Queensland Bauxite Limited

ABN 18 124 873 507

and Controlled Entities

Annual Financial Report

For the year ended 30 June 2014

30th September 2014

Executive Chairperson's Letter to Shareholders

Dear Fellow Shareholders,

On behalf of the team at Queensland Bauxite Limited, I am very pleased to be able to write this letter to you all as the ban by Indonesia on exports of unprocessed mineral ores provide yet another large window of opportunity for the Company to become a significant bauxite export producer.

We are confident with the quantity and quality of our bauxite and will be aggressively working towards acquiring a mining lease to begin production and cashflow.

The exciting discovery of the South Johnstone bauxite deposit in north Queensland has been timely, made even more compelling by the close proximity (<20 km) of the deepwater port of Mourilyan which gives a significant advantage to the South Johnstone project over many other bauxite projects.

Profit margins in bauxite mines in general are strongly affected by transportation costs, so the minimal transportation required for this project is a significant competitive advantage. It is often needed to even build and/or repair railroads and regular roads, to transport the material many kilometres to a deep water port. There is also the cost of shipping from that port to a large importer of bauxite such as China.

North Queensland is by far the closest port to China than nearly all the major bauxite export provinces around the world outside of Indonesia. Exceptionally advantageous to our project is the outstanding infrastructure advantage and proximity to port that South Johnstone offers.

There is a 300 million tonne (plus) Exploration Target* at South Johnstone as detailed in this report, as well as higher grade areas which is currently the first focus of our goal to define a mineable resource for a Direct Shipping Ore (DSO) bauxite export operation.

From this Exploration Target, the definition of our initial inferred JORC resource of 30 million tonnes as detailed in this report, of largely gibbsitic bauxite with suitable alumina, silica and low boehmite levels is the starting point for development of the Project. Gibbsitic bauxite is the most desirable and in demand of bauxite ores for processing in alumina refineries.

Work done to date suggests that bauxite from South Johnstone is comparable in many respects to bauxite in the Darling Ranges in Western Australia, one of the premier bauxite producing regions of the world.

*The potential quality and grade of the Company's Exploration Target is conceptual in nature, and other than the JORC resource that has been defined as detailed in this report, there has been insufficient information to estimate a further Mineral Resource, and it is uncertain if further exploration will result in the estimation of a larger mineral resource.

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We at Queensland Bauxite are looking forward to the independent scoping study that we anticipate should confirm our confidence in the viability and profitability of the Project.

Encouraging discussions have been held with regard to Port availability options for the potential export of the resources in the Project area.

The Company's anticipated potential to develop a profitable bauxite mining business is a very exciting prospect indeed, which we are confident will catapult the Company into a major ore producer. During this process we recognize that we must interact in a more proactive role with not only shareholders, but also with any prospective shareholders. This is a challenge we accept.

We will be working diligently to ensure that the underlying growth prospects of our Company are better understood by the market and as a result create greater shareholder wealth.
Our company has purposely attempted to conserve available funds as far as possible, cognisant of the ever changing capital markets and the opportunities that lie ahead.

There is almost a "perfect wave" and unprecedented opportunity in the bauxite market to become a significant producer. We have achieved a great deal this year and will do our best to do even better next year.

Our acquisition of a significant portion of a known gibbsitic bauxite province in the Nullamana region of Inverell in northern New South Wales is also part of our longer term bauxite strategy.

These are exciting times ahead for our company, both in the immediate future and in the long term.

We are grateful to all shareholders for your continued support. May you reap the rewards together with us as we go from strength to strength.

Yours sincerely,

Pnina Feldman
Executive Chairperson
Queensland Bauxite Limited

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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

Registered Office

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BONDI NSW 2026

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Facsimile: (02) 9291 9099

Email: info@queenslandbauxite.com.au

Auditors

Nexia Court & Co, Chartered Accountants
Level 16
1 Market Street
Sydney NSW 2000

Telephone: (02) 9251 4600

Bankers

Bank of Western Australia
Sydney NSW 2000

Share Registry

Computershare Investor Services Pty Limited
Level 2, Reserve Bank Building
45, St George's Terrace
Perth WA 6000

Telephone: (08) 9323 2000

Stock Exchange Listing

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

Website

www.queenslandbauxite.com.au

Australian Securities Exchange Code:

QBL

Schedule of Mineral Tenements as at 30 June 2014

Project Name			Interest Held %
Eastern Australia Bauxite Projects			
South Johnstone	EPM18463	Granted	100%
Pilbara Gold Project			
Rocklea	E47/1153	Granted	100%

Directors' Report

The Directors present their report together with the consolidated financial statements of the Group comprising Queensland Bauxite Limited ("the Company" or "QBL") and its subsidiaries, for the financial year ended 30 June 2014 and the independent auditors report thereon.

Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Pnina Feldman
Executive Chairman

Pnina Feldman has been active in the mineral exploration industry for 18 years, in which time she has shown much tenacity in sourcing, negotiating and developing exploration and resource projects across Australia, and internationally. She was the founder and executive chairperson of the publicly listed Diamond Rose NL, and was the first woman in Australia to achieve that milestone in the mining industry. Pnina studied Law and Arts at Melbourne University before going to Gateshead, England where she studied teaching, religion and education. She has been the founder and driving force behind, and benefactor to, numerous communal, educational, charitable and women's awareness initiatives, and in 2007 received the Wentworth community award for outstanding community service.

Sholom Feldman
Executive Director, Chief Executive Officer and Company Secretary

Sholom Feldman has extensive experience in general commercial management, has performed advisory and company secretarial work for both listed and unlisted companies and has managed both private and listed exploration companies. Sholom was general manager of the publicly listed Diamond Rose NL between 1999 and 2005 and is a director and manager of a number of private companies. He has been instrumental in negotiating, financing, developing and managing many exploration projects internationally including the purchase of the Guanaco Mine in Chile from the Canadian Kinross Gold Corporation, and subsequently their Australian gold assets including the Broads Dam Gold Project. Sholom studied at the International MBA program at Bar Ilan University in Israel and has also completed a Company Secretarial Practice and Meetings course with the Chartered Institute of Company Secretaries Australia.

Meyer Gutnick
Non-executive Director

Mr. Gutnick has many years experience in the investment and finance industry. He has built his reputation in building significant investor portfolios in the banking, insurance and real estate sectors in New York. He is also a seasoned investor in the public markets including many years controlling investments in the mineral exploration industry including companies on the ASX and the public markets in North America. He is also a well known philanthropist who has supported many charities internationally, and has been instrumental in the establishment of a number of charities particularly focused on higher education and advanced learning.

Paul Stephenson
Non-Executive Director (Resigned on 06/03/2014)

Paul Stephenson has degrees in law and the arts and is a Partner with the Australian national law firm, HWL Ebsworth Lawyers. He practices in the areas of public and private fundraising, initial public offerings and mergers and acquisitions involving both public and private companies. He has also acted for companies listed in multiple jurisdictions. Paul has wide experience and has acted on behalf of companies in industry sectors covering mining and resources, financial markets, pay TV retailing, mobile telephony, automated teller machines and listed investment companies and trusts, including in relation to other commercial, corporate, fundraising and compliance work.

Russell Williams
Non-Executive Director (Resigned on 07/02/2014)

Russell Williams is a qualified mechanical engineer with over 30 years' experience in the bauxite and alumina industry, in various roles for Alcoa Inc. In his final three years with Alcoa, Russell was President of Boke Services, the managing company of Company Bauxite de Guinee (CBG) (Alcoa JV), and in that role was responsible for all activity at the operation that ships over 13 million tonnes of bauxite per year. Prior to this role, Russell was involved in all aspects of bauxite production for Alcoa Inc ranging from exploration through to project development and operations. He managed the West Australian bauxite mining operations at the Huntly Mine which in 1999 was producing 11 million tonnes of bauxite per year and is now producing in excess of 23 million tones. He then had oversight of all of Alcoa's global mining activity in Brazil, Jamaica and Suriname. During this period he was also responsible for the initial development and growth of the bauxite resource of the Juruti bauxite mine in Brazil which was commissioned two years ago and now ships 4 million tonnes of bauxite per year.

Russell Williams is a director of the ASX listed entity Pluton Resources Limited (PLV) and a Canadian TSX listed company, Navosta Resources Limited (NAV).

David Austin
Alternate Director

David Austin is a solicitor practising in Sydney.

He has spent many years in the corporate world in the computer, aerospace and heavy engineering industries, and worked for the Northern Territory Government in the 1980s when he was responsible for petroleum, energy, and pipeline policy. During a secondment he reviewed the Northern Territory Mineral Royalty Act and devised a new mineral royalty regime which encouraged the development of a number of major mining projects.

Interests in the shares and options of the Company and related bodies corporate

The relevant interest of each Director in the shares or options over shares of the Company and any other related body corporate, as notified by the Directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Ordinary shares	Options over ordinary shares
Pnina Feldman [(1) (2)]	107,252,166	65,000,000
Sholom Feldman [(1) (2)]	107,252,166	65,000,000
Meyer Gutnick	5,000,000	-
David Austin	-	-

1) Pnina Feldman and Sholom Feldman are each directors of L'Hayyim Pty Ltd which holds 2,252,166 shares in its capacity as trustee of the 770 Unit Trust.

2) Pnina Feldman and Sholom Feldman are each directors of Volcan Australia Corporation Pty Ltd which holds 105,000,000 shares and 65,000,000 options exercisable at 5 cents each on or before 31 December 2015.

Share options

Unissued shares under options

At the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Exercise price	Number of shares
31/12/2014	0.20	350,000
31/12/2015	0.30	350,000
31/12/2015	0.25	1,000,000
31/12/2015	0.05	65,000,000
02/07/2016	0.03	12,500,000
12/11/2016	0.03	90,000,000
16/09/2017	0.08	10,000,000
16/09/2017	0.10	10,000,000
16/09/2017	0.15	5,000,000
16/09/2017	0.20	5,000,000
		199,200,000

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

Shares issued on exercise of options

No shares have been issued by the Company, during or since the end of the financial year, as a result of the exercise of options.

Earnings per share

	Cents
Basic earnings (loss) per share	(0.80)

Dividends

No dividends were paid or declared since the end of the previous financial year. The Directors do not recommend a payment of a dividend in respect of the current financial year.

Directors' meetings

The number of meetings of Directors held during the year (including meetings of committees of Directors) and the number of meetings attended by each Director were as follows:

	Board meetings	
	A	B
Pnina Feldman	12	12
Sholom Feldman	12	12
Meyer Gutnick	5	5
Paul Stephenson	4	4
Russell Williams	0	4
David Austin	0	12

Notes

A = number of meetings attended

B = number of meetings held during the time the Director held office during the year or was a member of the board.

Principal activities

The principal activities of the Group during the year were mineral exploration and identification of potential mining assets for acquisition and development.

There were no significant changes in the nature of the Group's principal activities during the year.

Operating and financial review

Queensland Bauxite Ltd (ASX: QBL) ("QBL" or "the Company") presents the following report on activities for the year ending 30 June 2014.

Highlights of QBL Operations July 2013 to September 2014

QBL made an exciting bauxite discovery at its South Johnstone tenement in north Queensland;

- The South Johnstone tenement covers an area of 400 square kilometres and an existing narrow gauge railway runs through the tenement to the deepwater port of Mourilyan;
- There is a network of bitumen and gravel roads within the tenement 15-20km to the port;
- Gibbsitic bauxite has been shown to be the main mineral present at South Johnstone confirmed by XRD Laboratory Results;
- Potential to develop a profitable bauxite mining business as the ban by Indonesia on unprocessed mineral ores provides an opportunity for a new supply to the bauxite market;
- A Scoping Study is underway at South Johnstone that aims to provide a business case, including capital costs and operating costs, for a mining and Direct Shipping Ore (DSO) operation;

- QBL acquired a 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;
- The Company is reviewing the Mozambique coal option in view of the significant and prolonged downturn in coal prices; and
- The cash position at 30th June 2014 was $4.110 million.

South Johnstone Bauxite Project EPM 18463

QBL has been focused on defining significant bauxite resources with a view to commencing direct shipping ore (DSO) bauxite mining and export operations. Due to the recent confirmed discovery at South Johnstone as detailed below, the company is investigating the economics of a potentially major bauxite DSO export operation. The Company is engaging independent consultants to prepare a report upon which a production target can be reported, and upon which a feasibility study is to be undertaken, with the goal of ascertaining the potential economics of the project with the goal of bringing the project to production as soon as possible. The Company is currently looking at the potential economics of mining and shipping through Mourilyan Port.

High Demand:

As has been widely publicised, the recent Indonesian bauxite export ban that came into effect earlier this year is expected to greatly increase demand for bauxite from Australia, as Indonesia has previously been a significant exporter of bauxite to China.

The global market requires a constant supply of bauxite to meet the exponentially growing demand. Next to Indonesia, Australia is the closest major bauxite producer to Asia, and within Australia itself, North Queensland is the closest port to Asia.

Easy Access:

The South Johnstone tenement covers an area of 400 square kilometres and is situated within 15 – 20 kilometres west of the deep water port of Mourilyan in North Queensland. There is an existing narrow gauge railway which runs through the tenement to the port of Mourilyan and there is a network of bitumen and gravel roads within the tenement that lead to the port.

Port

Preliminary discussions have been held with regards to Port options for the potential export of the resources in the project area. These were positive toward developing a significant bauxite export business.

Profit margins in bauxite mines in general are strongly affected by transportation costs, and many have the added cost of having to building rail and regular roads to transport the material many kilometres to a deep water port, and on top of that the cost of shipping from that port to a large importer of bauxite like China.

North Queensland is by far the closest port to China than nearly all the major bauxite export provinces around the world outside of Indonesia. As mentioned above, Indonesia has this year banned the export of bauxite to China. Indonesia has in recent years been China's largest bauxite supplier. The current Indonesian ban opens up huge opportunities to other bauxite exporters, particularly in Australia, and particularly in North Queensland.

The Company's South Johnstone Bauxite Project in North Queensland is situated near to a deep water port suitable for exports and stands to have a significant competitive advantage in terms of mining, transport and shipping costs.

Leading independent international commodity group CRU, , in a recent report have summarised major opportunities for bauxite producers in light of Indonesia's unprocessed minerals export ban. The main points are as follows:

1. The ban does not appear to be temporary and import-based refineries in China are becoming increasingly worried about future bauxite supplies.
2. Major opportunities exist for bauxite projects, particularly in Australia.
3. CRU predicts strong bauxite price growth and additional value generation in both bauxite and alumina moving forwards.
4. The probability of Indonesia deregulating bauxite exports is small for a number of reasons as outlined in CRU's analysis paper.

The analysis draws upon CRU's range of market analysis and asset by asset cost services including CRU's new Bauxite and Alumina Long Term Market Outlook. This is a unique service which examines bauxite and alumina supply, demand, prices and long run marginal costs to 2040 along with almost 400 bauxite and alumina asset profiles.

The team at Queensland Bauxite are excited to be at the right place in the right time which with a project that aims to increase shareholders' wealth.

Potential Low Cost – High Revenue:

This puts Queensland Bauxite in a uniquely advantageous position, as this new discovery of a large DSO bauxite resource in North Queensland, close to port, may potentially be a near term development opportunity and the highly competitive potential project costs would competitively supplement the newly created demand from China, Japan and elsewhere for alternative sources of bauxite.

Positive Results:

During the quarter, the Company received the first batch of results from its recent testing of drill samples from its highly prospective South Johnstone Bauxite Project in North Queensland.

Lab results have returned bauxite from 26 of the 60 holes drilled. Based on these data, resource modeling has confirmed a significant, close to port and infrastructure, direct shipping ore (DSO), bauxite JORC initial inferred resource as detailed below.

The Company is in the process of seeking to upgrade the portion of the existing JORC Initial Inferred Mineral Resource to a JORC Indicated / Measured Resource category.

The purpose of the work is to gain further confidence in the resource and to be part of a scoping study / feasibility study into mining options at South Johnstone.

In addition the Company is in the process of identifying within the resource area higher grade zones that could form part of a large higher grade resource of the types of grades that should be able to attract significantly higher prices on the international export market.

It should be noted that 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 refineries. The Company will be working towards calculating and proving resources of that higher quality within the wider resource areas to increase even further the Company's potential export options. In addition, the bauxite ore is primarily gibbsite which is the most desirable of bauxite ores for processing in refineries.

Work is now underway and results will be released to the market when obtained.

This current significant discovery lies outside of any environmentally restricted areas.

As a result of these confirmed results, and with so much of the target basalts in the tenement either yet to be drill tested or results received, the Company has confidently upgraded its Exploration Target to upwards of 300 million tonnes as detailed below, calculated within less than one third of the target basalt soil that has been mapped within the tenement as detailed below.

The potential quality and grade of the Company's Exploration Target is conceptual in nature, there has been insufficient information to estimate a Mineral Resource and that it is uncertain if further exploration will result in the estimation of a mineral resource.

The Company's goal since inception has been to become a major exporter of Australian bauxite. The Directors believe that this now confirmed discovery will enable that goal to be achieved in the near term for the benefit of the Company's shareholders.

The Company will focus on early development of the Project and is currently reviewing development options including involving potential off takers.

The directors are pleased that after much effort, a major milestone has been reached for the Company as it continues exploration but with potentially lucrative near term mining and development opportunities which are currently being investigated. The Company intends to release the production targets to the market as soon as the independent reports underpinning the production targets are finalised.

Off take

The Company has received further unsolicited approaches in regard to potential off take. Initial and preliminary discussions with potential off takers have commenced.

Drill Results:

In the 26 drill holes recently analysed, a total of 40.5 metres of bauxite was intersected with an average bauxite thickness per hole of 1.8m (range 0.5 to 3m per hole) with average reactive silica of 6.8% (with a range of 1.8-10%) and with an available alumina grade, extracted by low temperature alkali leach processing, of 25.3% available alumina (range 20-31.7%). The ore has been confirmed by XRF and XRD testing as Gibbsite, thereby being suitable for low temperature processing.

The XRD work confirms gibbsite to be the dominant mineral phase present. This is the preferred form of bauxite as it is easier to process than non-gibbsitic bauxite. The negligible amount of boehmite (0-2%) and diaspore (0-3%) further confirms the suitability and preference of low temperature processing.

This is significant as gibbsite is the preferred form of bauxite as it is easier to process than non-gibbsitic bauxite.

Gibbsite is one of three mineralogical forms of bauxite ores, and is generally recognized as the most economic to treat using the Bayer Process, as it is able to be refined at a lower temperature and pressure to the other bauxite mineralogical forms, and requires less reagent consumption.

This new discovery also verifies some of the historic reported exploration drilling carried out by Carpentaria Exploration Company Pty Ltd (Znebejanek, 1961) within a portion of the tenement area and reported as follows:

"Decomposed basalt is forming deposits of bauxite with a high content of iron. Average depth of 21 ft containing 35% Al_2O_3 in an area of approximately 2 square miles, which will yield approximately 43 million tons of 35% Al_2O_3. This particular area, with further drilling, can be extended approximately 5 times."

The directors are pleased that after much effort, a major milestone has been reached for the Company as it continues exploration but with potentially lucrative near term mining and development opportunities which are currently being investigated.

Future Drilling:

The Company will now undertake a more extensive drilling programme to further delineate the size, grade and shape of this exciting bauxite deposit at South Johnstone with a view to commence mining as soon as possible.

Inferred Mineral Resource

Queensland Bauxite has inferred through its 60 hole drilling program at South Johnstone, an initial JORC Inferred Resource of 30 million tonnes of bauxite, out of a 300mt exploration target. The potential quality and grade of the exploration target is conceptual in nature, there has been insufficient exploration to estimate a mineral resource and it is uncertain if further exploration will result in the estimation of a mineral resource. The average grade of the bauxite at low temperature leaching is 25.2% available alumina and 6.9% reactive silica. These results are comparable to the bauxite in the Darling Ranges. (See Jorc Table 1 below)

The Company considers that there are reasonable prospects of the eventual economic extraction of this resource based on the following assumptions:

1. The bauxite deposit is located close to port. Bauxite would only need to be transported a short distance (<20 km) east to Mourilyan Harbour, so that transport costs will be on the lowest end of those experienced by commercial bauxite mining operations.
2. 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. Ore will be trucked to nearby rail heads or driven directly the short distance to Mourilyan Harbour as a direct shipping ore (DSO) product. Mining costs would therefore also expect to be reasonably low.
3. No environmental studies have been conducted at present, and it is assumed that no difficulties will be encountered. The resource lies outside the National Park boundaries and has already been largely cleared of native vegetation. The land is currently being used for large and small acreage agricultural activities (principally sugar cane and bananas).
4. It is being assumed that a mining licence would be granted by government for an open cut extraction operation.
5. It is being assumed that no unforeseen environmental difficulties, landholder, or other issues would impact on the mining and processing operation. Some uncertainty still exists here as no studies have commenced on these aspects at the present time.
6. It is assumed that the Company will expand on this resource, possibly up to 10 times, through its continued exploration of the weathered surface of the Atherton Basalt. This is based on the assumption that approximately a third of any further drilling on the Atherton Basalt will be successful (based on the current 60-hole program) calculations for a conceptual exploration target are discussed in our exploration target statement.

