

QBL TO ACQUIRE INTERESTS IN MOZAMBIQUE COAL EXPLORATION LICENSES

Highlights

- QBL to acquire interests in two Mozambique exploration licences prospective for coal
- Licenses located in the highly prospective Zambezi basin, close to majors such as Vale, Rio Tinto and ENRC
- Licenses encompass 206km² of which 200km² is underlain with Lower Karoo sediments, the main coal bearing formation in Mozambique
- Potential for large deposits of coking and thermal coal
- Experienced African coal team with strong in-country presence as partners
- A\$1.8 million convertible note facility in place to provide further capital to facilitate the acquisition and for general working capital purposes

Queensland Bauxite Limited (ASX: QBL) (QBL or the **Company**) is pleased to advise that it has signed a binding term sheet (the **Binding Term Sheet**) with Australian unlisted public company, Regius Coal Mining Limited (**Regius Coal**) in relation to the acquisition by QBL of an initial 35% interest in a Regius Coal subsidiary holding interests in two Mozambique exploration licenses considered to be prospective for coal (**Mozambique Tenement Interests**), located in the Zambezi coal basin in Tete province (the **Transaction**) with a further option to earn up to 51% of the Regius Coal subsidiary.

Upon completion of the Transaction, QBL and Regius Coal, as joint venture partners, intend to progress coal exploration activities over Licenses 4070L and 4169L.



Figure 1. Project Locations - Mozambique

About the Regius Coal Portfolio

Regius Coal is an unlisted Australian coal exploration company, focused on acquiring and exploring coal projects in Mozambique. Regius Coal currently holds an 80% interest in License 4070L and the right to acquire up to an 85% interest in License 4169L (the **Regius Coal SPV Portfolio**), as well as interests in other Mozambique exploration licences. Neither Regius Coal or its shareholders are related parties of the Company.

License	Status	Interest ¹	Rights to acquire up to ¹	Acreage Ha	km ²
4070L	Granted	80%	n/a (80% max)	4,600	46
4169L	Granted	Right to acquire 20% upon the payment of US\$750,000	85%	16,000	160

Figure 2. Regius Coal SPV Portfolio Overview

1. See Appendix 1 for further details of the nature of the interests. Additional material payments are required by Regius Coal in respect of its current interests and/or to increase its current interests , in particular a sum of US\$900,000 is currently payable to the vendors of 4070L as detailed in the Appendix.

The Regius Coal SPV Portfolio of exploration licences are located in an area of the Tete province that is considered to have excellent hard coking coal and thermal coal potential. The Tete coal fields of Mozambique have proven to be the next frontier for large scale coking and thermal coal projects with multinational companies like Rio Tinto, Vale, Anglo American, Tata and others having already invested billions of dollars in exploration and development.

