

31st January 2017

DECEMBER 2016 QUARTERLY REPORT

HIGHLIGHTS

- Awaiting final feedback from 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

During the December 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, 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) had previously 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 had 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 finalised those requested amendments. The Company is awaiting the Departments formal feedback to the final documentation delivered to the Department. The Department's representatives have this week notified the Company that their review will conclude in early February.

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 was that full feasibility should be able to be confirmed with trial production of up to approximately 50,000 tonnes of bauxite. 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.

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 has been working with its environmental consultants and with the DEHP to finalise the EA, and final documentation was submitted to the DEHP at the conclusion of the quarter. The Company expects the EA to be approved in the upcoming quarter to enable work to commence on the expected MDL.

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.

The Board are very appreciative of 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.

QBL's cash position as at 31st December 2016 was \$6.66 million.

As at 31st December 2016, the Company held the following tenements:

| Project Name | | | Interest Held % |
|-------------------------------------------|----------|---------|-----------------|
| Eastern Australia Bauxite Projects | | | |
| 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 or contact:

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Executive Director/Company Secretary

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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.

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 and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Queensland Bauxite Limited

ABN

18 124 873 507

Quarter ended ("current quarter")

31 December 2016

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|-----------------------------------------------------------|----------------------------|---------------------------------------|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | | |
| 1.2 Payments for | | |
| (a) exploration & evaluation | -155 | -688 |
| (b) development | | |
| (c) production | | |
| (d) staff costs | | |
| (e) administration and corporate costs | -255 | -581 |
| 1.3 Dividends received (see note 3) | | |
| 1.4 Interest received | 43 | 99 |
| 1.5 Interest and other costs of finance paid | | |
| 1.6 Income taxes paid | | |
| 1.7 Research and development refunds | | |
| 1.8 Other (provide details if material) | | |
| 1.9 Net cash from / (used in) operating activities | -367 | -1170 |

| | | |
|------------------------------------------------|--|--|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | | |
| (b) tenements (see item 10) | | |
| (c) investments | | |
| (d) other non-current assets | | |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|--------------------------------------|-------------------------------------------------------|----------------------------|---------------------------------------|
| 2.2 | Proceeds from the disposal of: | | |
| | (a) property, plant and equipment | | |
| | (b) tenements (see item 10) | | |
| | (c) investments | | |
| | (d) other non-current assets | | |
| 2.3 | Cash flows from loans to other entities | | |
| 2.4 | Dividends received (see note 3) | | |
| 2.5 | Other (provide details if material) | | |
| 2.6 | Net cash from / (used in) investing activities | | |

| | | | |
|-----------|-----------------------------------------------------------------------------|--|--------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of shares | | 2,317 |
| 3.2 | Proceeds from issue of convertible notes | | |
| 3.3 | Proceeds from exercise of share options | | |
| 3.4 | Transaction costs related to issues of shares, convertible notes or options | | |
| 3.5 | Proceeds from borrowings | | |
| 3.6 | Repayment of borrowings | | |
| 3.7 | Transaction costs related to loans and borrowings | | |
| 3.8 | Dividends paid | | |
| 3.9 | Other (provide details if material) | | |
| 3.10 | Net cash from / (used in) financing activities | | 2,317 |

| | | | |
|-----------|------------------------------------------------------------------------------|-------------|-------------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 7027 | 5513 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | -367 | -1170 |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | | |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | | 2317 |
| 4.5 | Effect of movement in exchange rates on cash held | | |
| 4.6 | Cash and cash equivalents at end of period | 6660 | 6660 |

| 5. | Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter \$A'000 | Previous quarter \$A'000 |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|-----------------------------|
| 5.1 | Bank balances | 6660 | 7027 |
| 5.2 | Call deposits | | |
| 5.3 | Bank overdrafts | | |
| 5.4 | Other (provide details) | | |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 6660 | 6660 |

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

-140

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

| 8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i> | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|----------------------------------------------------|
| 8.1 Loan facilities | | |
| 8.2 Credit standby arrangements | | |
| 8.3 Other (please specify) | | |
| 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well. | | |
| | | |

| 9. Estimated cash outflows for next quarter | \$A'000 |
|----------------------------------------------------|----------------|
| 9.1 Exploration and evaluation | 200 |
| 9.2 Development | 300 |
| 9.3 Production | |
| 9.4 Staff costs | |
| 9.5 Administration and corporate costs | 200 |
| 9.6 Other (provide details if material) | |
| 9.7 Total estimated cash outflows | 700 |

| 10. Changes in tenements (items 2.1(b) and 2.2(b) above) | Tenement reference and location | Nature of interest | Interest at beginning of quarter | Interest at end of quarter |
|--------------------------------------------------------------------------------------------|----------------------------------------|---------------------------|-----------------------------------------|-----------------------------------|
| 10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced | | | | |
| 10.2 Interests in mining tenements and petroleum tenements acquired or increased | | | | |

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
(Director/Company secretary)

Date: 31st January 2017

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.