Cut-off Assumptions

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. A cut-off grade of 20% available alumina and 10% reactive silica was chosen to generate this thickness and average grade. Based on work presented by other bauxite companies, it is expected that average grades (post-beneficiation) will lie within the alumina grade range of bauxite mined on a commercial scale in the Darling Range (i.e. around 27-30% Al2O3) which currently accounts for 23% of global alumina production;

http://www.ga.gov.au/products-services/publications/aimr/bauxite.html).

Extrapolation Assumptions

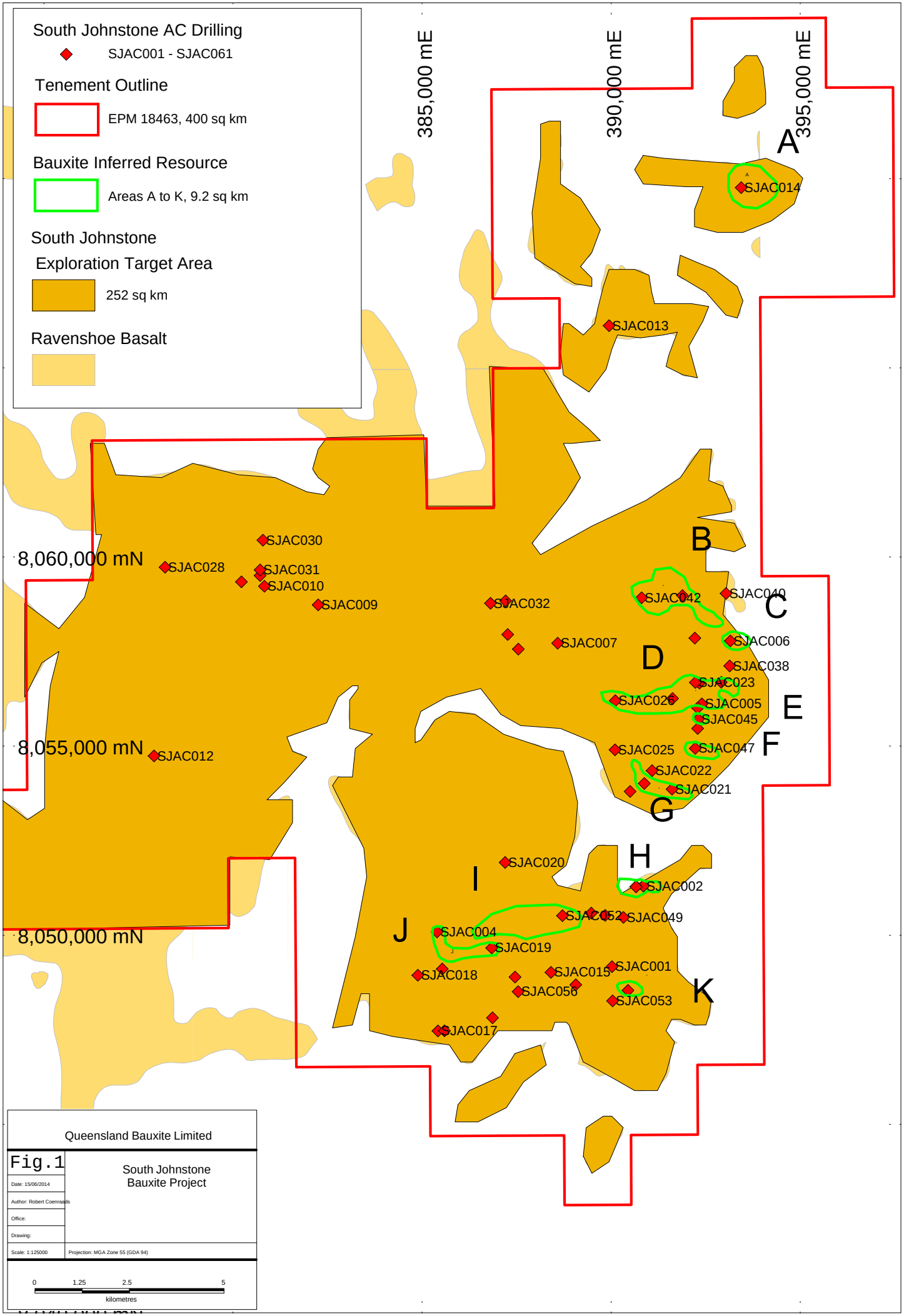
The resource is currently extrapolated out to the edge (break in slope) of the topographic feature on which the drill holes are sited, a distance of up to 1,500 metres beyond sample points as shown in Figure 3. We have chosen not to use a simple distance based assumption with regards to this resource, because of the nature of the geology and its' clearly identifiable surface expression which gives a high level of confidence with regards to the size and nature of the resource.

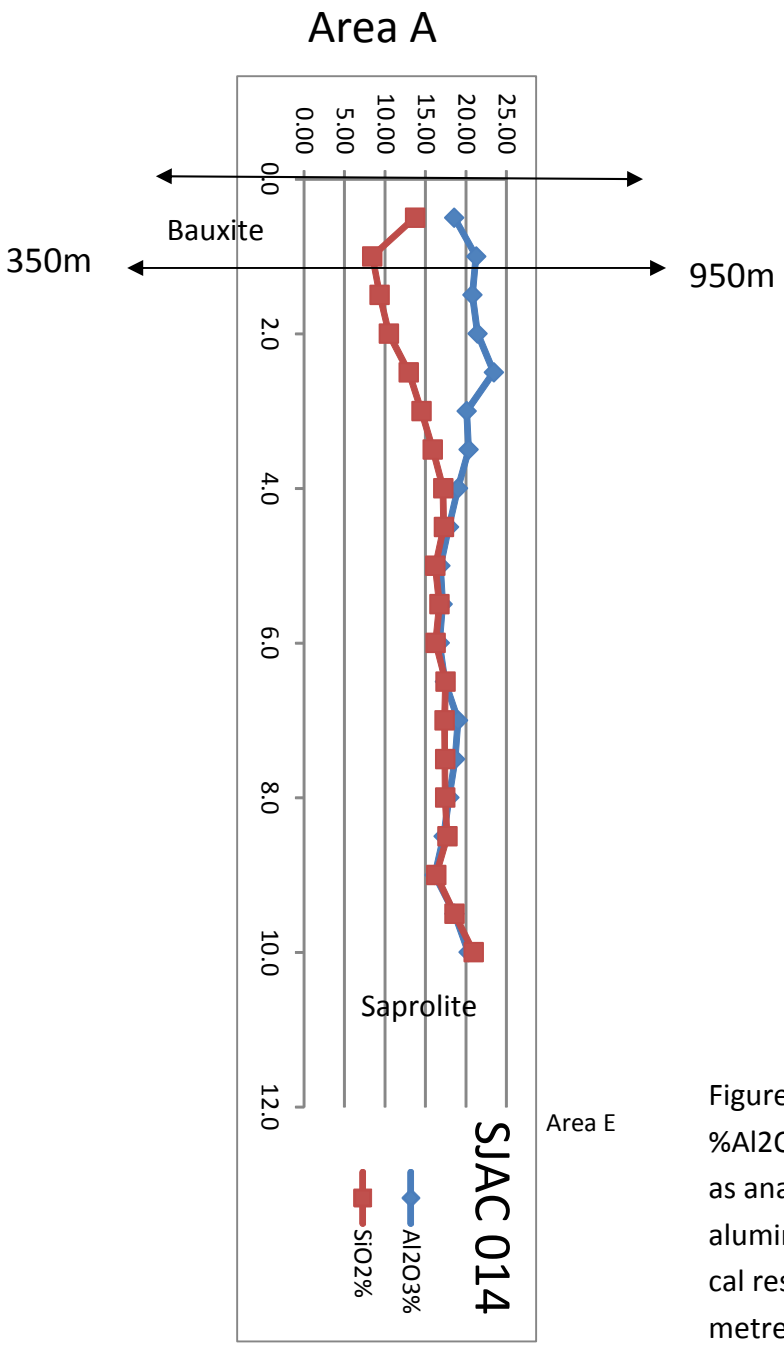
If we just use a simple distance continuity model of a radius of 200m around each borehole or group of boreholes within that confidence radius, the area is calculated as 2.3 km2. However, we believe this method not to be an accurate method of calculating a visible surface bauxite resource due to the ability to do clear surface mapping and the resultant confidence of the continuity of the drilling and analysis results to date within a clearly defined and mapped area. The principal assumption used is based upon our observations that we have a high level of geological confidence to assume that the geology and mineralisation are continuous between those boreholes containing bauxite in un-dissected terrain at the same general elevation. The possible uncertainty here is in the assumption that the mineralisation of appropriate grade is indeed continuous between boreholes and to the edges of the landform feature of which we have a strong basis to believe to be the case based on the mapping, sampling and clear results to date.

Confidence to do this extrapolation is based on the extremely simple geometry of the geologic model for the mineral deposit- a flat-lying visible weathering horizon at surface varying between 0.5 and 3 m thick with no overburden.

Based on these extrapolation assumptions, the total area of the interpreted resource is 9.2 km2, giving a volume of 17,053,000 m3 and a tonnage of 30.7mt (assuming a density of 1.8). On this basis, the extrapolated part is 76% of the total estimated Resource.

Geology/geomorphology is vital in guiding the extrapolation in this mineral resource estimation. Topographically high features, interpreted to be part of the original flat lava surface, such as plateaus, ridge tops etc., were drilled. On any such feature, where bauxite was recovered in between 1 and 5 holes and where surface landform features appear consistent (smooth, flat), the interpretation of the edge of bauxite mineralisation was carried out to the edge (break in slope) of the topographic feature, a distance varying between 100 metres and 1500 m.


South Johnstone AC Drilling
SJAC001 - SJAC061
Tenement Outline
EPM 18463, 400 sq km
Bauxite Inferred Resource
Areas A to K, 9.2 sq km
South Johnstone
Exploration Target Area
252 sq km
Ravenshoe Basalt
385,000 mE
390,000 mE
395,000 mE
8,060,000 mN
8,055,000 mN
8,050,000 mN
A
B
C
D
E
F
G
H
I
J
K
SJAC014
SJAC013
SJAC030
SJAC028
SJAC031
SJAC010
SJAC009
SJAC032
SJAC042
SJAC040
SJAC007
SJAC006
SJAC038
SJAC023
SJAC026
SJAC005
SJAC045
SJAC012
SJAC025
SJAC047
SJAC022
SJAC021
SJAC020
SJAC002
SJAC052
SJAC049
SJAC004
SJAC019
SJAC018
SJAC015
SJAC001
SJAC056
SJAC053
SJAC017
Queensland Bauxite Limited
Fig.1
South Johnstone
Bauxite Project
Date: 15/06/2014
Author: Robert Coenraads
Office:
Drawing:
Scale: 1:125000
Projection: MGA Zone 55 (GDA 94)
0
1.25
2.5
5
kilometres



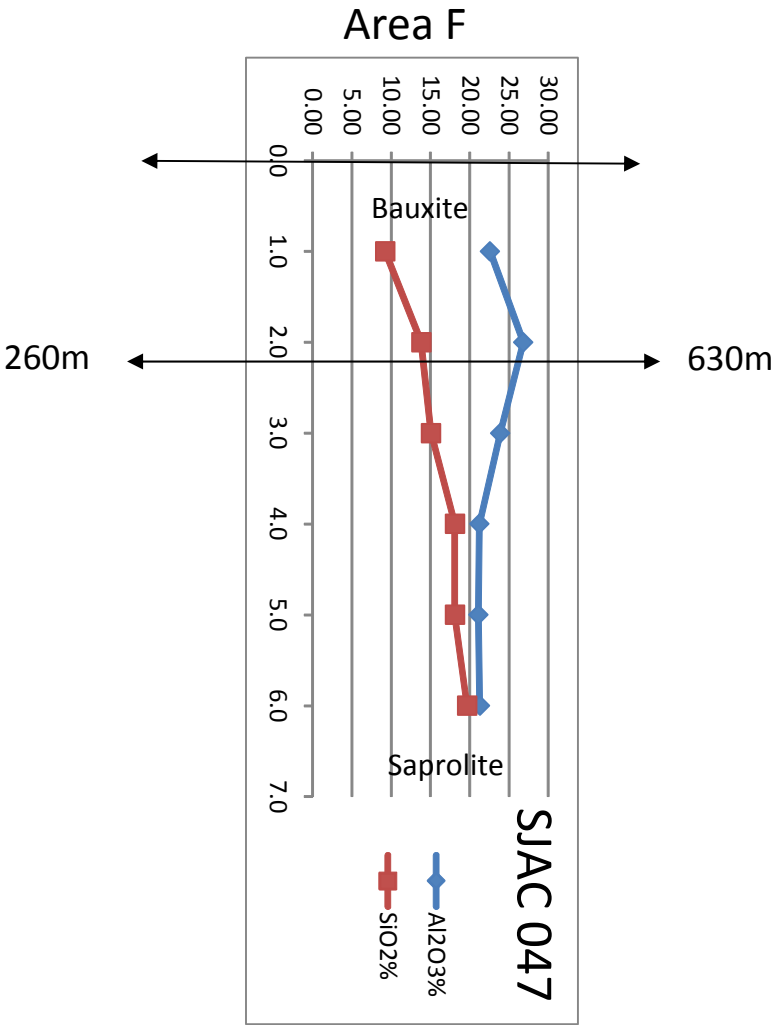


Figure 2a. South Johnstone Drill Hole Cross Sections (Areas A & F). The graphs show total %Al2O3 and %Sio2 in air core drill samples recovered at 0.5m or 1m intervals downhole as analysed with the hand-held XRF. These graphs indicate a near surface enrichment of alumina and depletion of silica. The bauxite horizon is marked based on the ALS analytical results for available alumina and reactive silica. The numbers indicate the distance in metres that the mineralization has been extrapolated either side of the hole.

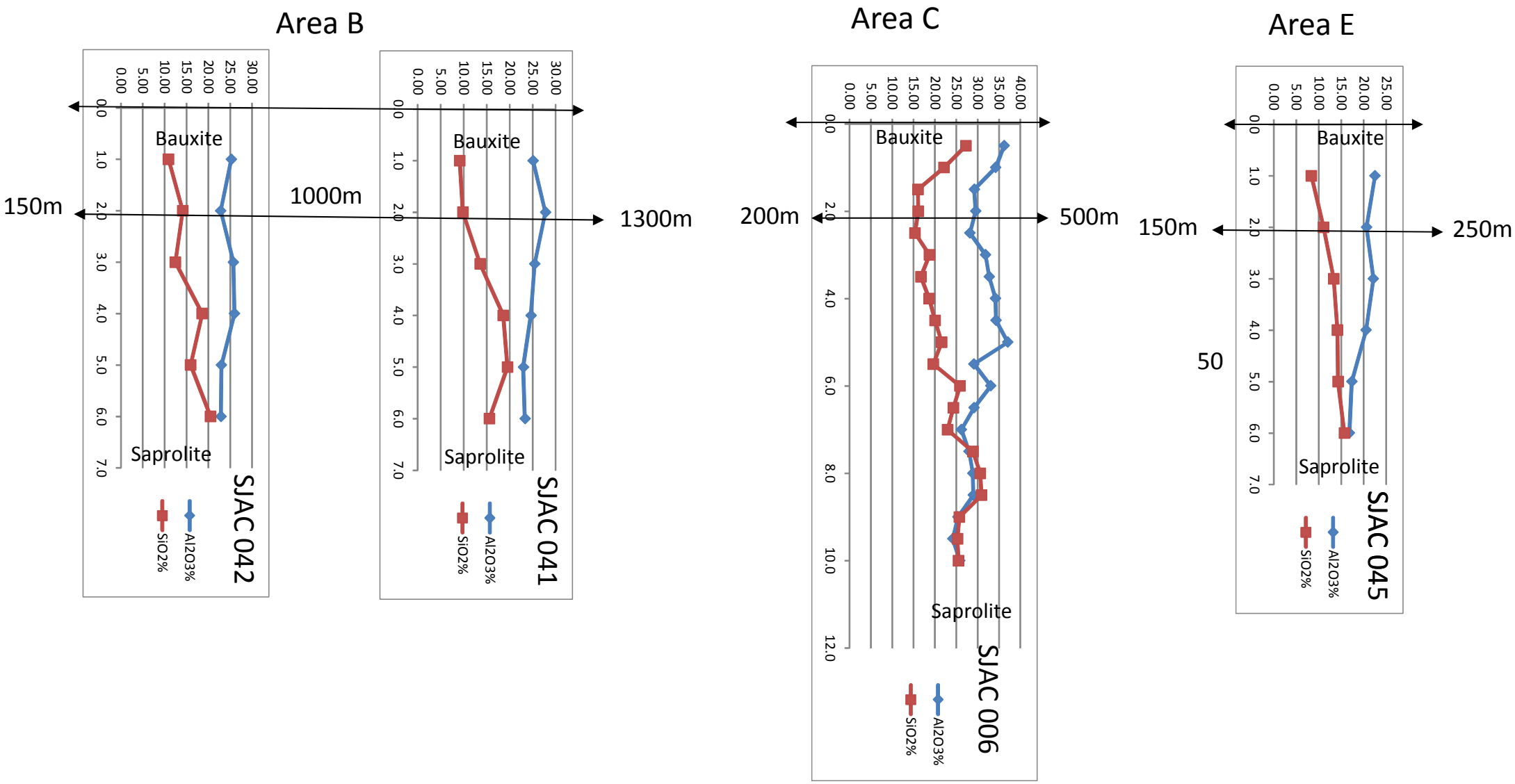


Figure 2b. South Johnstone Drill Hole Cross Sections (Areas B, C & E). The graphs show total %Al2O3 and %Sio2 in air core drill samples recovered at 0.5m or 1m intervals downhole as analysed with the hand-held XRF. These graphs indicate a near surface enrichment of alumina and depletion of silica. The bauxite horizon is marked based on the ALS analytical results for available alumina and reactive silica. The numbers indicate the distance in metres that the mineralization has been extrapolated either side of the hole and between holes.