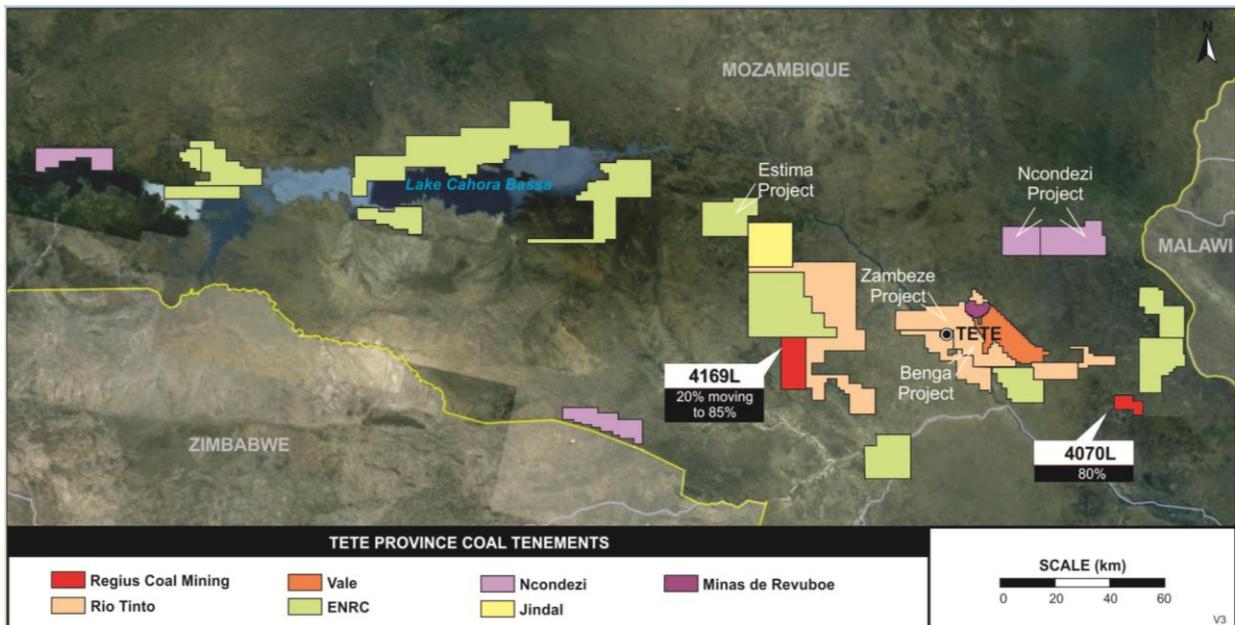


Figure 3. Tete Province - Coal Exploration Tenements (Portfolio licences in red)

In partnering with Regius Coal to explore Licences 4070L and 4169L, QBL will have the benefit of Regius Coal's team that has significant African coal experience, a strong in-country presence and a unique set of financial, geological and project management skills that will be required to drive the required exploration program.

Terms of the Acquisition

Under the binding term sheet, Regius Coal will incorporate an Australian proprietary company as a special purpose subsidiary of Regius Coal (**Regius Coal SPV**) to hold all of Regius Coal's legal, beneficial and economic interest in the relevant entity that holds 100% of Licences 4169L and 4070L (being the Licences set out in Appendix 1).

QBL will:

- (a) subscribe for that number of fully paid ordinary shares equal to 35% of the issued share capital of the Regius Coal SPV for US\$750,000 (this amount of US\$750,000 is to be used by the Regius Coal SPV to pay amounts owing to secure the initial 20% interest in License 4169L) (**Initial SPV Acquisition**) ; and
- (b) for a period of 18 months after completion of the initial subscription, have the right (but not the obligation) to subscribe for a further 16% of the issued share capital in the Regius Coal SPV (up to 51% in Regius Coal SPV) for an aggregate amount of US\$1.2 million in one or more tranches, with the percentage interest which QBL acquires in Regius SPV being adjusted proportionately.

(the **Transaction**).

The Transaction remains conditional on:

- Regius Coal completing the restructure of its holdings in the Regius Coal SPV Portfolio, so that the interest in the licences, the subject of that portfolio, are legally and beneficially owned by the Regius Coal SPV.
- The agreements between Regius Coal and the other third parties who are equity holders in the Regius Coal SPV Portfolio (as detailed in the Appendix) be amended as is necessary and/or desirable to give effect to the Transaction, provided always that those amendments are no less favourable to the Regius Coal SPV.
- None of the warranties provided by Regius Coal becoming materially false, misleading or incorrect.

Upon completion of the initial subscription, QBL will have the right to appoint a director to the board of the Regius Coal SPV. If at any time QBL holds a majority interest in Regius Coal SPV, it will be entitled to appoint a majority of directors of Regius Coal SPV.

Regius Coal has also agreed to grant to QBL a first right of refusal in respect of any debt or equity financing of a member of the Regius Coal group and any investment, participation, acquisition, disposal or other dealing by Regius Coal or a member of the Regius Coal group in respect of any coal licence or other coal exploration tenement in which any member of the Regius Coal group has an interest.

