

21st July 2016

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Chairpersons Letter Re- Rights Issue

Dear Shareholder,

In appreciation for your patience and loyalty to Queensland Bauxite, and the confidence you have shown in our team, the Board has decided to offer all shareholders who are recorded as shareholders on the 27th July 2016 an opportunity to participate in a Rights Issue.

We know that it has taken time to secure the approvals for the development of our flagship South Johnstone bauxite project. Thankfully as reported last week, we now finally have the direction from the Queensland Department of Natural Resources and Mines on how we can move forward with our planned trial production under our MDL application. The way forward for both the MDL and ML has now been delineated.

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>

There are also other mineral projects that could be available to QBL at the moment that the Board may consider which could add further significant value to our company.

A successful Rights Issue will achieve the following:

- 1) Ensure adequate funding for the South Johnstone project development;
- 2) Give the Company the flexibility to be able to take advantage of new project opportunities;
- 3) Allow our shareholders to take advantage of the current share price.

This Rights Issue will allow shareholders to purchase shares at a purchase price of \$0.007 per share, with an attaching option of one option for every two shares purchased, at an exercise price of \$0.012 for a period of approximately 12 months from the date of this announcement until 31st July 2017.

The Directors will give shareholders first preference to receive any of the shortfall shares in the offer as well.

Shareholders wishing to take up the leftover shares in the issue, will be considered on a first come first served basis.

We are putting in maximum effort to ensure that our good wishes for you become a reality.

Sincerely,



Pnina Feldman
Executive Chairperson
Queensland Bauxite Limited

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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.