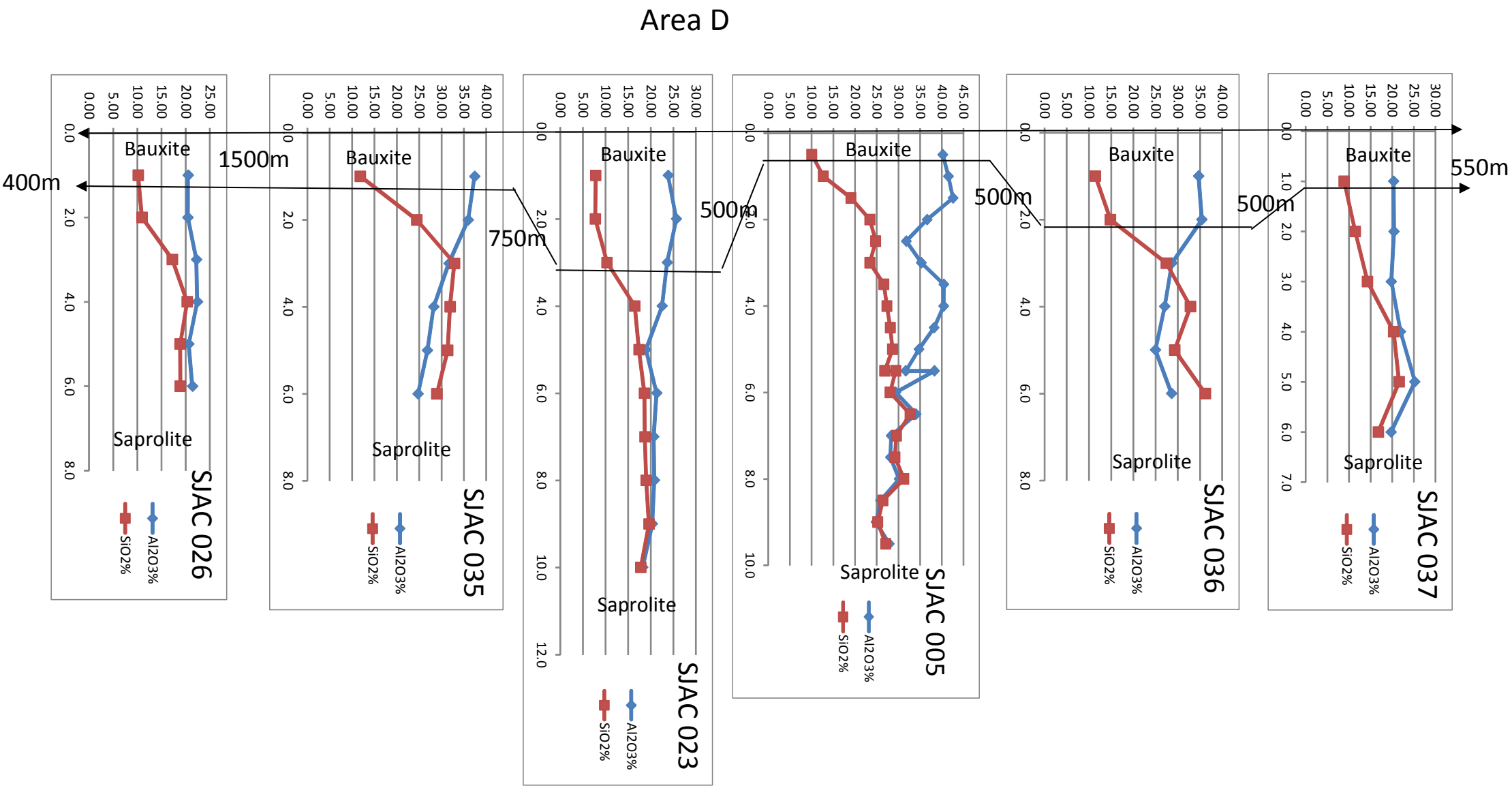


Figure 2c. South Johnstone Drill Hole Cross Sections (Area D). The graphs show total %Al2O3 and %Sio2 in air core drill samples recovered at 0.5m or 1m intervals downhole as analysed with the hand-held XRF. These graphs indicate a near surface enrichment of alumina and depletion of silica. The bauxite horizon is marked based on the ALS analytical results for available alumina and reactive silica. The numbers indicate the distance in metres that the mineralization has been extrapolated either side of the hole and between holes.

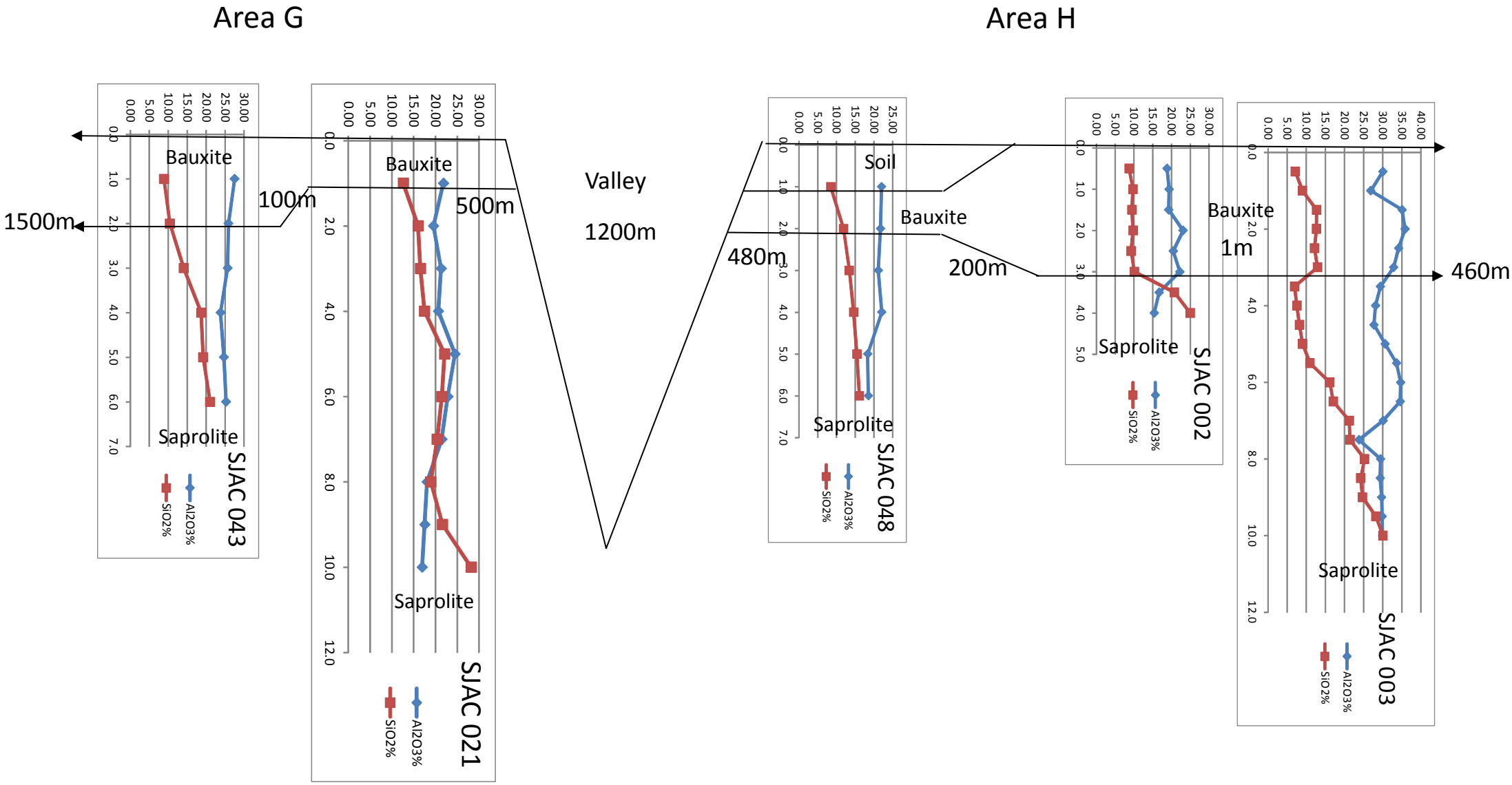


Figure 2d. South Johnstone Drill Hole Cross Sections (Areas G & H). The graphs show total %Al2O3 and %Sio2 in air core drill samples recovered at 0.5m or 1m intervals downhole as analysed with the hand-held XRF. These graphs indicate a near surface enrichment of alumina and depletion of silica. The bauxite horizon is marked based on the ALS analytical results for available alumina and reactive silica. The numbers indicate the distance in metres that the mineralization has been extrapolated either side of the hole and between holes. A valley cuts the bauxite profile between areas G and H.

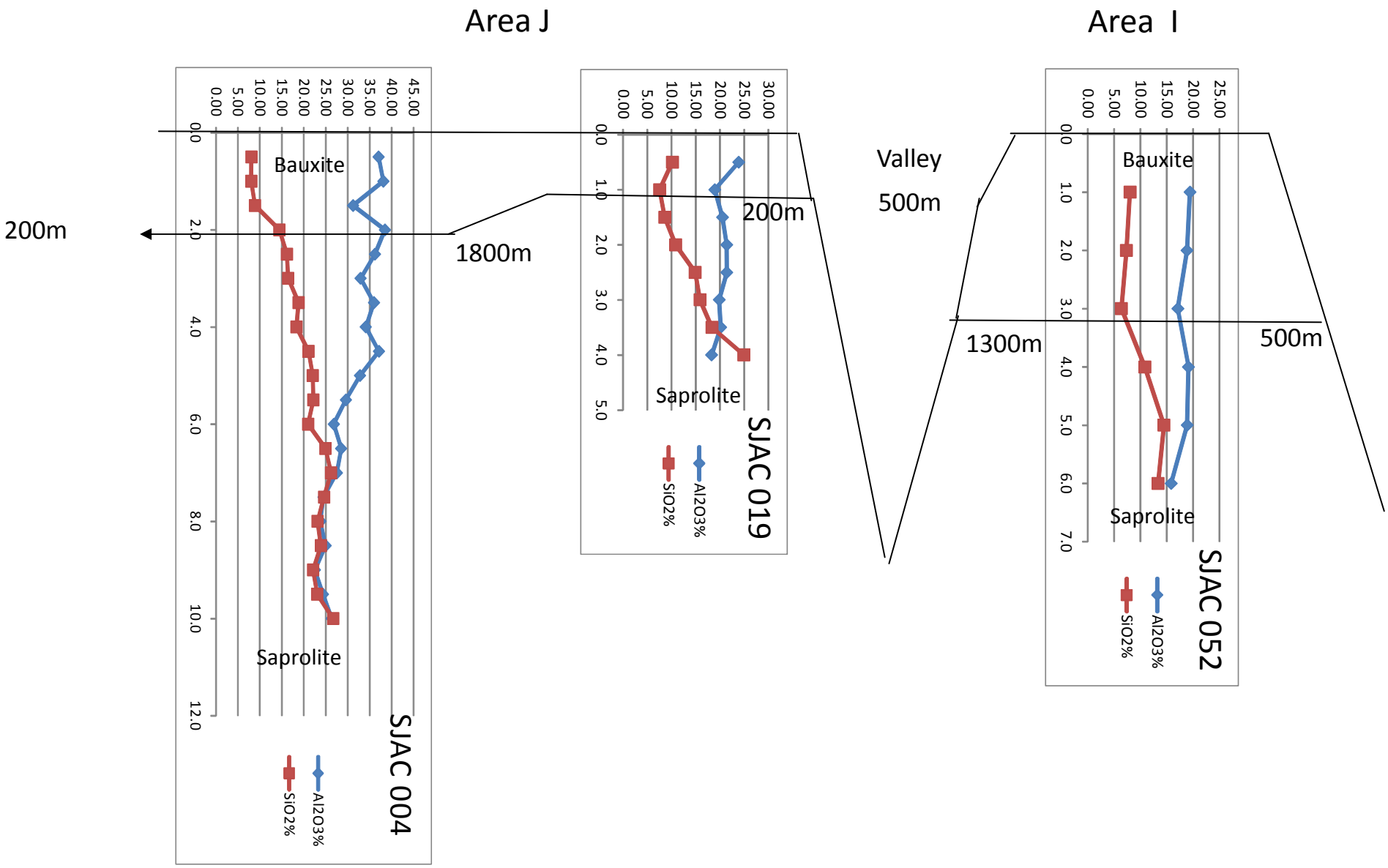
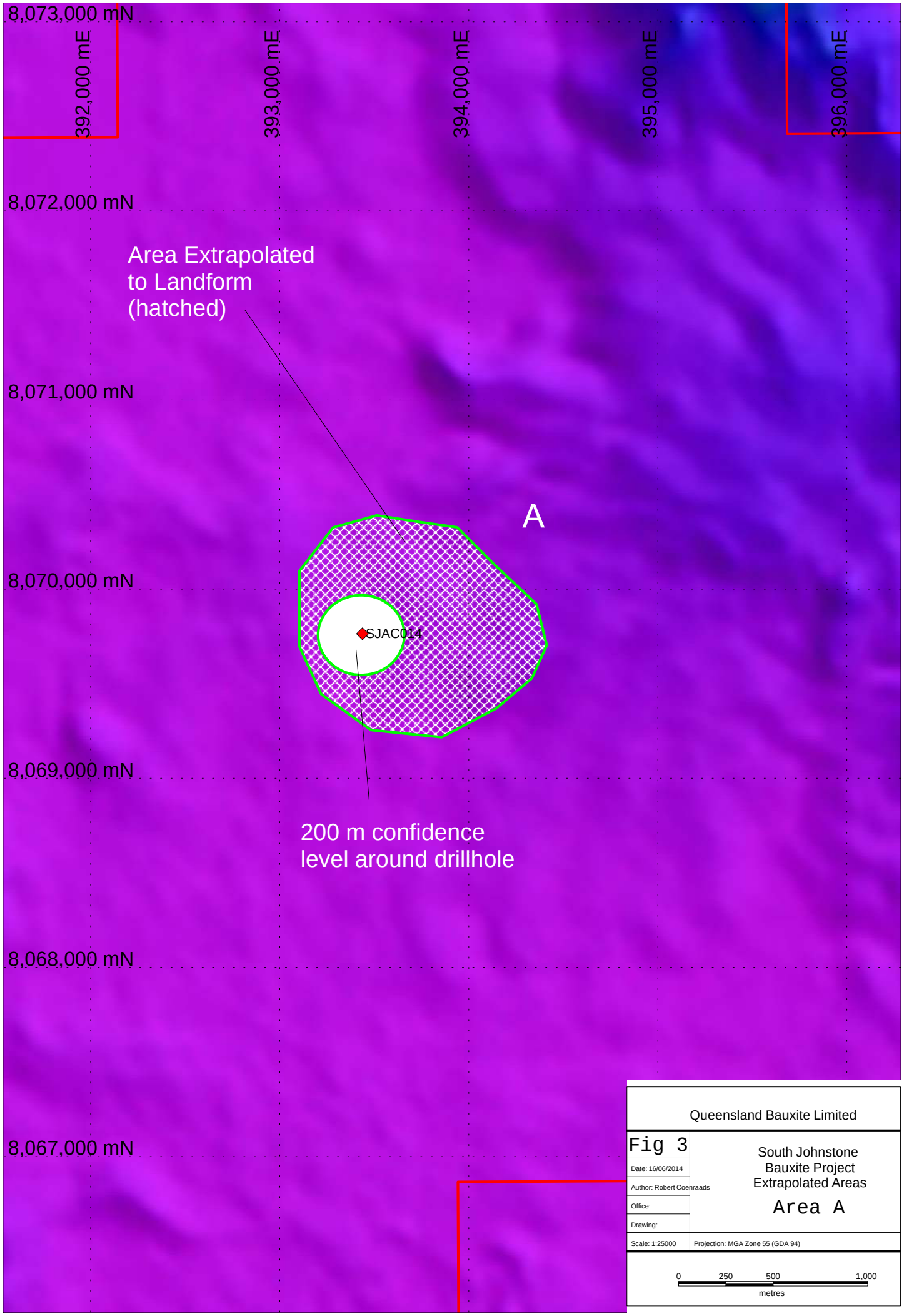


Figure 2. South Johnstone Drill Hole Cross Sections (Areas I & J)). The graphs show total %Al2O3 and %Sio2 in air core drill samples recovered at 0.5m or 1m intervals downhole as analysed with the hand-held XRF. These graphs indicate a near surface enrichment of alumina and depletion of silica. The bauxite horizon is marked based on the ALS analytical results for available alumina and reactive silica. The numbers indicate the distance in metres that the mineralization has been extrapolated either side of the hole and between holes. A valley cuts the bauxite profile between areas I and J.



Queensland Bauxite Limited

Fig 3

Date: 16/06/2014

Author: Robert Coenraads

Office:

Drawing:

South Johnstone
Bauxite Project
Extrapolated Areas

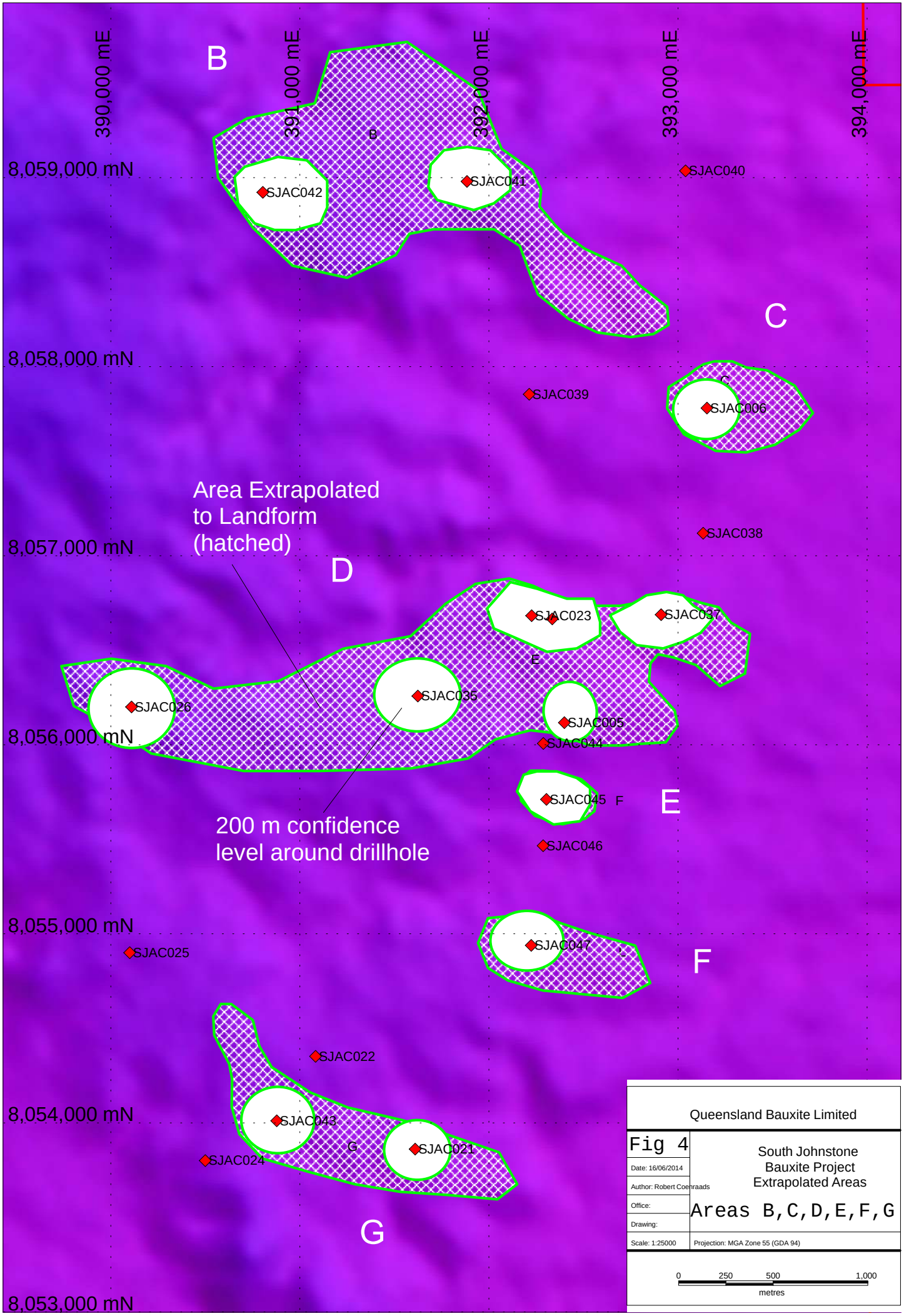
Area A

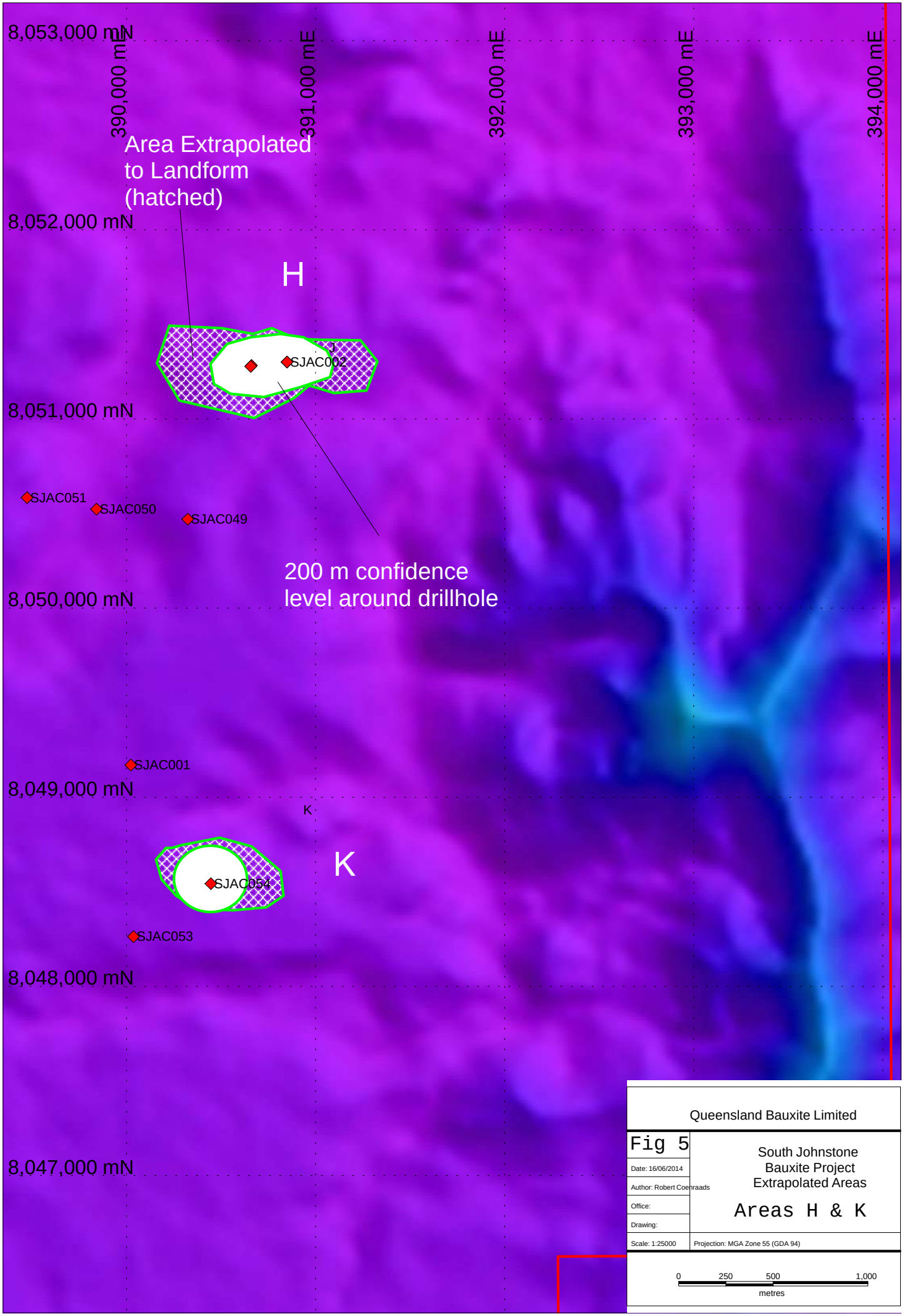
Scale: 1:25000

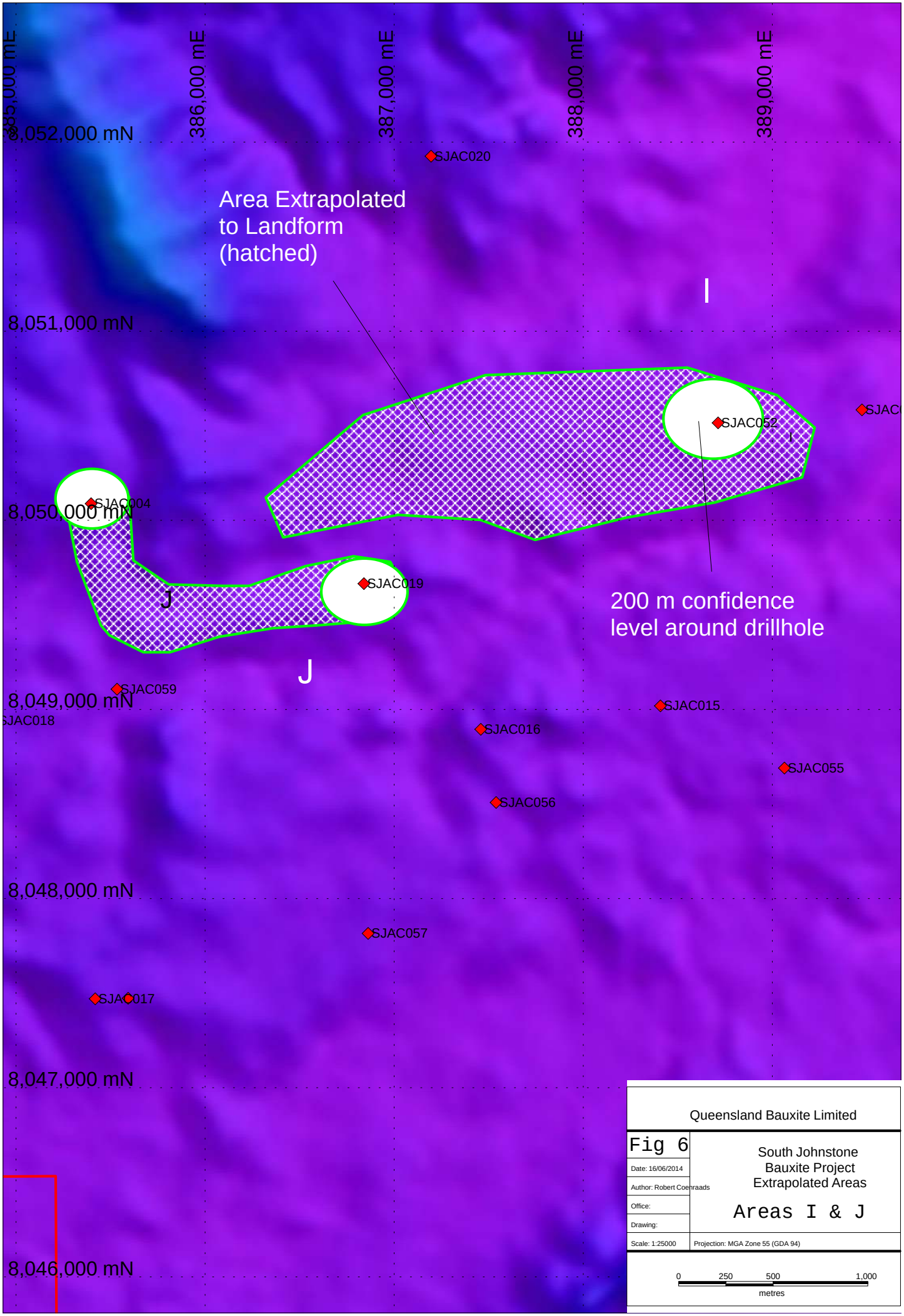
Projection: MGA Zone 55 (GDA 94)

0 250 500 1,000

metres


390,000 mE
391,000 mE
392,000 mE
393,000 mE
394,000 mE
8,059,000 mN
8,058,000 mN
8,057,000 mN
8,056,000 mN
8,055,000 mN
8,054,000 mN
8,053,000 mN
B
C
D
E
F
G
SJAC040
SJAC042
SJAC041
SJAC039
SJAC006
SJAC038
SJAC023
SJAC037
SJAC026
SJAC035
SJAC005
SJAC044
SJAC045
SJAC046
SJAC025
SJAC047
SJAC022
SJAC043
SJAC024
SJAC021
Area Extrapolated to Landform (hatched)
200 m confidence level around drillhole
Queensland Bauxite Limited
Fig 4
South Johnstone Bauxite Project
Extrapolated Areas
Areas B,C,D,E,F,G
Date: 16/06/2014
Author: Robert Coenraads
Office:
Drawing:
Scale: 1:25000
Projection: MGA Zone 55 (GDA 94)
0
250
500
1,000
metres


8,053,000 mN
390,000 mE
391,000 mE
392,000 mE
393,000 mE
394,000 mE
Area Extrapolated to Landform (hatched)
8,052,000 mN
H
SJAC002
8,051,000 mN
SJAC051
SJAC050
SJAC049
200 m confidence level around drillhole
8,050,000 mN
SJAC001
8,049,000 mN
K
K
SJAC054
SJAC053
8,048,000 mN
8,047,000 mN
Queensland Bauxite Limited
Fig 5
Date: 16/06/2014
Author: Robert Coenraads
Office:
Drawing:
Scale: 1:25000
South Johnstone Bauxite Project Extrapolated Areas
Areas H & K
Projection: MGA Zone 55 (GDA 94)
0
250
500
1,000
metres


385,000 mE
386,000 mE
387,000 mE
388,000 mE
389,000 mE
8,052,000 mN
8,051,000 mN
8,050,000 mN
8,049,000 mN
8,048,000 mN
8,047,000 mN
8,046,000 mN
SJAC020
Area Extrapolated
to Landform
(hatched)
I
SJAC052
SJAC004
SJAC019
J
J
200 m confidence
level around drillhole
SJAC059
SJAC018
SJAC015
SJAC016
SJAC055
SJAC056
SJAC057
SJAC017
Queensland Bauxite Limited
Fig 6
Date: 16/06/2014
Author: Robert Coenraads
Office:
Drawing:
South Johnstone
Bauxite Project
Extrapolated Areas
Areas I & J
Scale: 1:25000
Projection: MGA Zone 55 (GDA 94)
0
250
500
1,000
metres

The South Johnstone Project is a prospective bauxite project.

Bauxite mineralisation occurs at surface in a weathering profile that is known from the drilling to extend from 0m to a depth of about 3m. It is found as a continuous blanket overlying flat-lying basalt flows of the Atherton Province within EPM18463. 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. It is not clear how much of the material is in-situ or if some transportation has been involved, However in at least a third 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.

Drilling to date indicates there is no overburden.

Geology/geomorphology is vital in guiding the mineral resource estimation. Topographically high features, interpreted to be part of the original flat surface of the Atherton Basalt lava flows, such as plateaus, ridge tops etc., were drilled. On any such feature, where bauxite was recovered in between 1 and 5 holes and where surface landform features appear consistent (smooth and flat or gently undulating), the mineralized horizon is interpreted to extend to the edge (break in slope) of the topographic feature, a distance varying between 100 metres and 1.5 km.

The confidence in the geological interpretation of the mineral deposit is reasonable because of its simple geometry - a flat-lying visible or gently undulating weathering horizon at surface.

The principal assumption is that the geology and mineralisation is continuous between boreholes containing bauxite in un-dissected terrain at the same general elevation. However comparisons between bauxite thickness and grade have been made in drill holes 1m, 100m and 200m apart to test the assumption of continuity of the mineralized body and these show good consistency Available alumina grades vary up to 6% and reactive silica up to 2.2% about the average of the holes being compared.

Continuity of the mineral deposit is not assumed where the terrain has been dissected by younger drainages. In this case it is assumed that the bauxite has been eroded away, although this needs to be tested by drilling as there may be secondary deposits of transported bauxite in these areas.

Sampling and Sub-sampling Techniques

Air core drilling of vertical holes to an average depth of 7.5 m was carried out to recover 0.5 m sample lengths downhole (holes SJAC 001 to 015) and 1 m sample lengths (holes SJAC 016 to 060). Holes were plugged (octoplug) at a depth of 1m and backfilled. Pulverized material from air core, was collected by cyclone, dry (or damp), in a calico bag. The entire drilled sample interval was collected to assure an appropriate sample size. Each bagged sample weighed approx 2 to 3 kg. All samples were analysed by hand held XRF analyser (Innov-X) in the field (calibrated to bauxite standards (GBAP3 & GBAP7) of known composition) to provide semi-quantitative element oxides. A selection of samples were sent for assay by ALS Minerals (see results table). At the ALS laboratory. samples were riffle split and 1000g pulverized to 85% < 75 micron then analyzed 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).

Bagged samples were not subsampled. Samples were prepared by ALS to industry standards according to the techniques described above in sampling techniques. The material was friable and the grain size fine, so no sampling bias is anticipated.

Drilling Techniques

Air core drilling was carried out to industry standard using an Underdale Proline aircore drill rig. Vertical holes were drilled to an average depth of 7.5 m. Holes were plugged at a depth of 1m (by octoplug) and backfilled. Pulverized material from air core, was collected by cyclone, dry or damp, in a labelled calico bag.

Classification Criteria

Because of the preliminary nature of the exploration (60 holes drilled into a sound geological model with encouraging results in one third of those holes) plus only a preliminary understanding of the Modifying Factors of the Mineral Resource 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), the Mineral Resource must be classified into the lowest category of JORC Inferred at this early stage.

This is the competent person's opinion of the deposit based on work to date.

Sample Analysis Method

In the ALS laboratory, samples were riffle split and 1000g pulverized to 85% < 75 micron then analyzed 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).

Estimation Methodology

For this preliminary estimation exercise, it was considered appropriate to assume continuity of the mineralisation (where discovered on any particular remnant plateau or ridge top landform) to the edge of that topographic feature. Eleven areas (A to J) were identified as outlined on figure 2.

Volume calculation was made using the surface area of bauxite mineralisation (as indicated by the drilling and topographic constraints) multiplied by bauxite thickness of each block (averaged from the drilling in each block) for volume.

Previous estimates of a mineral deposit size of 43 mt at South Johnstone were made by CEC as reported above, and even though 2 of their holes (H14 and H13) were twinned by Queensland Bauxite (SJAC 001, 002 and 048), the fact that data exist for only a few of the CEC holes, and that only total alumina was reported with no silica analyses made, render these results unsuitable for inclusion in this analysis. They can act as a guide however, with Queensland Bauxite now anticipating finding bauxite in the vicinity of CEC holes H9, 10, 11 and 12 when exploration commences in that area.

Cutoff grade and average grade were determined as discussed below to determine the largest tonnage of lowest possible economic grade.

Cut-off Grades

A bauxite cut-off grade was used. Samples with under 20% available Al_2O_3 or more than 10% reactive SiO_2 were not included. The average grade calculation was based on 51 samples (a total true thickness of 40.5m bauxite drilled). This cutoff grade allows an average of 25.2% which is expected (post-beneficiation) to lie within the alumina grade range of bauxite mined on a commercial scale in the Darling Range (i.e. around 27-30% Al_2O_3) and accounting for 23% of global alumina production - reference Geoscience Australia:

http://www.ga.gov.au/products-services/publications/aimr/bauxite.html)

Mining and Metallurgical Factors

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. Ore will be trucked to nearby rail heads and transported by rail the short distance to Mourilyan Harbour as a direct shipping ore (DSO) product.

Available alumina and reactive silica results obtained from ALS's low temperature alkali leach techniques simulate conditions found in a bauxite refinery.

XRF Analytical Results from South Johnstone Drilling

X-ray Fluorescence (XRF) results have been 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). The location of the CEC drill holes are shown on Figure 1 (see Additional Information below).

Ten samples from 5 drill holes scattered across the Atherton Basalt target were analysed to determine elemental oxide percentages (by ALS using X-Ray Fluorescence - XRF). The location of the drill holes chosen are shown on Figure 1, the assumptions and methodology used are shown in JORC Table 1, and the results for each sample shown in Table 3.

This work allows a preliminary insight into the elemental make-up of the South Johnstone bauxite and its water content. The key oxides present are Al2O3 (32–38%), Fe2O3 (25-31%), SiO2 (3.0-15.9%), TiO2 (4.1-5.6%), P2O5 (0.46-1.17%), MnO (0.08-0.45%), MgO (0.07-0.45%) and Loss on Ignition LOI (18.9-23.2%). Two of the samples chosen of XRF analysis (SJAC 013 0.0-0.5 & SJAC 019 1.0 - 2.0) were sub cut-off grade bauxite (i.e. with avail Al2O3 <20% & Rx SiO2 >10%). A comparison between total alumina and available alumina, and total silica and reactive silica is shown in Table 1 below.

SAMPLE	Total Al2O3	Avail Al2O3	Total SiO2	Rx SiO2
	ALS Laboratory	ALS Laboratory	ALS Laboratory	ALS Laboratory
DESCRIPTION	%	%	%	%
SJAC 013 0.0 - 0.5	32.3	19.9	12.95	8.2
SJAC 014 0.5 - 1.0	34.5	25.3	6.31	4.2

SJAC 019 0.0 - 1.0	32.4	20.8	15.90	8.1
SJAC 019 1.0 - 2.0	33.4	19.3	12.00	10.7
SJAC 023 0.0 - 1.0	36.3	27.7	9.82	5.9
SJAC 023 1.0 - 2.0	38.2	30.8	7.49	4.9
SJAC 023 2.0 - 3.0	36.9	26.6	8.94	7.7
SJAC 052 0.0 - 1.0	37.0	29.4	9.19	2.9
SJAC 052 1.0 - 2.0	38.0	31.7	5.29	1.8
SJAC 052 2.0 - 3.0	37.1	29.4	2.98	1.9

Table 1: Comparison between Total and Available Alumina and Total and Reactive Silica

XRD results confirms Gibbsite content

Mineral ID	MASS%			
	SJAC 014 0.5-1.0	SJAC 019 1.0-2.0	SJAC 023 1.0-2.0	SJAC 052 1.0-2.0
Clay mineral	5	16	6	9
Zeolite	3	1	6	3
Zeolite (with P)	<1	0	2	0
Serpentine group	1	2	1	1
Clinochlore	2	1	1	0
Kaolinite	2	5	2	2
Mica	1	1	2	1
Alpha quartz	10	5	7	6
Al-phosphate	1	0	0	0
Al-Fe phosphate	2	0	0	0
Gibbsite	36	43	48	47
Boehmite	0	<1	0	2
Diaspore	0	0	<1	3
Goethite	7	4	1	3
Goethite (Al)	4	5	1	3
Hematite	3	3	5	5
Maghemite	0	3	7	5
Magnetite	10	0	0	0
Magnetite (Ti)	5	6	0	4
Anatase	5	2	7	5
Gypsum	0	<1	0	0
Pyrite	0	-1	-1	-1

Table 2. Results of XRD analysis of South Johnstone Samples

In conclusion, XRD testing has shown the South Johnstone bauxites to be predominantly gibbsite with lesser amounts of iron/titanium oxides, clay minerals and quartz.

Additional Information

X-ray Diffraction (XRD) Analysis at South Johnstone

Three bauxite samples SJAC 014 0.5-1.0, SJAC 23 1.0-2.0 and SJAC 32 1.0-2.0, and one of sub-bauxitic grade SJAC 019 1.0-2.0, were selected for XRD analysis to determine the mineralogy present. The depth range of the samples was chosen to start at least 0.5m below the surface so as not to include top soil.

Results

The results presented in Table 2 show that 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 SJAC 019 1.0-2.0 which explains its higher reactive silica.

Notes on Table 2: The quantitative results shown in the XRD table have been normalised to 100 %, and it should be noted that the values shown represent the relative proportion of the crystalline material in the sample. Totals greater or smaller than 100 % are due to rounding errors.

Negative results in the table indicate normally a larger than usual uncertainty in regard to the quantity of the phase reported; for some of the minor and trace phases it might also indicate an uncertainty in regard of the phase itself, or both.

- Overall crystallinity is low.

- Amorphous material is present.

- A large number of clay minerals are present, including smectite, interlayered smectite, vermiculite, palygorskite. These have been jointly reported under the general heading 'Clay mineral'.

- At least three dfferent zeolites are present, ranging from pure Si-framework to Si/Al framework zeolites.

- 'Zeolite (with P)' has been reported, as there appears to be a framework zeolite with phophorous present, which is different from the other zeolites. Identification is based on poorly defined peaks and needs to be taken with caution.

- Al-phosphate and Al-Fe phosphate represent simple phosphates (AlPO4 and (Al,Fe)PO4. They are, nonetheless, structurally complex and variable. These might be present in all four samples.

- Boehmite and diaspore identification and quantification is based on largely overlapped patterns, and both presence and quantity are somewhat uncertain. Diaspore might be present in all samples.

- Goethite and Goethite (Al) have been indepedently quantified; the overall quantity should be reasonably accurate, but individual quantities are uncertain. Goethite might contain some Mn.

- Hematite might contain some Al.

- Maghemite might contain some Ti and possibly Al.

- Anatase is likely overestimated slightly, as only one peak could be used for quantification.

- The presence of pyrite is surprising; the quantities reported are very uncertain, as the pattern shows very strong signs of alteration/weathering. It might be overestimated.

JORC Code, 2012 Edition – Table 1

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	• *Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling.* • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report.* • *In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.*	• Air core drilling: Vertical holes to an average depth of 7.5 m was carried out to recover 0.5 m sample lengths downhole (holes SJAC 001 to 015) and 1 m sample lengths (holes SJAC 016 to 060). Holes were plugged at a depth of 1m (by octoplug) and backfilled. Pulverized material from air core, was collected by cyclone, dry (damp), in a calico bag. The entire drilled sample was collected to assure an appropriate sample size. Each bagged sample weighed approx. 3 kg. • Hand held XRF analyser: All samples analysed by Innov-X in the field (calibrated to a bauxite standard of known composition) to provide semi-quantitative element oxides, with a selection of samples sent for assay by ALS Minerals (see results table 3). • Sample Prep: In the ALS laboratory. samples were riffle split and 1000g pulverized to 85% < 75 micron then analysed. • Low Temp Leach 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).. • Elemental Oxides: Based on above, 10 samples from 5 drill holes from 4 of the Resource areas were analysed by ALS to determine elemental oxide percentages by fusion x-ray diffraction (ME-XRF13n process) and water content/loss on

<table>
<tr><th>Criteria</th><th>JORC Code explanation</th><th>Commentary</th></tr>
<tr><td></td><td></td><td>ignition by TGA furnace (TGA furnace).