Funding – Key Terms

Concurrent with the Transaction, QBL has entered into a loan note facility under which it has issued loan notes to raise A\$1.8 million (**Note Facility**) to strengthen the balance sheet and provide further working capital to facilitate the Transaction and the subsequent further investment that may be necessary to develop the Company's assets in the near term.

The key terms of the Note Facility are as follows:

- Coupon rate of 8% per annum;
- Term of 24 months;
- Secured by a first ranking charge over QBL and its assets; and
- Subject to shareholder approval being obtained, the facility (and any interest accrued but unpaid on the facility) is convertible into QBL shares at a conversion price of \$0.02 (convertible into a maximum of 90 million QBL Shares at the election of the lender, following shareholder approval).

The facility will be immediately repayable in the event that the Transaction does not complete. The facility will also become immediately repayable if there is a material adverse change in QBL.

Under the Note Facility the lender will be granted 12.5 million options exercisable into ordinary fully paid shares in QBL at \$0.03 with an expiry date of 3 years. The lender will also be granted a further 90 million options on the same terms, but subject to QBL shareholder approval being obtained. The exercise of these options would bring an additional \$3.075M in cash to the Company.

Further information relating to the Note Facility will be provided to shareholders shortly in a notice of meeting.

About the Zambezi Basin and Mozambique

The Mozambican coal region, in which the Regius Coal SPV Portfolio is situated, is considered to be **one of the largest underdeveloped coal basins in the world**. As a result of the strong prospectivity of the region and large-scale discoveries, most major coal areas in the Tete province have been allocated for exploration to various local and international companies.

Discovered coal deposits held by other companies in the Mozambique basins total in the order of 22 billion tonnes (based on publicly disclosed reports of inferred, indicated and measured mineral resources of high and low grade thermal coal and metallurgical coking coal) with companies having publicly proposed plans for collective production of circa 55 million tonnes per annum by around 2025.¹

The attractiveness of the Zambezi Coal Basin is due largely to a number of key factors:

- **Large Scale of Coal Deposits:** 22 billion tonnes of coal has already been discovered with exploration activity still at an early stage and further resources to be proven in coming years;

¹ All references to coal Resources are based on publicly disclosed reports of inferred, indicated and measured mineral resources of high and low grade thermal coal and metallurgical coking coal. All production plans stated above are based on publicly disclosed reports and presentations by the following companies: Vale, Rio Tinto, ENRC, Jindal, Beacon Hill Resources and Jindal

- **Presence of Hard Coking Coal:** Typical Zambezi Basin Coking Coal - CSR 64, CSN#9, Vol: 25%, 10.5% ash. Low Alkali & Aluminium in Ash - favourable for steel producers;
- **High Value Secondary Product:** large quantities of export quality thermal coal of 6,000kcal to add to profitability of mines in Mozambique;
- **Low Cost of Mining:** Strip ratios in the Zambezi Coal Basin are very low and overall mining costs are expected to be substantially less than its peers in Australia and Canada, making the margins more favourable in exporting both coking and thermal coal;
- **Access to Asian Markets:** Mozambique has excellent export routes (through new and existing ports) to the rapidly growing Indian and Chinese coal markets.

Infrastructure development plans being implemented for the Zambezi coal basin have been reported as follows (also see Figure 4 below):

- **Upgrade of Sena Railway line:** In process of being upgraded to 6Mtpa by end of 2013 moving to 20Mtpa by 2020. The Sena rail line transects Licence 4070L. License 4169L is located approximately 50km from the Sena rail line. Beira port to be dredged to handle larger vessels and new bulk terminal being developed;
- **New Macuse Railway Line & Port:** Tenders have been submitted by companies to develop a new railway line to the port of Macuse, <100km North of the Zambezi river mouth. Shortest export route of 480km. Initial capacity of 20Mtpa by 2015/2016. Macuse port to be able to handle Capesize vessels;
- **Upgrade of Nacala Railway Line (via Malawi):** Vale spending up to US\$6 billion to develop the Nacala railway line and port to export 40Mtpa by 2015, with potential further upgrades thereafter; and
- **New Railway line to Nacala (in Mozambique around southern point of Malawi):** ENRC are developing a new railway line to serve their 1.4 billion tonne Estima project which will also be available to other companies in the region. Initial capacity of 40Mtpa by 2016 with upgrades up to 100Mtpa thereafter.



