positive feedback it has received from government stakeholders, particularly in regard to the future economic benefits that the project will deliver to the region and to the state of Queensland.

The Directors look forward to updating shareholders on our progress with the MDL and intended ML applications, and on all further developments at the South Johnstone Bauxite project. The Directors have every confidence in the project's future.

### **Corporate**

The Company is continuing to progress South Johnstone and is currently preparing for work under the expected MDL to progress the short term development of the project, while evaluating strategic opportunities where they are considered to provide additional value to the Company and its shareholders.

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

The Company has targeted potential long-life bauxite operations that it believes will add value and be attractive to major international bauxite partners. QBL continues to build on its strong position ahead of predicted rises in bauxite prices.

The Company is also currently evaluating the further expansion of its portfolio through the acquisition of further projects that the directors believe will add significant market value to the Company.

On 21 July 2016, the Company lodged a prospectus with ASIC pursuant to which the Company proposed to undertake a non-renounceable entitlement issue of one (1)

Share for every two (2) shares held by those shareholders registered at the record date at an issue price of \$0.007 per share to raise up to \$3,052,095, together with one free attaching option with an exercise price of \$0.012 and an expiry date of 31 July 2017 for every two shares subscribed for and issued (Offer).

The closing date of the Offer was 5.00 pm (EST) on 17 August 2016.

The Board of QBL was extremely pleased that on the closing date the Company had received applications under the rights issue from eligible shareholders for 156,090,577 shares. Upon close of the rights issue 279,923,122 shares became available for subscription under the shortfall offer. Many shareholders applied for significant oversubscriptions as part of the shortfall, and on the same date the company placed 174,879,556 shortfall shares available exclusively to shareholders who subscribed for the shortfall.

The amount raised totals \$2,316,790.

The shares were issued to all the applying shareholders on Wednesday 24th August.

The Board are very pleased with the level of support and confidence that the Company's shareholders have shown in the Company and its projects. The Board are confident that the Company and its management will be able to repay that confidence to its shareholders in what should be a very rewarding period for the company.

The unexpected continued low share price of the Company leaves significant upside for shareholders for increased value, and the directors are mindful that the market may react favourably to new value adding opportunities and therefore are currently looking to expand the Company's portfolio of projects to include further projects that the directors believe will add significant market value to the Company.

The successful Rights Issue assists in ensuring adequate funding for the South Johnstone project development, and gives the Company the flexibility to be able to take advantage of new project opportunities;

QBL's cash position as at 30th September 2016 was \$7.03 million. This is against a current market capitalisation for QBL of just over \$7.2 million.

As at 30 June 2016, the Company held the following tenements:

Project Name			Interest Held %
<b>Eastern Australia Bauxite Projects</b>			
South Johnstone QLD	EPM18463	Granted	100%
Nullamana NSW	EL7301	Granted	81%

For further information please visit the company's website at [www.queenslandbauxite.com.au](http://www.queenslandbauxite.com.au) or contact:

Sholom Feldman  
Executive Director/Company Secretary

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[www.twitter.com/QLDBauxite](https://www.twitter.com/QLDBauxite)

#### **About Queensland Bauxite**

Queensland Bauxite Ltd is an Australian listed company focused on the exploration and development of its bauxite tenements in Queensland and New South Wales. The Company's lead project is the South Johnstone Bauxite Deposit in northern Queensland which has rail running through the project area and is approximately 15-24 kilometres from the nearest deep water port. The Company intends to become a bauxite producer with a focus on commencing production at South Johnstone as early as possible.

#### **Competent Person Statement**

*The information in this announcement that relates to exploration results, Exploration Targets or Mineral Resources is based on, and fairly represents, information compiled by Dr Robert Coenraads. Dr Robert Coenraads is a Fellow of the Australasian Institute of Mining and Metallurgy. Dr Coenraads contracts services to Queensland Bauxite Limited. Dr Coenraads has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the JORC Code. Dr Coenraads has given his consent to the inclusion in the announcement of the matters based on this information in the form and context in which it appears.*

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

Queensland Bauxite Limited

ABN

18 124 873 507

Quarter ended ("current quarter")

30 September 2016

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	-533	-533
	-326	-326
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	56	56
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
	-803	-803
<b>Net Operating Cash Flows</b>		
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets		
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		
1.10 Loans from other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
<b>Net investing cash flows</b>		
1.13 Total operating and investing cash flows (carried forward)	-803	-803
1.13 Total operating and investing cash flows (brought forward)		

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	2,317	2,317
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
<b>Net financing cash flows</b>		2317	2,317
<b>Net increase (decrease) in cash held</b>		1514	1514
1.20	Cash at beginning of quarter/year to date	5513	5513
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	7027	7027

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	-140
1.24	Aggregate amount of loans from the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	200
4.2 Development	300
4.3 Production	
4.4 Administration	200
<b>Total</b>	<b>700</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	7027	5513
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>7027</b>	<b>5513</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed				

+ See chapter 19 for defined terms.



**Appendix 5B**  
**Mining exploration entity quarterly report**

6.2	Interests in mining tenements acquired or increased			
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**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	<b>Preference securities</b> <i>(description)</i>				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	<b>+Ordinary securities</b>		1,202,997,531		
7.4	Changes during quarter (a) Increases through issues  (b) Decreases through returns of capital, buy-backs		330,970,133		
7.5	<b>+Convertible debt securities</b> <i>(description)</i>				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				

+ See chapter 19 for defined terms.

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**Mining exploration entity quarterly report**

			<i>Exercise price</i>	<i>Expiry date</i>	
7.7	<b>Options</b> <i>(description and conversion factor)</i>	Options 90,000,000	Nil	\$0.03	11/11/2016
		Options 10,000,000	Nil	\$0.08	16/09/2017
		Options 10,000,000	Nil	\$0.10	16/09/2017
		Options 5,000,000	Nil	\$0.15	16/09/2017
		Options 5,000,000	Nil	\$0.20	16/09/2017
		Options 10,000,000	Nil	\$0.03	28/02/2018
		Options 2,846,046	Nil	\$0.06	30/08/2018
7.8	Issued during quarter	Options 165,485,076	Nil	\$0.012	31/07/17
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	<b>Debentures</b> <i>(totals only)</i>				
7.12	<b>Unsecured notes</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: ..... Date: 31<sup>st</sup> October 2016  
(Company secretary)

Print name: Sholom D Feldman

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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