• XRD: The samples were pressed into a back-packed sample holder to minimize preferred orientation of the particles. Powder X-ray diffraction (XRD) was used to analyse the samples and a combination of matrix flushing and reference intensity ratio (RIR) derived constants was used in the quantification of the minerals identified in the samples. The instrument parameters are listed as follows:

<table>
<tr><td>XRD</td><td>Panalytical Empyrean</td></tr>
<tr><td>Radiation</td><td>Cu Kα 1.5406</td></tr>
<tr><td>Generator</td><td>45 kV 40 mA</td></tr>
<tr><td>Angular Range</td><td>5° to 65° 2θ</td></tr>
<tr><td>Time/Step</td><td>1s</td></tr>
<tr><td>Step Size</td><td>0.02º 2θ</td></tr>
<tr><td>Divergence Slit</td><td>0.5 mm</td></tr>
<tr><td>Anti-Scatter Slit</td><td>0.5°</td></tr>
<tr><td>Slit Type</td><td>Fixed</td></tr>
<tr><td>Rotation Speed</td><td>120 rpm</td></tr>
</table>

Results for weight percent oxides presented to 0.01% accuracy (Al2O2 &SiO2 to 0.1% accuracy), Results for available Al2O3l and rx SiO2 presented to 0.1% accuracy. XRD results presented to 1% accuracy</td></tr>
<tr><td>Drilling technique</td><td>• Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka,</td><td>• Air core drilling carried out to industry standard using an Underdale Proline</td></tr>
</table>

Criteria	JORC Code explanation	Commentary
	sonic, etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc.).	aircore drill rig
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	• Samples collected in calico bags labelled with hole number and depth interval, and duplicate label on an aluminium tag included in bag. Representative samples collected in chip trays labelled by hole number and interval. • The entire sample interval was collected and no loss of fines was noted.
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.* • *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography.* • *The total length and percentage of the relevant intersections logged.*	• Samples described geologically on site, analysed with hand-held XRF and photographed. Separation between potential bauxite (red/yellow) and weathered basalt (grey/black) was possible at this stage. Samples with high alumina and low silica as recorded on the XRF were selected for analysis. All 60 holes were logged as described providing semi-quantitative percent total elemental oxide results for Al2O3, SiO2, Fe2O3 and TiO2, over a total of 460 m.
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc. and*	• Bagged samples were not subsampled. • Samples were prepared by ALS to industry standards according to the techniques described above in sampling techniques • Material soft and friable, grain size fine.

Criteria	JORC Code explanation	Commentary
	whether sampled wet or dry. • *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* • *Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.*	• Samples were analysed by ALS Minerals according to their industry standards. Results for Avail-alumina and Rx-silica and weight percent oxides presented to 0.01% accuracy. • A QC certificate (BR14078034) was issued by ALS for the low temperature leach containing 2 standards, 2 blanks and 2 duplicate samples. • A QC certificate (BR14078034) was issued by ALS for the high temperature leach containing 2 standards, 2 blanks and 2 duplicate samples • A QC certificate (BR14086033) was issued by ALS for total oxide weight percent by fusion XRF and LOI by TGA furnace containing 4 standards, 1 blanks and 3 duplicate samples. • A QC certificate (BR14090104_67782-27328381 was issued for for Al2O3 avbl and rx SiO2 presented to 0.1% accuracy with 2 standards, 2 blanks and 3 duplicates.

Criteria	JORC Code explanation	Commentary
		• These certificates show acceptable levels of accuracy (i.e. lack of bias) and precision have been established.
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* • *Discuss any adjustment to assay data.*	• Sampling was carried out by independent laboratory ALS. • Twinned sampling was carried out (SJAC 002 and 003) as detailed below and preliminary experiments carried out to test continuity at a distance between holes of 100m and 200m as described below. • Results stored by ALS Minerals and in two places in the Company's in-house system • Assay results are presented as reported with no adjustment. • Samples were analysed from a twinned hole (drilled next to one another) SJAC 002 and SJAC 003 and the first 3 m of each analysed (over intervals of 0.5 m; i.e. 6 samples from each hole). Available alumina varied by less than 2.6% of the mean result of a particular interval and reactive silica varied by less than 1.7% from the mean.
Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.* • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	• Drill hole collars were located using hand-held GPS (accuracy 5 m). • Coordinates recorded in GDA94. • Topographic control to ± 10mprovided by 1:100,000 topographic sheets; Atherton 7963, Bartle Frere 8063, Ravenshoe 7962 and Tully 8062; contour elevation interval 20m.
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *Whether the data spacing and distribution is sufficient to establish the degree of*	• EPM18463 was drilled at a spacing varying between 100m and 5km within the target geological unit (Atherton Basalt Terrain), and at a spacing of 100m to 1.5km surrounding and within the areas defined as containing

Criteria	JORC Code explanation	Commentary
	geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. • *Whether sample compositing has been applied.*	bauxite resource. The deposit is a surficial deposit formed on flat-lying to gently undulating topography giving reasonable confidence to interpolate geology from hole to hole. • In relation to the resource calculation, samples were analysed from a pair of holes (spaced 110m apart) SJAC 023 and SJAC 036 and the first 2 m of each hole analysed (over intervals of 1 m ie 2 samples from each hole). Available alumina varied by less than 3.1% of the mean result of a particular interval and reactive silica varied by less than 2.2% from the mean. • Further, samples were analysed from SJAC 048 drilled at a distance of 200m from the twinned holes SJAC 002 and SJAC 003 and the first 2 m of the holes compared (over intervals of 1 m i.e. 2 samples from each hole). Available alumina varied by less than 5.9% of the mean result of a particular interval and reactive silica varied by less than 2.1% from the mean. • In relation to the XRF results, Samples were analysed from holes in Area A (SJAC 014), Area D (SJAC 023), Area I (SJAC 052) and Area J (SJAC 019). A below cut-off bauxite sample from SJAC 013 was also analysed. Total weight percent oxides. XRD results are presented in Table 2. Total and available alumina results and total and reactive silica results are compared in Table 4. • No sample composting has been applied.
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *If the relationship between the drilling orientation and the orientation of key mineralised*	• The deposit is considered as a planar horizontal sheet of approximately 1 to 3 m thick located at surface (surficial weathered deposit developed on flow basalts of the Atherton Province. • Shallow vertical drilling was carried out along the network of roads crossing the deposit sampling the mineralisation at right angles (i.e. yielding a true thickness).

Criteria	JORC Code explanation	Commentary
	structures is considered to have introduced a sampling bias, this should be assessed and reported if material.	
Sample security	• *The measures taken to ensure sample security.*	• Samples were shipped to the Company's storage facility (locked and alarmed) in Inverell, NSW, and there stored on pallets prior to shipment by TNT road transport to ALS minerals in Brisbane.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• There have been no audits or reviews of sampling techniques and data.

Section 2 Reporting of Exploration Results

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	• *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.* • *The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.*	• The Exploration Permit EPM 18463 is 100% held by Queensland Bauxite Limited. • The tenement is secure at the present time.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration 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. • The reports are based on drilling carried out using a Proline aircore rig and the subsequent analyses. The drill holes were plotted on the Queensland Two Mile Series Sheet 403. QBL transferred these data points to a database, and these data are plotted in Figure 1 and as cross sections Figure 2. • QBL total alumina results lie in the range from 32% to 38% Al2O3 and these results compare directly with the results reported by Carpentaria Exploration Company (CEC) in 1961 of 31% to 37%.
Geology	• *Deposit type, geological setting and style of mineralisation.*	• Bauxite mineralisation occurs at surface in a weathering profile that is known from the drilling to extend from 0m to a depth of about 3m. It is found as a continuous blanket overlying flat-lying basalt flows of the Atherton Province within EPM18463. The deposit formed by weathering of the

Criteria	JORC Code explanation	Commentary
		basalt surfaces with resultant leaching of silica downwards and concentration of alumina at the surface of the profile.
Drill hole Information	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:* ○ *easting and northing of the drill hole collar* ○ *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar* ○ *dip and azimuth of the hole* ○ *down hole length and interception depth* ○ *hole length.* • *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*	• Collar coordinates, RL, dip and azimuth for the 60 holes drilled are presented in Table 1A. • Analytical data for the holes analysed and discussed in this report are presented in Tables 1, 2, 3 & 4. • No material data have been excluded.
Data aggregation methods	• *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated.* • *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure*	• The average grade calculation was based on 76 samples drilled and analysed giving 25.2% Avbl Al2O3 and 6.9% Rx SiO2. In order to calculate this average grade for the material drilled, a bauxite cut-off grade was used. Samples with less than 20% available Al2O3 or greater than 10% reactive SiO2 were not included in the average. This cutoff grade was chosen to produce an average sitting just below the lower end of (and, following beneficiation, expected to rise into) the alumina grade range of bauxite mined on a commercial scale in the Darling Range

Criteria	JORC Code explanation	Commentary
	used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail. • *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	and accounting for 23% of global alumina production (around 27-30% Al2O3) reference Geoscience Australia http://www.ga.gov.au/products-services/publications/aimr/bauxite.html) • Refer to Table 3. • No aggegations have been used on these data. • No metal equivalent values have been reported.
Relationship between mineralisation widths and intercept lengths	• *These relationships are particularly important in the reporting of Exploration Results.* • *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.* • *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known').*	• Bauxite mineralisation occurs 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.
Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	• See report body for Figure 1.
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	• All exploration data (ALS analytical results and their location and depth range, etc.) are presented in the report – grade averages, number of samples, analytical results, and ranges of values are presented and explained.
Other substantive exploration	• *Other exploration data, if meaningful and material, should be reported including (but not*	• Other exploration results; geologic logging of recovered samples, chip tray photographs and semi-

Criteria	JORC Code explanation	Commentary
data	*limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	quantitative hand-held XRF results are not included here as they are not material to the calculations presented.
Further work	• *The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	• A shallow auger drilling program on an initial grid of 400 sq. m within the 250 sq. km Atherton Basalt target area is proposed (1600 points) to define the mineralisation within this area, with samples for the upper three metres collected at 0.5m intervals and being sent to ALS Brisbane for analysis for available alumina and reactive silica. • At present the undrilled portions of the Atherton basalt remain prospective and a shallow drilling program is proposed as described above.

Section 3 Estimation and Reporting of Mineral Resources

(Criteria listed in section 1, and where relevant in section 2, also apply to this section.)

Criteria	JORC Code explanation	Commentary
Database integrity	• *Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes.* • *Data validation procedures used.*	• Samples labelled in duplicate (aluminum tag in calico bag and permanent marker on bag). Samples bagged by hole and shipped to ALS on shrink wrapped pallet. Samples processed to industry samples and results returned on signed certificate plus QC analysis. Data also returned by ALS as editable .csv file to eliminate keying & transcription errors.
Site visits	• *Comment on any site visits undertaken by the Competent Person and the outcome of those visits.* • *If no site visits have been undertaken indicate why this is the case.*	• The competent person visited the project area 3 times: A preliminary tenement familiarization field trip; a second visit to GPS locate historic CEC holes, to plan holes adjacent to CEC holes that encountered bauxite according to Znebejanek (1961), and to organize landholder approval for drilling to take place in these areas; and a third visit, post drilling, to discuss findings with Queensland Bauxite's project geologist.
Geological interpretation	• *Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit.* • *Nature of the data used and of any assumptions made.* • *The effect, if any, of alternative interpretations on Mineral Resource estimation.* • *The use of geology in guiding and controlling Mineral Resource estimation.* • *The factors affecting continuity both of grade and geology.*	• Confidence in the geological interpretation of the mineral deposit is reasonable because of its simple geometry - a flat-lying visible weathering horizon at surface. Drilling to date indicates there is no overburden. • Principal assumption is that the geology and mineralisation is continuous between boreholes containing bauxite in un-dissected terrain at the same general elevation. • Geology/geomorphology is vital in guiding the mineral resource estimation. Topographically high features, interpreted to be part of the original flat lava surface, such as plateaus, ridge tops etc., were drilled. On any such feature, where bauxite was recovered in between 1 and 5 holes and where surface landform features appear consistent (smooth, flat), the interpretation of the edge of bauxite mineralisation is carried out to the edge (break in slope) of the topographic feature, a distance varying between 100 metres and 1.5 km. • Comparisons between thickness and

Criteria	JORC Code explanation	Commentary
		grade have been made in drill holes 1m, 100m and 200m apart with available alumina grades varying up to 17% and reactive silica up to 22% about the average. • Continuity of the mineral deposit is not assumed where the terrain has been dissected by younger drainages. In this case it is assumed that the bauxite has been eroded away, although this needs to be tested by drilling as there may be deposits of transported bauxite mineralisation in these areas
Dimensions	• *The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.*	• The deposit is flat-lying with air core penetration up to 10m (limited by the number of extension rods carried on the rig) bauxite was encountered in the upper 3 metres of 22 of the 60 holes drilled (i.e. in 37% of the holes drilled)
Estimation and modelling techniques	• *The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used.* • *The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data.* • *The assumptions made regarding recovery of by-products.* • *Estimation of deleterious elements or other non-grade variables of economic significance (eg sulphur for acid mine drainage characterisation).* • *In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed.* • *Any assumptions behind modelling of selective mining units.* • *Any assumptions about correlation between variables.* • *Description of how the geological interpretation was used to control the resource estimates.* • *Discussion of basis for using or not using grade cutting or capping.*	• For this preliminary estimation exercise, it was considered appropriate to assume continuity of the mineralisation (where discovered on any particular remnant plateau or ridge top landform) to the edge of that topographic feature. Eleven areas (A to J) were identified as outlined on the accompanying figure, • Volume calculation was made using the surface area of bauxite mineralisation (as indicated by the drilling and topographic constraints) multiplied by bauxite thickness of each block (averaged from the drilling in each block) for volume. • Previous estimates of a mineral deposit size of 43 mt at South Johnstone were made by CEC as reported above, and even though 2 of their holes (H14 and H13) were twinned by Queensland Bauxite (SJAC 001, 002 and 048), the fact that data exist for only a few of the CEC holes, and that only total alumina was reported with no silica analyses made, render these results unsuitable for inclusion in this analysis. They can act as a guide however, with Queensland Bauxite now anticipating finding bauxite in the vicinity of CEC holes H9, 10, 11 and 12 when exploration commences in that area. • Cutoff grade and average grade were determined as discussed above to determine the largest tonnage of lowest possible grade.

Criteria	JORC Code explanation	Commentary
	• *The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available.*	
Moisture	• *Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.*	• Bauxite tonnage was calculated from volume using 1.8 dry tonnes per cubic metre in situ based on conservative estimates for high iron bauxite provided by independent geologist Morgan (2011) and comparable with figures used by other company reports.
Cut-off parameters	• *The basis of the adopted cut-off grade(s) or quality parameters applied.*	• A bauxite cut-off grade was used. Samples with under 20% available Al2O3 or more than 10% reactive SiO2 were not included. The average grade calculation was based on 51 samples (a total true thickness of 40.5m bauxite drilled). This cutoff grade allows an average of 25.2% which is expected (post-beneficiation) to lie within the alumina grade range of bauxite mined on a commercial scale in the Darling Range (i.e. around 27-30% Al2O3) and accounting for 23% of global alumina production - reference Geoscience Australia http://www.ga.gov.au/products-services/publications/aimr/bauxite.html)
Mining factors or assumptions	• *Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.*	• 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. Ore will be trucked to nearby rail heads and transported by rail the short distance to Mourilyan Harbour as a direct shipping ore (DSO) product.
Metallurgical factors or assumptions	• *The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may*	• Available alumina and reactive silica results obtained from ALS's low temperature alkali leach techniques simulate conditions found in a bauxite refinery. • No other metallurgical treatment studies, such as beneficiation studies and high temperature leach trials, have been conducted on the bauxite at this stage, although an improvement in grade is expected based on trials

Criteria	JORC Code explanation	Commentary
	not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.	conducted by other companies
Environmental factors or assumptions	• *Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.*	• No environmental studies have been conducted at present. The land is currently being used for large and small acreage agricultural activities (principally sugar cane and bananas). • It is being assumed that a mining licence would be granted by government for an open cut extraction operation. • It is being assumed that no unforeseen environmental difficulties, landholder, native title, or other issues would impact on the mining and processing operation.
Bulk density	• *Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples.* • *The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc), moisture and differences between rock and alteration zones within the deposit.* • *Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.*	• No bulk density studies of the bauxite have been carried out at present. • A conservative dry bulk density figure of 1.8 for iron-rich bauxite has been used to carry out the above resource modelling. As no density work has been carried out, this value could be reasonably varied between 1.6 and 1.9 for the generation of minimum and maximum case models
Classification	• *The basis for the classification of the Mineral Resources into varying confidence categories.* • *Whether appropriate account has been taken of all relevant factors (ie relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data).* • *Whether the result appropriately reflects the Competent Person's view of the deposit.*	• Because of the preliminary nature of the exploration (60 holes drilled into a sound geological model with encouraging results in one third of those holes) plus only a preliminary understanding of the Modifying Factors of the Mineral Resource 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), the Mineral Resource must be classified into the lowest category of JORC

Criteria	JORC Code explanation	Commentary
		Inferred at this early stage. • This is the competent person's opinion of the deposit based on work to date.
Audits or reviews	• *The results of any audits or reviews of Mineral Resource estimates.*	• No audits or reviews of the Mineral Resource estimate has been carried out.
Discussion of relative accuracy/ confidence	• *Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate.* • *The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.* • *These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.*	Only limited geostatistical procedures have been carried out to quantify the relative accuracy of the Resource estimate of 30 m tonnes at this preliminary stage. Following are a list of the factors that could affect the relative accuracy and confidence of the estimate; • 1. The estimate of thickness: this varies between 0.5m and 3m in holes drilled in different areas with a mean of 1.8. Varying from the mean by 0.5m each way in the model causes the resource estimate to vary between 21.6mt and 38.2mt. • The estimate of bauxite dry bulk density could vary between 1.6 and 1.9. Using these values in the model causes the resource estimate to vary between 27mt and 32mt. • The estimate of area is based on geology and landform which involves extrapolation, in two cases, of up to 1,500m between boreholes. There is uncertainty here in the assumption that the mineralisation of appropriate grade is indeed continuous between boreholes and to the edges of the landform feature. If this confidence of continuity is restricted to a radius of 200m around each borehole or group of boreholes with that radius, the area reduces to 2.3 km2 the resource calculation is reduced to 7.5mt. • The resource estimate of 30mt is comparable to the estimate of 43mt made by CEC (Znebejanek, 1961) based on their drilling, although no calculations were presented in their report and the acid-soluble alumina analyses were non-compliant for use in estimation of a bauxite resource.

Exploration results

- Collar coordinates, RL, dip and azimuth for the 60 holes drilled are presented in a separate table.
- Analytical data for the 22 holes analyzed are presented in a separate table.
- No material data have been excluded.