Figure 4: Mozambique Key Infrastructure Map

Both Licence 4070L and Licence 4169L are considered to be prospective for coal exploration with the proposed exploration and potential development over the short to medium term to coincide with the large scale infrastructure upgrades and developments for the Zambezi coal basin.²

The Regius Coal SPV Licenses are underlain with Lower Karoo sediments in which coal has historically been found in the Zambezi basin in Mozambique. A coal outcrop of 3m was found in the North West corner of license 4070L dipping 5deg to the Southwest. Infrastructure developments currently being undertaken by Vale and ENRC and through a public tender for a new railway and Port to Macuse are estimated to be completed within the next 3-5 years. Statements relating to the proposed infrastructure upgrades are based upon information received by Regius Coal from the Department of Transport of Mozambique and upon publically disclosed reports.

² Statements regarding the prospectivity of the Regius Coal SPV's licenses are based upon independent geological reports by Regius Coal's Competent Person Mr. Peet Meyer and as reviewed by QBL's geologists.

General Meeting of QBL Shareholders & Indicative Timetable

QBL will convene a general meeting of shareholders to approve, amongst other matters the ability of the lender under the Note Facility to convert the facility into QBL shares.

The anticipated timetable for completion of the Acquisition is set out below:

Event	Date ¹
Announcement of Acquisition	2 July 2013
Dispatch Notice of Meeting seeking approval for the Note Facility	31 July 2013
General Meeting to approve Acquisition and conversion under the Note Facility	29 August 2013
Settlement of part (a) of the Transaction	30 August 2013
Notes: ¹ The above timetable is indicative only and may be varied in consultation with ASX.	

Estimated Expenditure Budget Update and Current Projects status

As the Company has previously advised, there are some environmental restrictions on exploration on some of its current bauxite projects which have returned encouraging results. The Company is in the process of seeking the appropriate permits to continue exploration on the areas of further exploration interest. As reported in previous reports, the Company has relinquished some bauxite tenements which have not returned encouraging results. As previously advised, the Company has also applied for a number of further bauxite exploration tenements in eastern Australia that are in similar geological settings that may have potential to host economic quantities of bauxite and where bauxite occurrences have been noted at surface. It is expected for some of these tenements to be granted over the coming quarter as well, which will also enable the Company to undertake further exploration work on these projects. The Company has budgeted between \$500,000 to \$1 million over the coming 12 months in further exploration expenditure to investigate the bauxite potential on the projects being explored by the Company. This budget may be significantly varied depending on the success or otherwise of further exploration, any environmental clearance that may or may not be obtained as may be relevant, and the timing of the granting of the further bauxite exploration license applications by the relevant Departments.

In addition, the Company had been looking to divest of its gold exploration projects, but absent an appropriate deal suitable to QBL, the Company has budgeted approximately \$250,000 for the coming year to maintain and further develop these assets. The Company will continue to report on results and actual programmes as and when appropriate and consistent with its continuous disclosure obligations.

The Company has budgeted approximately \$300,000 in the upcoming year in exploration expenditure on its new coal project interests through Regius Coal SPV on the initial drilling programmes. Following assessing the results on those programmes, QBL will reassess its further exploration budget for the remainder of the year on all its projects, including whether it intends to purchase the further equity in Regius Coal SPV, and will inform the market accordingly.