DATE	HOLE_ID	GDA94 mE	GDA94 mN	Prospect	Dip	From (m)	End of Hole (m)	Sampled from	Sampled to	# Samples
6/10/2011	SJAC001	390023	8049170	EPM18463	90°	0	10	0	3	3
6/10/2011	SJAC002	390849	8051301	EPM18463	90°	0	3.7	0	3	3
6/10/2011	SJAC003	390849	8051301	EPM18463	90°	0	10	0	5	5
7/10/2011	SJAC004	385397	8050088	EPM18463	90°	0	10	0	4	4
7/10/2011	SJAC005	392399	8056117	EPM18463	90°	0	10	0	3	3
7/10/2011	SJAC006	393153	8057781	EPM18463	90°	0	10	0	3	3
8/10/2011	SJAC007	388584	8057721	EPM18463	90°	0	10	0	3	3
8/10/2011	SJAC008	387545	8057565	EPM18463	90°	0	10	0	3	3
8/10/2011	SJAC009	382253	8058734	EPM18463	90°	0	10	0	3	3
8/10/2011	SJAC010	380830	8059227	EPM18463	90°	0	4.7	0	3	3
8/10/2011	SJAC011	380718	8059509	EPM18463	90°	0	10	0	3	3
8/10/2011	SJAC012	377912	8054739	EPM18463	90°	0	10	0	5	5
8/10/2011	SJAC013	389944	8066115	EPM18463	90°	0	10	0	3	3
8/10/2011	SJAC014	393438	8069764	EPM18463	90°	0	10	0	3	3
6/10/2011	SJAC015	388408	8049019	EPM18463	90°	0	10	0	5	5
9/10/2011	SJAC016	387458	8048895	EPM18463	90°	0	10	0	3	3
9/10/2011	SJAC017	385419	8047470	EPM18463	90°	0	10	0	3	3
9/10/2011	SJAC018	384889	8048942	EPM18463	90°	0	10	0	3	3
9/10/2011	SJAC019	386840	8049665	EPM18463	90°	0	10	0	3	3
9/10/2011	SJAC020	387195	8051925	EPM18463	90°	0	10	0	3	3
9/10/2011	SJAC021	391610	8053861	EPM18463	90°	0	10	0	3	3
9/10/2011	SJAC022	391083	8054352	EPM18463	90°	0	10	0	3	3
9/10/2011	SJAC023	392226	8056683	EPM18463	90°	0	10	0	3	3
10/10/2011	SJAC024	390500	8053800	EPM18463	90°	0	10	0	3	3
10/10/2011	SJAC025	390100	8054900	EPM18463	90°	0	6	0	3	3
10/10/2011	SJAC026	390110	8056200	EPM18463	90°	0	6	0	3	3
10/10/2011	SJAC027	3857200	8057200	EPM18463	90°	0	10	0	3	3
13/10/2011	SJAC028	378202	8059729	EPM18463	90°	0	6	0	3	3
13/10/2011	SJAC029	380221	8059342	EPM18463	90°	0	6	0	3	3
13/10/2011	SJAC030	380791	8060443	EPM18463	90°	0	6	0	3	3
13/10/2011	SJAC031	380716	8059657	EPM18463	90°	0	6	0	3	3
14/10/2011	SJAC032	386809	8058775	EPM18463	90°	0	6	0	3	3
14/10/2011	SJAC033	387210	8058840	EPM18463	90°	0	4	0	3	3
14/10/2011	SJAC034	387264	8057949	EPM18463	90°	0	6	0	3	3
14/10/2011	SJAC035	391624	8056258	EPM18463	90°	0	6	0	3	3
14/10/2011	SJAC036	392335	8056666	EPM18463	90°	0	6	0	3	3
14/10/2011	SJAC037	392911	8056688	EPM18463	90°	0	6	0	3	3
14/10/2011	SJAC038	393133	8057119	EPM18463	90°	0	6	0	3	3
14/10/2011	SJAC039	392213	8057854	EPM18463	90°	0	6	0	3	3
14/10/2011	SJAC040	393040	8059036	EPM18463	90°	0	6	0	3	3
14/10/2011	SJAC041	391884	8058980	EPM18463	90°	0	6	0	3	3
14/10/2011	SJAC042	390804	8058922	EPM18463	90°	0	6	0	3	3
16/10/2011	SJAC043	390878	8054011	EPM18463	90°	0	6	0	3	3
16/10/2011	SJAC044	392288	8056007	EPM18463	90°	0	6	0	3	3
16/10/2011	SJAC045	392304	8055711	EPM18463	90°	0	6	0	3	3
16/10/2011	SJAC046	392287	8055466	EPM18463	90°	0	6	0	3	3
16/10/2011	SJAC047	392224	8054939	EPM18463	90°	0	6	0	3	3
16/10/2011	SJAC048	390661	8051283	EPM18463	90°	0	6	0	3	3
16/10/2011	SJAC049	390324	8050470	EPM18463	90°	0	6	0	3	3
16/10/2011	SJAC050	389841	8050523	EPM18463	90°	0	6	0	3	3
16/10/2011	SJAC051	389474	8050584	EPM18463	90°	0	6	0	3	3
16/10/2011	SJAC052	388713	8050515	EPM18463	90°	0	6	0	3	3
17/10/2011	SJAC053	390037	8048263	EPM18463	90°	0	6	0	3	3
17/10/2011	SJAC054	390446	8048543	EPM18463	90°	0	6	0	3	3
17/10/2011	SJAC055	389064	8048690	EPM18463	90°	0	6	0	3	3
17/10/2011	SJAC056	387539	8048508	EPM18463	90°	0	6	0	3	3
17/10/2011	SJAC057	386862	8047816	EPM18463	90°	0	6	0	3	3
17/10/2011	SJAC058	385593	8047473	EPM18463	90°	0	6	0	3	3
17/10/2011	SJAC059	385534	8049107	EPM18463	90°	0	6	0	3	3
17/10/2011	SJAC061	390657	8051278	EPM18463	90°	0	20	0	3	3

Table 1A

BR14078034 - Finalized			
CLIENT : "QUEBAU - Queensland Bauxite Ltd"			
# of SAMPLES : 76			
DATE RECEIVED : 2014-05-26 DATE FINALIZED : 2014-06-06			
PROJECT : "South Johnstone"			
CERTIFICATE COMMENTS : ""			
PO NUMBER : "Email"			
	WEI-21	Al-LICP01	Si-LICP01
SAMPLE	Recvd Wt.	Al2O3avl	Rx SiO2
DESCRIPTION	kg	%	%
SJAC 002 0.0 - 0.5	2.6	27.7	3.9
SJAC 002 0.5 - 1.0	2.31	24.5	6.8
SJAC 002 1.0 - 1.5	2.5	22.4	9
SJAC 002 1.5 - 2.0	2.45	22.3	9.9
SJAC 002 2.0 - 2.5	2.57	22.9	9.9
SJAC 002 2.5 - 3.0	2.64	22.8	9.3
SJAC 003 0.0 - 0.5	2.59	32.7	3.9
SJAC 003 0.5 - 1.0	2.41	29.7	4.7
SJAC 003 1.0 - 1.5	2.53	25.8	6.3
SJAC 003 1.5 - 2.0	2.08	24.4	6.6
SJAC 003 2.0 - 2.5	2.74	24.8	7.6
SJAC 003 2.5 - 3.0	0.89	20.3	11.5
SJAC 003 3.0 - 3.5	Not Recvd		
SJAC 003 3.5 - 4.0	1.43	11.7	17.7
SJAC 003 4.0 - 4.5	2.63	7.8	20.2
SJAC 003 4.5 - 5.0	2.57	5.4	22.4
SJAC 004 0.0 - 0.5	2.37	30.1	4
SJAC 004 0.5 - 1.0	2.39	27.6	4.4
SJAC 004 1.0 - 1.5	2.4	24.3	6.1
SJAC 004 1.5 - 2.0	2.66	21.8	8.5
SJAC 004 2.0 - 2.5	2.32	18.6	11.4
SJAC 004 2.5 - 3.0	2.8	15.9	13.8
SJAC 005 0.0 - 0.5	2.16	28.5	7.4
SJAC 005 0.5 - 1.0	2.49	27.1	9
SJAC 005 1.0 - 1.5	2.48	21	12.8
SJAC 005 1.5 - 2.0	2.42	14.1	17.5
SJAC 005 2.0 - 2.5	2.61	9	22.7
SJAC 005 2.5 - 3.0	2.63	13.5	20.3
SJAC 006 1.0 - 1.5	2.45	21	5.3
SJAC 006 1.5 - 2.0	2.38	21	5.3
SJAC 006 2.0 - 2.5	2.66	19.4	6.3
SJAC 006 2.5 - 3.0	2.37	20	8.6
SJAC 008 0.0 - 0.5	2.33	19.9	11.9
SJAC 008 0.5 - 1.0	2.63	19.1	13
SJAC 008 1.0 - 1.5	2.45	14.9	16.6
SJAC 012 0.0 - 0.5	Not Recvd		
SJAC 012 0.5 - 1.0	Not Recvd		
SJAC 013 0.0 - 0.5	1.84	19.9	8.2
SJAC 014 0.5 - 1.0	1.97	25.3	4.2
SJAC 019 0.0 - 1.0	1.89	20.8	8.1
SJAC 019 1.0 - 2.0	2.56	19.3	10.7
SJAC 021 0.0 - 1.0	2.39	21.8	9.9
SJAC 023 0.0 - 1.0	2.37	27.7	5.9
SJAC 023 1.0 - 2.0	2.39	30.8	4.9
SJAC 023 2.0 - 3.0	2.52	26.6	7.7
SJAC 024 0.0 - 1.0	2.47	17.5	14.8
SJAC 024 2.0 - 3.0	2.66	17.7	15
SJAC 026 0.0 - 1.0	2.44	21.8	9.5
SJAC 027 0.0 - 1.0	2.63	19	6.9
SJAC 027 1.0 - 2.0	2.62	26.6	4.5
SJAC 027 2.0 - 3.0	2.62	22.7	6.1
SJAC 034 0.0 - 1.0	0.84	20	11.9
SJAC 034 1.0 - 2.0	2.54	18.3	13.9
SJAC 035 0.0 - 1.0	2.44	27.7	6.7
SJAC 036 0.0 - 1.0	1.24	26	7.6
SJAC 036 1.0 - 2.0	2.43	24.7	9.2
SJAC 037 0.0 - 1.0	1.81	21.7	8.5
SJAC 041 0.0 - 1.0	1.94	27.2	7
SJAC 041 1.0 - 2.0	1.88	30.8	5.5
SJAC 042 0.0 - 1.0	1.22	26.5	6.9
SJAC 042 1.0 - 2.0	1.63	28.7	7.1
SJAC 042 2.0 - 3.0	1.36	19.7	13.6
SJAC 043 0.0 - 1.0	1.74	26	8.1
SJAC 043 1.0 - 2.0	2.54	26.8	8.5
SJAC 045 0.0 - 1.0	2.54	25.3	6.5
SJAC 045 1.0 - 2.0	2.67	27.3	6.2
SJAC 047 0.0 - 1.0	1.79	24.9	9
SJAC 047 1.0 - 2.0	2.11	26.1	8.7
SJAC 048 0.0 - 1.0	2.2	16.9	9
SJAC 048 1.0 - 2.0	2.43	20.5	7.8
SJAC 052 0.0 - 1.0	1.71	29.4	2.9
SJAC 052 1.0 - 2.0	1.85	31.7	1.8
SJAC 052 2.0 - 3.0	2.13	29.4	1.9
SJAC 054 2.0 - 3.0	2.59	20	9.3
SJAC 004 3.0 - 3.5 Extra	2.39	15.7	14.8
SJAC 004 3.5 - 4.0 Extra	2.77	13.5	16.7

TABLE 3

Exploration Target Statement

An exploration target of 300 million tonnes in the South Johnstone area has been identified. The parameters used to make the target calculations are based on the company's 60-hole drilling program which also defined an inferred resource of 30 million tonnes within the larger target area. The calculations are shown in the following tables.

SOUTH JOHNSTONE EXPLORATION TARGET PARAMETERS							
Case	Area	Success Rate	Prospective Area	Thickness	Volume	Density	Tonnage
	km2	percent	km2	m	million m3	dry wt/m3	m tonnes
MIN	252.61	37%	93	1.3	120	1.6	193
AVERAGE	252.61	37%	93	1.8	167	1.8	300
MAX	252.61	37%	93	2.3	213	1.9	405

SOUTH JOHNSTONE EXPLORATION GRADE PARAMETERS		
(Based on 60-hole program)	%Al2O3	%SiO2
Average Grade	25.2	6.9
Top of Range	31.7	1.9
Cut-off Grade	20	10

This is a conceptual exploration target based on knowledge that bauxite mineralisation has developed as a thin surface layer on the Atherton Basalt lava flows as demonstrated by Company's 60-hole drilling program. The model parameters were determined as follows:

1. The area on which bauxite mineralisation is known to develop as a weathering horizon (the Atherton Basalt) has an area of 192 km2 within EPM 18463.
2. It is assumed that approximately a third of the holes drilled into the Atherton Basalt target will be successful based on the Company's 60-hole program of which 22 were successful. This gives a discount factor of 37% which must be applied to the area of the Atherton Basalt within EPM 18463.
3. The bauxite resource drilled by the Company has an average thickness of 1.8 m based on the 60-hole drilling program and it is also assumed that it may vary from the average by about 0.5m giving a range of 1.3 to 2.3m. This assumption has been extrapolated over the total area of the Atherton Basalt to calculate the exploration target.
4. Bauxite density is conservatively assumed to be around 1.8 within a range of 1.6 to 1.9. This is reasonable range based on work carried out by other companies.
5. The average grade calculation was based on 76 samples drilled and analysed giving 25.2% available Al2O3 and 6.9% reactive SiO2 within a range of values from the cut-off grade of 20% available Al2O3 and 10% reactive SiO2 and the maximum value encountered in the drilling to date of 31.7% available Al2O3 and 1.9% reactive SiO2.

The potential quality and grade of the Company's exploration target is conceptual in nature, that there has been insufficient information to estimate a Mineral Resource and that it is uncertain if further exploration will result in the estimation of a mineral resource

Proposed Exploration

The following exploration is proposed to test the validity of the exploration target and these activities are expected to be completed within the 2014 field season.

1. A low-cost shallow auger drilling program on an initial grid of 400 sq m within the 250 sq km Atherton Basalt target area is proposed to define the surface extent and continuity of the bauxite mineralisation within this area. Approximately 1600 holes will be drilled into the weathered blanket overlying the Atherton Basalt to an initial depth of 2 to 3 meters with samples collected at 0.5 metre intervals.
2. Samples will be geologically logged, photographed and analysed with a hand-held XRF analyser. Samples showing elevated total alumina and lower total silica (i.e. prospective bauxites) will be sent to ALS, Brisbane for low temperature leach testing.

QBL Acquires Strategic Stake in NSW Gibbsitic Bauxite Province Licence EL 7301

The Company has 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.

The Company has entered into an agreement to acquire 50% of exploration licence EL 7301 in New South Wales.

EL 7301 is owned 50% by First State Pty Ltd, a local independent investment company, and the remaining 50% is owned by Plateau Bauxite Ltd (PBL), a public unlisted company, that has already spent in excess of $3 million in bauxite exploration on EL7301 which has earned Plateau Bauxite the right to its 50% of the tenement.

QBL has agreed to purchase First State's 50% interest in the tenement and will have clear and unencumbered title with the issue of 37.5 million ordinary shares in the Company and 30 million options; 10 million options with an exercise price of $0.08, 10 million options at an exercise price of $0.10, 5 million options at an exercise price of $0.15, and 5 million options at an exercise price of $0.20.

Since the Indonesian ban came into effect in January, which has reinvigorated the bauxite market, the directors of QBL have been negotiating with First State to acquire its interest in EL7301, and are pleased to have come to an agreement that the directors believe is of good strategic value to QBL and in line with the vision of becoming a major emerging force in the bauxite market.

With continuing forecast strong demand for bauxite as well as a result of the Indonesian ban on bauxite export that came into effect in January, the Company is looking to increase its portfolio of strategic bauxite projects at the right price. This acquisition fits the criteria.

A standard JV will be entered into between QBL and Plateau Bauxite for the future operation of the tenement.

Three drilling programs were carried out between 2010 and 2011 with the completion of 8 Calweld holes and 124 aircore holes. These and further exploration results to date, are being prepared in a report in accordance with the JORC Code 2012 and will be released to the market as soon as the report is completed.

The project is close to infrastructure such as road and rail networks that lead to major east coast deep water ports, pools of labour and services and power.

Neighbouring Tenement Owners

The Company has been in discussion with the owners of tenements in the same area as EL7301. One of these tenements have already been reported to ASX by the listed ABX as containing over 40 million tonnes of bauxite in 2011. (The following JORC 2004 compliant report was released to ASX: 08/05/2012 ASX announcement - Inverell Resource Grade Improvement – 38 million tonnes resource. 17.5mt inferred (31%Al2O3, 4.2%Rx SiO2) and 20.5mt indicated (32% Al2O3, 4.0%Rx SiO2).

The combined tonnages of the tenements in the region should further add to the potential development options for the bauxite mineralisation in the region. Critical mass is a factor in major bulk commodity developments, and the consolidation of the mineralisation in the region should assist with any potential feasibility studies to be conducted in due course and increase the likelihood of potential involvement of major strategic international partners.

Air Core Drilling Parameters and Program Details

Based on previous campaigns, the following parameters will be used for future programs within EL7301:

1. Drill hole spacing of 400 metres or 800 metres.

2. Average drill hole depth = 10m.

3. Sample interval = 0.5m approx.. 3kg sample weight collected in calico bag.

4. Hand held XRF analyses.

5. Selected samples analyzed for available alumina and reactive silica percentages.

The following field programs are proposed.

1. Nullamanna west – 25 holes

2. Central Nullamanna infill program – 40 holes (assuming successful landholder negotiations)

3. Nullamanna northeast – 50 holes

4. Nullamanna east – 50 holes

5. Nullamanna south – 100 holes

That is a total of 265 holes drilled as defined above.

The results of this work will be used to define JORC Code compliant bauxite resources within E.L.7301 and then these results will be used for preliminary mining and processing economics.

The above programme is estimated to cost approximately $200,000.

Further Information

The transaction is only conditional on the issue of the shares and options as per above, following which the 50% interest is vested immediately in QBL. Other than the issue of these shares, any material effect on the company's assets is unknown as no valuations have been made either on this asset or on the company's current assets. The directors believe that this transaction represents a good value acquisition taking into account current market dynamics. The Company does not have any current plans to raise any further funds in conjunction with this transaction and this transaction is not dependent upon any further raisings. There are no annual expenditure commitments that the Company has in relation to this transaction other than the ongoing annual required expenditure of the NSW Department which is $104,000 and which would be covered by the abovementioned drilling program.

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

The Company is targeting potential long-life bauxite operations that we believe will add value as well as being attractive to major international bauxite partners and continues to build on its strong position ahead of predicted rises in bauxite prices.

Gold Projects

The Company currently has one gold project in Australia, the Pilbara Gold Project in the south-west Pilbara. The Company is currently seeking partners for the development of this project.

Agreement with Regius Coal Mining Limited

As previously advised, the Company signed an agreement with Australian unlisted public company, Regius Coal Mining Limited (**Regius Coal**) to have the right to earn up to 51% of Regius Coal Pty Ltd (**Regius**), the subsidiary company of Regius Coal.

The Company is currently reviewing its strategy on the Mozambique coal acquisition in light of the significant downturn in coal prices, and in light of the positive developments on the Company's bauxite projects.

Consents

Any information in this public report that relates to Exploration Results is based on, and accurately reflects, 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 has sufficient experience of relevance to the style of mineralisation and the types of deposits under consideration, and to the activities undertaken, to qualify as a Competent Person as defined in the 2012 Addition of the Joint Ore Reserves Committee (JORC) Mineral Resources and Ore Reserves.

Dr Coenraads has given prior written consent where required, to the inclusion in this report of the matters based on their information, where applicable, in the form and context in which it appears.

Operating results

The operating loss after tax for the year ended 30 June 2014 for the Group was $2,399,626 (2013: loss $2,454,095).

Dividends

There were no dividends paid or declared by the Company to members since the end of the previous financial year.

Environmental regulation

The Group is subject to and compliant with all aspects of environmental regulation of its exploration activities. The Directors are not aware of any environmental law that is not being complied with.

Significant changes in the state of affairs

During the period there were no changes in the state of affairs of the Group other than those referred to elsewhere in this report, or the financial statements or notes thereto.

Events subsequent to balance date

- Acquisition of EL7301
  The Company has entered into an agreement to acquire 50% of EL7301, a known gibbsitic province in the Nullamana region. The Company has clear and unencombrered title of its 50% interest after the issue of 37,500,000 ordinary shares in the Company and 30,000,000 options. The issue of the shares and options was approved by shareholders on 15 September 2014.

- During July 2014, all the convertible notes on issue were converted to 4,392,551 ordinary shares.

- Meyer Gutnick, non-executive director, was issued 5,000,000 ordinary shares in the Company, for no consideration, in lieu of directors fees, on 19 September 2014, as approved by shareholders on 15 September 2014.

- Marion Lesaffre and Robert Coenraads, who are both employees of the related company, AGMPL, were each issued 1,000,000 ordinary shares in the Company, for no consideration, as part of a bonus to their respective salaries. This was approved by shareholders on 15 September 2014.

- An employee share option plan was approved by shareholders on 15 September 2014. The Employee Share Option Plan provides for the grant of Shares and Options to eligible employees of the Company. The purpose of the Employee Share Option Plan is to enable the Company to appropriately attract, remunerate and incentivise employees.

- The Company issued 16,961,620 ordinary shares at 2 cents per share to institutional and professional investors, during August 2014.
- The Company issued 13,475,259 ordinary shares at 2 cents per share to institutional and professional investors, during September 2014.
- The Company issued 5,000,000 ordinary shares to consultants, in lieu of fees.

Other than what has been reported in this report relating to the purchase of the NSW bauxite project, there has not arisen in the interval between the end of the financial year and the date of this report any further item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the company, the results of those operations, or the state of affairs of the company, in future financial years.