ASX advice on the application of ASX Listing Rule 11.1

The ASX has advised the Company that ASX does not consider that the provisions of Listing Rule 11.1 apply to the Initial SPV Acquisition, subject to the following:

- ASX will continue to monitor the Company's expenditure on its current projects as compared to the Mozambique Tenement Interests. In the event the Company's continued expenditure on the Mozambique Tenement Interests exceeds the proposed expenditure on its current projects, ASX may also require the Company to comply with Chapters 1 and 2 of the Listing Rules.
- If the Company decides to proceed to acquire between 35% and 51% of the Regius SPV, the Company must provide further submissions to ASX, so that ASX may consider the application of Chapter 11 of the Listing Rules at that stage.
- ASX considers that if the Regius SPV proposes to pay any of the earn in and performance payments in relation to increasing its percentage interest in 4169L (as described in the Appendix) this may signify that there has been a change of activities for the purposes of Chapter 11. Consequently, ASX will also reconsider the application of Chapters 1 and 2 of the Listing Rules if and when the Company decides it will contribute to any of these earn in and performance payments.
- ASX reserves the right at any time to review the Company's compliance with Chapter 11 and require the Company to comply with Chapters 1 and 2 of the Listing Rules. Chapters 1 and 2 of the Listing Rules refer to the conditions for an entity to be (re)admitted to and its' shares to be quoted on the ASX. The conditions relevant to QBL may include amongst other conditions, the requirement to raise a reasonable amount of money at a minimum of 20c per share under a prospectus lodged with ASIC.
- The Company will consult with the ASX on any possible application of Chapter 11 of the ASX Listing Rules if any decision is made that may deem to change the nature or scale of the Company's activities, and in accordance with the above guidelines given by the ASX.

Corporate

QBL's cash position as at 31 March 2013 was \$4.06 million.

Sholom D Feldman
Executive Director
2 July 2013

sfeldman@queenslandbauxite.com.au

A copy of this release can be downloaded from www.queenslandbauxite.com.au

The information in this report that relates to Exploration Results, 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.

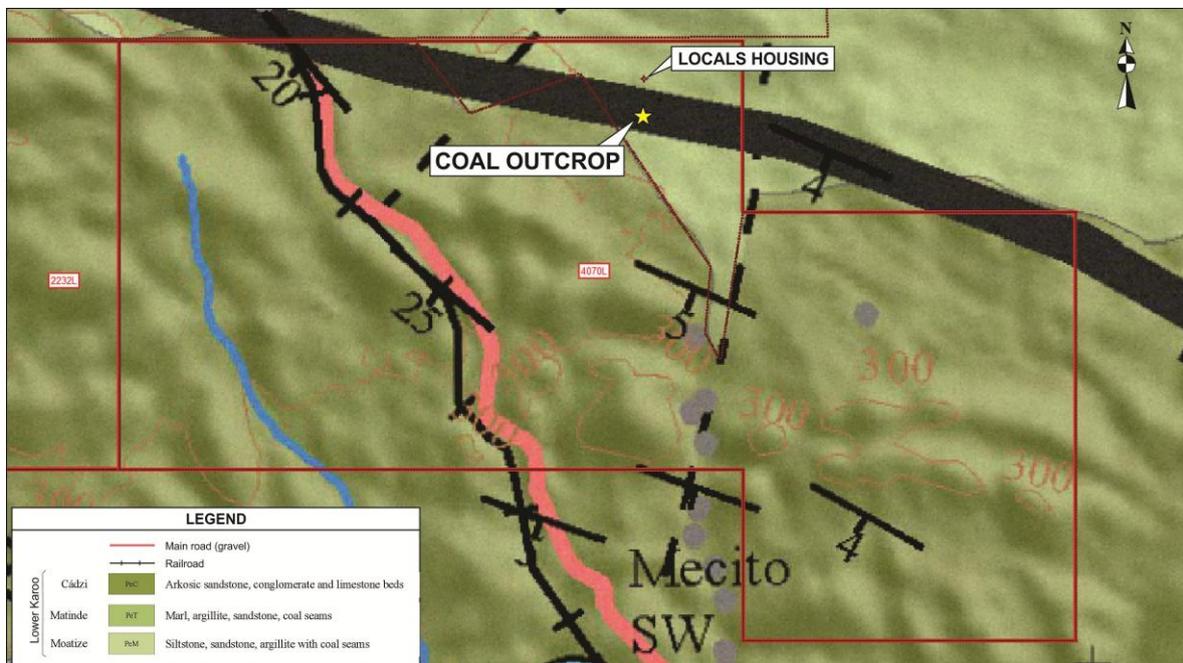
Dr Coenraads is a full time employee of Australian Gemstone Mining Pty Ltd which contracts services to QBL. Dr Coenraads has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking and to qualify as a Competent Person as defined in the

2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources or Ore Reserves". Dr Coenraads consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Appendix 1 – License Summary

License	4070L
About	<ul style="list-style-type: none"> ■ Located 70km Southeast of Tete in the Moatize-Minjova sub-basin ■ 5,000 ha underlain with Lower Karoo sediments ■ Adjacent to Rio Tinto eastern licenses ■ Matinde formation and 3m coal outcrop in northeast of 4070L, interpreted to be shallow dipping (<5deg) ■ Sena Railway to Beira transects 4070L with derelict sidings present on license area
Status	Granted
Existing Interest	80%
Nature of Interest	Regius Coal is the legal and beneficial owner of 80% of the shares on issue in Extra Mineraiis Lda, the company holding license number 4070L
Other Shareholders in Extra Mineraiis Lda	20% of shares in Extra Mineraiis Lda are held by Mr. Carlos Venichand
Final Payments Required in relation to the Existing Interest of 80% ¹	US\$900,000
Performance Payments	Nil

- The Final payment of US\$900,000 relates to the acquisition of 80% of the shares in Extra Mineraiis Lda from Mr. Carlos Venichand, the holder of license 4070L. There is no final agreed date for payment of this amount, although interest accrues and is payable on amounts outstanding at a rate of 5% above the 6 month LIBOR. Regius Coal has pre-paid interest to the vendor to the sum of US\$300,000. Despite the Final Payment not yet being paid by Regius Coal, Regius Coal is still the existing holder of an 80% interest in Extra Mineraiis Lda and subsequently an 80% interest holder in license 4070L.



License	4169L
About	<ul style="list-style-type: none"> License previously held by Riversdale (Rio Tinto) 17,000ha in size, 95% underlain with Lower Karoo sediments In Joint Venture/earn in with SPI – Gestão e Participações, S.A.R.L. (“SPI”) Mozambican government investment company Borders license 5038L to the east 30-50km south of ENRC Estima & Jindal Basin very well developed in the Northern section
Status	Granted
Existing Interest	Management control over the project, and right to acquire an initial 20% interest through the payment of US\$750,000 ¹ to SPI
Nature of Interest	Regius Coal has entered a binding agreement to acquire 20% of the shares on issue in Massimbe S.A, the company holding license 4169L through the payment of US\$750,000
Other Shareholders in Massimbe S.A.	3 Mozambican Companies: SPI – Gestão e Participações, S.A.R.L., Touch Publicidade, S.A & Nduku Investimentos, S.A
Payment Required to acquire an initial 20% interest	US\$750,000 ¹
Rights to Acquire up to	85%
Earn In & Performance Payments in relation to moving to an 85% interest	<p>\$1m upon proving 100Mt Thermal Coal JORC Inferred Resource \$4m upon Resource upgrade to 100Mt min Thermal JORC Indicated to acquire a further 15% further equity. \$20m upon JORC Coal Reserve of minimum 100Mt (30% further equity) Final equity (20%) can be bought at commercial value less 10% discount following proving a JORC Reserve of minimum 450Mt.</p> <p>Coking Coal JORC Reserve - additional payment of \$0.05 per ton of JORC Coking Coal Reserves up to \$10m maximum (payments to Mozambican minority shareholders for all JORC compliant Coking Coal Reserves a defined on license 4169L)</p>