Likely developments

Further information about likely developments in the operations of the Group in future years, the expected results of those operations, the strategies of the Group and its prospects for future financial years has not been included in this report, because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

Indemnification and insurance of officers

Indemnification

The Company has agreed to indemnify the following current Directors of the Company, Mrs Pnina Feldman, Mr Sholom Feldman, Mr Meyer Gutnick, and Mr David Austin against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors and Officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. This agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Non-audit services

The Company's auditor, Nexia Court & Co – Chartered Accountants was appointed auditor of the Company in January 2008.

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is included in the Directors' report.

Details of the amounts paid to the auditor of the Company, Nexia Court & Co – Chartered Accountants, and its related practices for audit and non-audit services provided during the year are set out below:

Statutory audit

- audit of financial report	46,986
- half-year review of financial report	25,420

Services other than statutory audit

- taxation services and advice	7,441

Remuneration Report – Audited

Remuneration policies

The Board has adopted a framework for corporate governance, including policies dealing with Board and Executive remuneration. These corporate governance policies are described more fully on pages 59 to 65 of the Directors' Report. Policies adopted by the Board reflect the relative stage of development of the Company, having regard for the size and structure of the organisation.

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced Directors and Senior Executives. The remuneration packages of Executive Directors provide for a fixed level of remuneration. Other than as noted below Executive remuneration packages do not have guaranteed equity based components or performance based components.

Fixed remuneration

Fixed remuneration consists of base remuneration (salary or consulting fees) including any FBT charges as well as employer contributions to superannuation funds, where applicable.

Remuneration levels are reviewed annually by the Board of Directors.

Performance linked remuneration

During the previous financial period, the Board of Directors completed a review of compensation and benefit structures.

Long-term incentives are provided as options over ordinary shares of the Company. There has been no issue of shares or options to Executive Directors as a form of remuneration in the current year.

Consequences of performance on shareholders wealth

In view of the relatively early stage of development of the Company's business and remuneration policies, there is insufficient information to provide a meaningful quantitative analysis of the relationship between remuneration and Company performance.

Service agreements

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 Company by the following executives:

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

In respect of each of these executives (**Key Persons**), AGMPL was paid a retainer for the period ended 30 June 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 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 provide suitable fully serviced offices to the Company at its Bondi office at 67 Penkivil Street, which includes use of office space, the board room, kitchen, access to a full-time receptionist, 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 Company, such as secretarial, accounting and office management services. These services were provided to the Company by AGMPL on reasonable arm's length terms as approved by the independent director(s).

AGMPL Services	Consolidated Entity	
	2014	2013
	$	0024
Rent	60,000	85,464
Management and secretarial	36,000	39,000
Exploration and geological	143,162	162,389
Executive and corporate services	216,000	168,000
Reimbursement of expenses	23,085	5,968
Total	478,247	460,821

Non-Executive Directors

Non-Executive directors are paid up to $70,000 per annum directors fees.

Director and Executive disclosures

Details of Directors and Company Executives (including Key Management Personnel)

Other than the Executive Directors, no other person is concerned in, or takes part in, the management of the Company or has authority and responsibility for planning, directing and controlling the activities of the entity. As such, during the financial year, the Company did not have any person, other than Directors, that would meet the definition of "Key Management Personnel" for the purposes of AASB124 or "Company Executive or Relevant Group Executive" for the purposes of section 300A of the Corporations Act 2001 (**Act**). Remuneration details of the Company Secretary are disclosed as section 300A(1B)(a) of the Act defines a "Company Executive" to specifically include a secretary of the entity.

Directors and Key Management Personnel

Pnina Feldman	Executive Chairperson
Sholom Feldman	Director / Chief Executive Officer
Meyer Gutnick	Non-Executive Director (Appointed on 06/03/2014)
Paul Stephenson	Non-Executive Director (Resigned on 06/03/2014)
Russell Williams	Non-Executive Director (Resigned on 07/02/2014)
David Austin	Alternate Director

Specified Directors	Short term			Post employment	Termination Benefits	Share based payments	Share based payments	Other	Total	Proportion of remuneration performance Related	Value of options as a proportion of remuneration
	Salary & fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	$	Shares $	Options $	Bonuses $	$	%	%
Pnina Feldman											
2014	108,000	-	-	-	-	-	-	-	108,000	-	-
2013	84,000	-	-	-	-	-	-	-	84,000	-	-
Sholom Feldman											
2014	108,000	-	-	-	-	-	-	-	108,000	-	-
2013	84,000	-	-	-	-	-	-	-	84,000	-	-
Meyer Gutnick											
2014	-	-	-	-	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-	-	-	-	-
Paul Stephenson											
2014	8,000	-	-	-	-	27,000	-	-	35,000	-	-
2013	70,000	-	-	-	-	-	-	-	70,000	-	-
David Austin											
2014	-	-	-	-	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-	-	-	-	-
Russell Williams											
2014	-	-	-	-	-	-	-	-	-	-	-
2013	70,000	-	-	-	-	-	5,732	-	75,732	-	7.57%
Total Compensation: Directors including Key Management Personnel (Company and Group)											
2014	224,000	-	-	-	-	27,000	-	-	251,000	-	-
2013	308,000	-	-	-	-	-	5,732	-	313,732	-	-
Total Compensation: Executive Officers (Company and Group)											
2014	-	-	-	-	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-	-	-	-	-

Options and rights over equity instruments granted as compensation

Details of options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details of options that were vested during the reporting period are as follows. The options were issued free of charge. Each option entitles the holder to subscribe for one fully paid ordinary share in the entity at the exercise price shown below.

2014 Directors	Vested Number	Granted Number	Grant Date	Value per Option at Grant Date $	Exercise Price per Share $	First Exercise Date	Last Exercise Date
Pnina Feldman	-	-	-	-	-	-	-
Sholom Feldman	-	-	-	-	-	-	-
Meyer Gutnick	-	-	-	-	-	-	-
Paul Stephenson	-	-	-	-	-	-	-
David Austin	-	-	-	-	-	-	-
Russell Williams	-	-	-	-	-	-	-
Total	-	-					

2013 Directors	Vested Number	Granted Number	Grant Date	Value per Option at Grant Date $	Exercise Price per Share $	First Exercise Date	Last Exercise Date
Pnina Feldman	-	-	-	-	-	-	-
Sholom Feldman	-	-	-	-	-	-	-
Paul Stephenson	-	-	-	-	-	-	-
David Austin	-	-	-	-	-	-	-
Russell Williams	350,000	-	18-04-2011	0.041	30c	18/4/2013	31/12/2015
Total	350,000	-					

No options have been granted since the end of the financial year. The options were provided at no cost to the recipients.

Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period.

Exercise of options granted as compensation

During the period there were no shares issued as a consequence of the exercise of options previously granted as remuneration.

Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period.

Analysis of share-based payments granted as compensation

2014

In lieu of Directors fees, Paul Stephenson was issued 4,500,000 fully paid ordinary shares.

2013

There were no share based payments granted as compensation.

Exercise of options granted as compensation

During the period there were no shares issued as a consequence of the exercise of options previously granted as remuneration.

End of audited Remuneration Report.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 66 and forms part of the directors' report for the year ended 30 June 2014.

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

Pnina Feldman, Executive Chairperson
Dated this 30th day of September 2014

Sydney

Corporate Governance Statement

The Directors of Queensland Bauxite Limited ("QBL" and "the Company") have established a framework of corporate governance, which they review on a regular basis.

In order to promote investor confidence and to assist companies meet stakeholder expectations, the Australian Securities Exchange Corporate Governance Council developed and released corporate governance guidelines for Australian entities listed on the Australian Securities Exchange (**ASX**). The third edition, Corporate Governance Principles and Recommendations (**ASX Principles and Recommendations**) was released in March 2014.

The Company's corporate governance policies referred to below are continually updated, as a result of updates in the ASX corporate principles and recommendations. The ASX Principles and Recommendations, in conjunction with the ASX Listing Rules, require companies to disclose whether their corporate governance practices follow the Guidelines on an "if not, why not" basis. This statement outlines the main corporate governance practices adopted by the Board, which comply with the ASX Principles and Recommendations, unless otherwise stated.

The roles of the Board and management

The role of the Board is to oversee and guide the management of QBL and its business with the aim of protecting and enhancing the interests of its shareholders and taking into account the interests of all stakeholders.

The Board is responsible for promoting the success of the Company in a way which ensures that the interests of shareholders and stakeholders are promoted and protected. The Board may delegate some powers and functions to the Chief Executive Officer for the day-to-day management of the Company. Powers and functions not delegated remain with the Board.

The key responsibilities and functions of the Board include the following:

- to develop, review and monitor the Company's long-term business strategies and provide strategic direction to management;
- to ensure policies and procedures are in place to safeguard the Company's assets and business and to enable the Company to act ethically and prudently;
- to develop and promote a system of corporate governance which ensures the Company is properly managed and controlled;
- to identify the Company's principal risks and ensure that it has in place appropriate systems of risk management, internal control, reporting and compliance; and
- to monitor management's performance and the Company's financial results on a regular basis.

The Board's role and the Company's corporate governance practices are continually reviewed and improved as required.

The Company's Executive Directors are implementing the running of the general operations and financial business of the Company in accordance with the delegated authority of the Board.

Board structure and independence

The Company recognises the importance of having a Board comprising Directors with an appropriate range of backgrounds, skills and experience to suit the Company's current and future strategies and requirements. The composition of the board is determined by the application of the following principles:

- persons nominated as Non-Executive Directors shall be expected to have qualifications, experience and expertise of benefit to the Company and to bring an independent view to the Board's deliberations. Persons nominated as Executive Directors must be of sufficient stature and security of employment to express independent views on any matter;
- the Chairman should ideally be independent, but in any case be Non-Executive and be elected by the Board based on his / her suitability for the position;
- all Non-Executive Directors are expected voluntarily to review their membership of the board from time-to-time taking into account length of service, age, qualifications and expertise relevant to the Company's then current policy and programme, together with the other criteria considered desirable for composition of a balanced board and the overall interests of the Company; and
- Executive Directors shall be expected to retire from the board on the relinquishment of their Executive.

The Company has adopted a Policy on Assessing the Independence of Directors which is consistent with the guidelines detailed in the ASX Principles & Recommendations. The Company considers that the Board should have at least three Directors and will aim to have a majority of independent Directors (as required) but acknowledges that this may not be possible at all times due to the size of the Company.

The Company's Board Charter includes guidelines for assessing the materiality of matters which are summarised below:

- A statement of financial position item is material if it has a value of more than 5% of pro-forma net assets or $50,000, whichever is greater.
- A statement of profit or loss and other comprehensive income item is material if it will have an impact on the current year operating results of 5% or more.
- Items are also considered material if they impact the reputation of the Company, they involve a breach of legislation or a potential breach of legislation, if they are outside the ordinary course of business, could affect the Company's rights to its assets, involve a contingent liability that would impact the statement of financial position or statement of profit or loss and other comprehensive income by 5% or more or if they have an effect on operations which is likely to result in a change in net income or dividend distribution of more than 5% upwards or downwards.
- A contract is considered material if it is one which is outside the ordinary course of business, includes exceptionally onerous provisions, any default of the contract may trigger the qualitative statement of financial position or statement of profit or loss and other comprehensive income materiality levels, is essential to the operations of the Company, contains or triggers change of control provisions or is between related parties.

The current Board includes one independent Non-executive director, Meyer Gutnick and two executive directors Pnina Feldman and Sholom Feldman. As such, the Board does not currently have a majority of independent Directors. Meyer Gutnick falls within the requirements of an independent Director as stipulated in the ASX Principles & Recommendations, that is, no past or current relationships exist between these Directors and the Company that may affect their status as an independent Director. Pnina Feldman is Chairperson of the Board. Sholom Feldman is the Chief Executive Officer and Company Secretary. David Austin acts as an independent alternate Director to Sholom Feldman.

A minimum of three Directors is required under the Company's Constitution. Any changes to the composition of the Board will be determined by the Board, subject to any applicable laws and the resolutions of Shareholders. The Board seeks to nominate persons for appointment to the Board who have the qualifications, experience and skills to

augment the capabilities of the Board. At each Annual General Meeting, one third of the Directors must resign, with Directors resigning by rotation based on the date of their appointment. Directors resigning by rotation may offer themselves for re-election.

Details of the background, experience and professional skills of each Director and the Company Secretary are set out on pages 3 and 4 of the directors' report and are also available on the Company's website.

Board diversity

At this time, the Company has not established a policy concerning diversity. This is due to the size of the Board and the stage of the Company's development.

The proportion of women in the whole organisation is as follows:

	30 June 2014		30 June 2013	
Gender representation	Female (%)	(Male %)	Female (%)	Male (%)
Board representation	33%	67%	25%	75%
Senior executive positions	-	-	-	-
All employees	-	-	-	-

Meetings of the Board

The Board intends to meet formally at least eight times a year and on other occasions, as required. The agenda for Board meetings is prepared by the Company Secretary/Chief Executive Officer. Standard items include the Chief Executive Officer's report, financial reports, strategic matters, risk management and governance and compliance matters. Executives are available to participate in Board discussions as required.

Board access to information and independent advice

All Directors have unrestricted access to all employees of the Company and, subject to the law and the terms of Deeds of Access, Insurance and Indemnity, access to all Company records.

Each Director may, with the prior written approval of the Chairman, obtain independent professional advice to assist the Director in the proper exercise of powers and discharge of duties as a Director or as a member of a Board Committee. The Company will reimburse the Director for the reasonable expense of obtaining that advice.

Conflicts of interest

In accordance with the Corporations Act, directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered.

Non–Executive Directors' Committee

Given the size of the Board and the stage of the Company's development, the Directors do not feel that a separate Non-Executive Directors' Committee, nomination committee and remuneration committee is appropriate, however

the responsibilities of the committees are carried out by the Board of Directors.

Company code of conduct

The Board has adopted a Company Code of Conduct to promote ethical and responsible decision making by all employees (including Directors). The Code embraces the values of honesty, integrity, accountability and equality and to strive to enhance the reputation and performance of the Company. In summary the overriding principles are:

- all employees must conduct their duties honestly and in the best interests of the Company as a whole;
- treat other stakeholders fairly and without discrimination;
- respect confidentiality and do not misuse Company information or assets;
- conduct themselves in accordance with both the letter and spirit of the law; and
- maintain a safe working environment.

A breach of the Code is subject to disciplinary action which may include termination of employment.

Securities trading policy

The Board has adopted a policy and procedure on dealing in the Company's securities by Directors, Officers and employees. The Guidelines for Dealing in Securities Policy adopted by the Board requires that:

- Trading in Shares by directors, senior executives and employees is limited to specific periods, following the release of an annual report and half year results. Outside of these "window" periods, all directors, senior executives and employees, must follow the Guidelines for Dealing in Securities Policy and receive clearance for any proposed dealing in the Company's shares on the ASX prior to undertaking a transaction.
- A Director must receive clearance from the Chairman before he may buy or sell Shares. If the Chairman wishes to buy or sell Shares they must first obtain clearance from the Chief Executive Officer.
- Senior executives and employees must receive clearance from the Chief Executive Officer before they may buy or sell Shares.
- Directors, senior executives and employees must be aware of and observe their obligations under the Corporations Act not to buy or sell Shares if in possession of price sensitive non-public information and that they do not communicate price-sensitive non-public information to any person who is likely to buy or sell Shares or communicate such information to another party.

Audit and compliance committee

Given the present size of the Company and the Board, the usual functions of an Audit and Compliance Committee are attended to by all members of the board and any relevant matters are discussed at board level. The Board believes no efficiencies or other benefits could be gained by establishing a separate Audit and Compliance Committee.

The Company's auditor is Nexia Court & Co – Chartered Accountants. They were appointed in January 2008. The auditor attends and is available to answer questions at the Company's annual general meeting.

The Company's Chief Executive Officer has provided a declaration in accordance with section 295A of the Corporations Act in writing to the Board that:

- the consolidated financial statements of the Company and its controlled entities for each half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

Continuous disclosure

The Company understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the ASX and has adopted a comprehensive Information Policy.

The purpose of this Information Policy is to set out the procedure for:

- protecting confidential information from unauthorised disclosure;
- identifying material price sensitive information and reporting it to the Company Secretary for review;
- ensuring the Company achieves best practice in complying with its continuous disclosure obligations under the Corporations Act and ASX Listing Rules; and
- ensuring the Company and individual officers do not contravene the Corporations Act or ASX Listing Rules.

The Company's Information Policy is reviewed periodically and updated as required.

Communications with shareholders

The Company has a Shareholder Communications Policy that promotes effective communication with shareholders and encourages presentation of information to shareholders in a clear, concise and effective manner.

The Company will communicate information on its activities and financial performance through the issue of the annual and half year financial reports, reports on activities and cash flows and through other announcements released to the ASX.

The Company posts all reports, ASX announcements, media releases and copies of newspaper reports on the Company's website at www.queenslandbauxite.com.au. The website will contain an archive of ASX announcements and annual reports. The Company will, wherever practicable, take advantage of new technologies that provide greater opportunities for more effective communications with shareholders.

The Company will ensure that the annual general meeting is held in a manner that enables as many shareholders as possible to attend and encourages effective participation by shareholders. The Company requires the attendance of the external auditor at the Company's annual general meeting and to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Risk management

Responsibility for control and risk management is delegated to the appropriate level of management with the Chief Executive Officer having ultimate responsibility to the Board for the risk management and control framework.

The Company is committed to the identification, monitoring and management of risks associated with its business activities and has established various financial and operational reporting procedures and other internal control and

compliance systems in this regard. These include the following:

- the Chief Executive Officer is required to report on the management of risk as a standing agenda item at each Board meeting. This involves the tabling of a Risk Register which is actively monitored and updated by management,
- delegated authority limits exist in respect of financial expenditure and other business activities;
- a comprehensive annual insurance programme is undertaken;
- internal controls exist to safeguard the Company's assets and ensure the integrity of business processes and reporting systems;
- annual budgeting and monthly reporting systems for business operations is undertaken which enable the monitoring of progress against performance targets and the evaluation of trends;
- appropriate due diligence procedures are undertaken for acquisitions and divestments; and
- disaster recovery procedures and crisis management systems exist.

The Company's Chief Executive Officer has provided a declaration that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. Additionally, the Chief Executive Officer has stated that the declaration is based on a sound system for risk management and internal compliance and control which implements the policies adopted by the Board and the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

The Board also requires management to report to it confirming that those risks are being managed effectively. The Board has received assurance from the Chief Executive Officer that the Company's management of its material business risks are effective.

ASX Listing Rule Disclosure – Exception Reporting

The following table discloses the extent to which QBL has followed the best practice recommendations set by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd Edition).

Principle No	Best Practice Recommendation	Compliance	Reasons for Non-compliance
1.5	A listed entity should establish a policy of diversity.	Currently, the Company has 33% female representation of the Board.	The Board considers that its structure has been and continues to be appropriate in the context of the Company's recent history and the scope and scale of the Company's operations. Persons have been selected as directors to bring specific skills and industry experience relevant to the Company.
1.6	A listed entity should have a process of periodically evaluating the performance of the board and individual directors.	The board has not established an evaluation of performance process.	Given the size of the Company and the Board, the Board believes no benefits could be gained by establishing an evaluation of performance process.
1.7	A listed entity should have a process for periodically evaluating the performance of its senior executives.	The board has not established an evaluation of performance process.	Given the size of the Company and the Board, the Board believes no benefits could be gained by establishing an evaluation of performance process.
2.1	The Board should establish a nomination committee.	The Board has not established a separate nomination committee.	Given the size of the Board and the stage of the Company's development, the Directors do not feel that a separate nomination committee is appropriate. The Board believes no efficiencies or other benefits could be gained by establishing a Non-Executive Directors' Committee.
2.4	A majority of the Board should be independent directors.	Currently, the Company has one independent director and two non-independent directors.	The Board considers that its structure has been, and continues to be, appropriate in the context of the Company's recent history and the scope and scale of the Company's operations. Persons have been selected as directors to bring specific skills and industry experience relevant to the Company.
2.5	The chair of the board of a listed Company should be independent.	The chair of the Company is not an independent director.	Given the size of the Company and the Board, the Board believes no benefits could be gained by having an independent chair.
4.1	The audit committee should be structured so that is has at least three members.	The Company does not have a separate Audit and Compliance Committee.	Given the present size of the Company and the Board, the Board believes no efficiencies or other benefits could be gained by establishing a larger Audit and Compliance Committee.
8.1	The Board should establish a remuneration committee.	The Board has not established a remuneration committee.	Given the size of the Board and the stage of the Company's development, the Directors do not feel that a separate remuneration committee is appropriate.

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the next solution

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

Dear Board Members

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

As lead audit partner for the audit of the financial statements of Queensland Bauxite Limited for the financial year ended 30 June 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

Joseph Santangelo
Partner

Nexia Court & Co
Chartered Accountants

Sydney
30 September 2014

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Independent member of Nexia International

Financial Statements

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2014

	Note	2014 $	2013 $
Revenue	7	-	14,772
General and administrative expenses		(96,575)	(62,702)
Depreciation		(11,100)	(26,652)
Management services		(247,109)	(78,607)
Legal expenses		(99,185)	(197,542)
Directors fees		(224,000)	(308,000)
Occupancy expenses		(60,000)	(85,464)
Exploration written off	18	(134,715)	(84,459)
Impairment of exploration assets	18	(89,890)	(445,541)
Impairment of other receivables		(22,650)	(1,272,882)
Write off loan to Regius Coal Mining Limited		(504,441)	-
Loss on disposal of plant and equipment		-	(28,237)
Travelling expenses – directors travel		(211,915)	(10,581)
Other expenses		(32,897)	(26,936)
Share based payments expense- non executive directors fees	27	(27,000)	(5,232)
Share based payments expense - consulting fees	27	(219,000)	-
Operating loss		(1,980,477)	(2,618,563)
Finance income	9	167,064	207,401
Finance cost	9	(586,213)	(42,933)
Net finance costs	9	**(419,149)**	**164,468**
Loss before income tax		**(2,399,626)**	**(2,454,095)**
Income tax benefit	10	**-**	**-**
Loss after tax from continuing operations		**(2,399,626)**	**(2,454,095)**
Other comprehensive income, net of tax		**-**	**-**
Total comprehensive loss		**(2,399,626)**	**(2,454,095)**
Loss attributable to members of Queensland Bauxite Limited		**(2,399,626)**	(2,454,095)
Total comprehensive income attributable to members of Queensland Bauxite Limited		**(2,399,626)**	**(2,454,095)**

Basic earnings per share (cents per share)	13	(0.80)	(0.90)
Basic earnings per share from continuing operations (cents per share)	13	(0.80)	(0.90)
Diluted earnings per share (cents per share)	13	(0.80)	(0.90)
Diluted earnings per share from continuing operations (cents per share)	13	(0.80)	(0.90)

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

As at 30 June 2014

	Note	2014 $	2013 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	14	4,110,629	5,203,483
Trade and other receivables	15	65,346	207,086
TOTAL CURRENT ASSETS		4,175,975	5,410,569
NON-CURRENT ASSETS			
Other non-current assets	16	1,292	1,292
Exploration and evaluation	18	835,794	888,023
Property, plant and equipment	19	25,050	36,150
TOTAL NON-CURRENT ASSETS		862,136	925,465
TOTAL ASSETS		5,038,111	6,336,034
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	20	295,195	339,923
Other financial liabilities	21	69,506	1,600,000
TOTAL CURRENT LIABILITIES		364,701	1,939,923
TOTAL LIABILITIES		364,701	1,939,923
NET ASSETS		4,673,410	4,396,111
EQUITY			
Share capital	22	15,549,138	13,559,013
Share based payments reserve	23	2,816,550	2,409,750
Accumulated losses	24	(13,692,278)	(11,572,652)
TOTAL EQUITY		4,673,710	4,396,111

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 30 June 2014

	Note	Share Capital Ordinary	Accumulated Losses	Share Based Payments Reserve	Total
		$	$	$	$
Balance at 30 June 2012		13,559,013	(10,190,557)	3,463,518	6,831,974
Loss attributable to members of consolidated entity	24	-	(2,454,095)	-	(2,454,095)
Share based payments	27	-		18,232	18,232
Transfer from share based payments reserve to accumulated losses	23 24	-	1,072,000	(1,072,000)	-
Shares issued during the year		-	-	-	-
Balance at 30 June 2013		13,559,013	(11,572,652)	2,409,750	4,396,111
Loss attributable to members of consolidated entity	24	-	(2,399,626)	-	(2,399,626)
Share based payments	27	-	-	686,800	686,800
Transfer from share based payments reserve to accumulated losses	23 24	-	280,000	(280,000)	-
Shares issued during the year	22	1,990,125	-	-	1,990,125
Balance at 30 June 2014		15,549,138	(13,692,278)	2,816,550	4,673,410

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

For the year ended 30 June 2014

	Note	Consolidated Entity 2014 $	Consolidated Entity 2013 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,716,689)	(920,118)
Interest received		167,064	207,401
Other receipts		60,014	94,536
Interest paid		(287)	(433)
Net cash from operating activities	26	(1,489,898)	(618,614)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for security deposits		-	(140,000)
Proceeds from security deposits		110,000	-
Exploration and evaluation expenditure		(37,661)	(46,018)
Net cash from investing activities		72,339	(186,018)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from convertible bonds		200,000	1,600,000
Proceeds from convertible notes		124,705	-
Net cash from financing activities		324,705	1,600,000
Net (decrease)/increase in cash held		(1,092,854)	795,368
Cash at beginning of financial year		5,203,483	4,408,115
Cash at end of financial year	14	4,110,629	5,203,483

The accompanying notes form part of these financial statements.

Notes to the financial statements for the year ended 30 June 2014

1 Reporting entity

Queensland Bauxite Limited (the 'Company') is a company domiciled in Australia. The address of the company's registered office is 67 Penkivil Street, Bondi NSW 2026. The consolidated financial statements of the Company as at and for the year ended 30 June 2014 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

The Group is a for-profit entity and is primarily involved in the exploration for mineral deposits.

2 Basis of preparation

a Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards ('IFRSs') adopted by the International Accounting Standards Board ('IASB').

The consolidated financial statements were authorized for issue by the Board of Directors on 30 September 2014.

b Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Other non-derivative financial liabilities

The methods used to measure fair values are discussed further in note 5.

c Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the Group.

d Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

a Basis of consolidation

i Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

ii Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

iii Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

b Financial instruments

i Non-derivative financial assets

The Group initially recognizes loans and receivables on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group has the following non-derivative financial assets: loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

ii Non-derivative financial liabilities

The Group initially recognizes debt securities issued on the date that they are originated. All other financial liabilities are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group classifies the non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost.

Other financial liabilities comprise loans and borrowings and trade and other payables.

iii Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

iv Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds and convertible notes that can be converted to share capital at the option of the holder, when the number of shares to be issued is fixed.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest related to the financial liability is recognised in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognised.

c Property, plant and equipment

i Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

ii Subsequent costs

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

Depreciation and amortisation

Items of property, plant and equipment are depreciated/amortized on a straight-line basis in profit and loss over the estimated useful lives of each component. Leased assets are depreciated over the shorter of the lease term and their useful lives.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

. plant and equipment 14 years

. office equipment 7 years

Depreciation and amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

d Exploration and evaluation expenditure

Exploration and evaluation expenditure, including the costs of acquiring the licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Company has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

the expenditures are expected to be recouped through successful development and exploitation or from sale of the area of interest; or

activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy (f)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made.

e Impairment

i Non-derivative financial assets

A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor.

The Group considers evidence of impairment for financial assets at a specific asset level.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognized in profit and loss and reflected in an allowance account against loans and receivables.

ii Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognized in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

f Revenue

Revenue is recognized at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

Interest

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

g Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest method.

Finance costs comprise interest expense and other costs of borrowings. All finance costs are recognised in profit or loss using the effective interest method.

h Tax

Tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Queensland Bauxite Limited.

i Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

j Going concern basis of accounting

Notwithstanding the loss for the year, negative cash flow from operations and historical financial performance, the financial report has been prepared on a going concern basis. This assessment is based on a cash at bank balance at balance date, and the directors' understanding of expected cash outflows in the coming financial year.

4 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2013, and have not been applied in preparing these consolidated financial statements of the Group. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

5 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Other non-derivative financial liabilities

Other non-derivative financial liabilities are measured at fair value, at initial recognition and for disclosure purposes, at each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date. In respect of the liability component of convertible notes and convertible bonds, the market rate of interest is determined with reference to similar liabilities that do not have a conversion option.

6 Financial risk management

Overview

The Company and Group have exposure to the following risks from their use of financial instruments:

liquidity risk; and

market risk.

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Company and Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's and Group's activities. The Company and Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses.

Market risk

Market risk is the risk that changes in market prices will affect the Group, for example changes in interest rates.

Note 7: Revenue

	2014 $	2013 $
Other income	-	14,772
	-	14,772

Note 8: Expenses

	2014 $	2013 $
Employee benefits expense:		
Directors fees	224,000	308,000
Share based payments expense	27,000	5,732
	251,000	313,732

Note 9: Finance costs

	2014 $	2013 $
Interest income on cash at bank	167,064	207,401
Finance income	**167,064**	**207,401**
Financial liabilities measured at amortised cost – interest expense		
Equity settled (share based payment expense - note 27)	(406,800)	(12,500)
Equity settled (converted to ordinary shares)	(134,926)	-
Equity settled (share based payment expense – note 27)	(34,000)	-
Cash settled	(10,200)	(30,000)
Other interest expense	(287)	(433)
Finance costs	**(586,213)**	**(42,933)**
Net finance costs	**(419,149)**	**164,468**

Note 10: Income tax

	2014 $	2013 $
Major components of income tax expense		
a. Income tax benefit		
Accounting loss	(2,399,626)	(2,454,095)
Prima facie tax benefit on the loss from ordinary		

activities before income tax at 30% (2013: 30%) differs from the income tax provided in the financial statements as follows:		
Tax benefit at 30%	(719,887)	(736,229)
Add/(Less) tax effect		
- Non-deductible expenses	243,770	520,997
- Exploration expenditure capitalised	(11,298)	(13,805)
Deferred tax asset not brought to account	487,415	229,037
Income tax benefit attributable to operating loss	-	-

b. **Unrecognised deferred tax assets**	**2014** **$**	**2013** **$**
Deferred tax assets have not been recognised In respect of the following item:		
Tax losses	2,950,795	2,463,380

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

Note 11: Key management personnel disclosures

Names and positions held of economic and parent entity key management personnel in office at any time during the financial year are:

Key management person	Position
Pnina Feldman	Chairperson
Sholom Feldman	Director / Chief Executive Officer
Meyer Gutnick	Non-Executive Director (Appointed 06/03/2014)
Paul Stephenson	Non-Executive Director (Resigned 06/03/2014)
Russell Williams	Non-Executive Director (Resigned 07/02/2014)
David Austin	Alternate Director

The key management personnel remuneration has been included in the remuneration report section of the director's report.

Options and rights over equity instruments granted as compensation

The movement during the reporting period in the number of options over ordinary shares in QBL held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2014

	Held at 1 July 2013	Granted as compensation	Expired	Held at 30 June 2014	Vested during the year	Vested and exercisable at 30 June 2014
Directors						
Pnina Feldman (1)	-	-	-	-	-	-
Sholom Feldman	-	-	-	-	-	-
Meyer Gutnick	-	-	-	-	-	-
Paul Stephenson	-	-	-	-	-	-
Russell Williams	700,000	-	-	700,000	-	700,000
David Austin	-	-	-	-	-	-

2013

	Held at 1 July 2012	Granted as compensation	Expired	Held at 30 June 2013	Vested during the year	Vested and exercisable at 30 June 2013
Directors						
Pnina Feldman (1)	11,000,000	-	11,000,000	-	-	-
Sholom Feldman	1,000,000	-	1,000,000	-	-	-
Paul Stephenson	1,000,000	-	1,000,000	-	-	-
Russell Williams	700,000	-	-	700,000	350,000	700,000
David Austin	-	-	-	-	-	-

No options held by key management personnel are vested but not exercisable.

(1) Performance options

(a) 5,000,000 Performance Options issued to Pnina Feldman as executive chairperson exercisable at 20 cents each on or before 31 December 2012.

(b) 5,000,000 Performance Options, issued to Pnina Feldman as a result of at least $3,500,000 raised by the public offer exercisable at 30 cents each on or before 31 December 2012.

Movements in shares

The movement during the reporting period in the number of ordinary shares in QBL held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2014

	Held at 1 July 2013	Acquired	Disposed	Held at 30 June 2014
Directors	-	-	-	
Pnina Feldman (1)(2)	109,252,166	-	2,000,000	107,252,166
Sholom Feldman (1)(2)	109,252,166	-	2,000,000	107,252,166
Meyer Gutnick	-	-	-	-
Paul Stephenson	-	4,500,000	-	4,500,000
Russel Williams	-	-	-	-
David Austin	-	-	-	-

2013

	Held at 1 July 2012	Acquired	Disposed	Held at 30 June 2013
Directors	-	-	-	
Pnina Feldman (1)(2)	109,252,166	-	-	109,252,166
Sholom Feldman (1)(2)	109,252,166	-	-	109,252,166
Paul Stephenson	-	-	-	-
Russel Williams	-	-	-	-
David Austin	-	-	-	-

(1) Pnina Feldman and Sholom Feldman are each directors of L'Hayyim Pty Ltd which holds 2,252,166 Shares and 7,500,000 options exercisable at 20 cents each on or before 31 December 2012 in its capacity as trustee of the 770 Unit Trust; and

(2) Pnina Feldman and Sholom Feldman are each directors of Volcan Australia Corporation Pty Ltd which holds 105,000,000 shares and 65,000,000 options exercisable at 5 cents each on or before 31 December 2015.

Note 12: Auditors' remuneration

	2014 $	2013 $
Remuneration of the auditor (Nexia Court & Co) of the parent entity for:		
An audit or review of the financial report of the Company		
- Current year	46,986	34,959
- Half-year	25,420	17,904
Other services		
- Taxation services and advice	7,441	1,206
	79,847	54,069

Note 13: Earnings per share

	2014	2013
Basic Earnings per Share		
a. Basic loss per share (cents)	(0.80)	(0.90)
Loss attributable to ordinary shareholders ($)	(2,399,626)	(2,454,095)
Earnings used to calculate basic EPS ($)	(2,399,626)	(2,454,095)
	No.	No.
b. Issued ordinary shares at 1 July	271,363,192	271,363,192
Effect of shares issued during the year	27,466,226	-
.		
Weighted average number of ordinary shares at 30 June	298,829,418	271,363,192

Diluted Earnings per Share

a.	Basic loss per share (cents)	(0.80)	(0.90)
	Loss attributable to ordinary shareholders ($)	(2,399,626)	(2,454,095)
	Earnings used to calculate diluted EPS ($)	(2,399,626)	(2,454,095)
		No.	No.
b.	Weighted average number of ordinary shares (basic)	298,829,418	271,363,192
	Weighted average number of ordinary shares (diluted) at 30 June	298,829,418	271,363,192

As at 30 June 2014, 169,200,000 options (2013: 84,200,000) were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive.

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the year.

Note 14: Cash and cash equivalents

	2014 $	2013 $
CURRENT		
Cash on hand	100	100
Cash at bank	4,110,529	5,203,383
Cash and cash equivalents in the statement of cash flows	4,110,629	5,203,483

Note 15: Trade and other receivables

	2014 $	2013 $
CURRENT		
Security deposits	30,000	140,000
Prepayments	-	3,191
Other debtors	131,773	131,773
Less impairment of other debtors	(131,773)	(108,673)
GST receivable	33,986	40,795
Loan to Joytell Pty Ltd -Unsecured	1,360	-
	65,346	207,086

Note 16: Other assets

	2014 $	2013 $
CURRENT		
Loan to Volcan Australia Corporation Pty Ltd - Unsecured#	1,200,000	1,200,000
Less impairment of loan	(1,200,000)	(1,200,000)
Loan to Volcan Australia Corporation Pty Ltd – Unsecured	70,532	70,982
Less impairment of loan	(70,532)	(70,982)
	-	-
NON-CURRENT		
Loan to Australian Iron Ore Pty Ltd – Unsecured	1,292	1,292
	1,292	1,292

The loan to Volcan Australia Corporation Pty Ltd is the amount that was in consideration for the purchase by Volcan Australia Corporation Pty Ltd (VAC) of ML1492 from the company pursuant to the transactions completed on 14th December 2010 as approved at the time by shareholders at an EGM. This amount is unsecured, due for payment in cash on 14th 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 accounts until the payment is able to be made.

Note 17: Controlled entities

		Country of incorporation	Percentage owned (%) 2014	2013
a.	Controlled entities consolidated			
	Parent entity:			
	Queensland Bauxite Limited	Australia		
	Subsidiaries of Queensland Bauxite Limited			
	Pilbara Gold Holdings Pty Ltd #	Australia	100%	100%
	South Johnstone Bauxite Pty Ltd	Australia	100%	100%
	Volcan Queensland Bauxite Pty Ltd	Australia	100%	100%

* Percentage of voting power is in proportion to ownership.

This subsidiary was deregistered by the Australian Securities and Investments Commission on 18 November 2012. QBL is in the process of reregistering the subsidiary.

Note 18: Exploration and evaluation

	2014 $	2013 $
NON-CURRENT		
Balance as at 30 June	888,023	1,287,546
Mining permits, tenement acquisition and administration and geologist expenses	37,661	46,018
Impairment of exploration assets	(89,890)	(445,541)
Balance as at 30 June	835,794	888,023
Exploration expenses written off during the year	134,715	84,459

The value of the Company's interest in exploration expenditure is dependent upon the:

- continuance of the economic entity's right to tenure of the areas of interest;
- results of future exploration, and
- recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

Note 19: Property, plant and equipment

	2014 $	2013 $
NON-CURRENT		
Mining Equipment		
At cost	175,033	175,033
Accumulated depreciation	(149,983)	(138,883)
Total written down amount	25,050	36,150

Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

2014	Mining Equipment $	Total $
Consolidated Entity:		
Carrying amount year ended 30 June 2013	36,150	36,150
Additions	-	-
Disposals	-	
Depreciation expense	(11,100)	(11,100)
Impairment loss	-	-
Carrying amount year ended 30 June 2014	25,050	25,050

2013	Mining Equipment $	Total $
Consolidated Entity:		
Carrying amount year ended 30 June 2012	122,134	122,134
Additions	-	-
Disposals	(59,332)	(59,332)
Depreciation expense	(26,652)	(26,652)
Impairment loss	-	-
Carrying amount year ended 30 June 2013	36,150	36,150

Note 20: Trade and other payables

	2014 $	2013 $
CURRENT		
Unsecured liabilities		
Trade payables	212,695	222,423
Accrued expenses	82,500	117,500
	295,195	339,923

Note 21: Other financial liabilities

	2014 $	2013 $
CURRENT		
Convertible bonds - Secured	-	1,600,000
Convertible notes - Unsecured	69,506	-
	69,506	1,600,000

Terms and debt repayment schedule

Term and conditions of outstanding loan – 30 June 2014

				30 June 2014	
Unsecured convertible note issue	Currency	Nominal interest rate	Year of Maturity	Face value $	Carrying amount $
	USD	NIL	2015	115,000	63,250

Total interest bearing liabilities

Convertible notes	**2014**
	US$
Proceeds from issue of convertible notes	115,000
115,000 notes at $1USD par value	115,000

The notes are convertible at any time into ordinary shares at the option of the holder. The conversion price of the ordinary shares is at 0.1725 discount to market VWAP. Unconverted notes become repayable at end of term, 12 months from draw down. These notes were issued on 28 May 2014 .

Convertible notes become repayable on demand if any event of default occurs under the Convertible note agreement.

Terms and conditions of outstanding loan – 30 June 2013

Secured convertible bond issue	30 June 2013				
	Currency	Nominal interest rate	Year of Maturity	Face value $	Carrying amount $
	AUD	8%	2015	1,600,000	1,600,000

Total interest bearing liabilities

Convertible bonds	**2013**
	$
Proceeds from issue of convertible bond	1,600,000
1,600 notes at $1,000 par value	1,600,000

The bonds were convertible at any time into ordinary shares at the option of the holder. The conversion price of the ordinary shares is $0.02. Unconverted bonds become repayable on demand at maturity, 24 months after issue. These bonds were issued on 27 June 2013.

All of these bonds were converted into shares of the Company in June 2014. The Company has no remaining liability to the bondholders.

Note 22: Issued capital

	2014 $	2013 $
403,104,263 (2013: 271,363,192) fully paid ordinary shares (no par value)	15,549,138	13,559,013

The Company has no authorised capital.

		2014 No.	2014 $	2013 No.	2013 $.
a.	**Ordinary shares**				
	At the beginning of reporting period	271,363,192	13,559,013	271,363,192	13,559,013
	Share based payments (note 27)	31,000,000	-	-	-
	Conversion of convertible bonds into ordinary shares – June 2014	90,000,000	1,800,000	-	-
	Conversion of interest due on convertible bonds into ordinary shares – June 2014	6,746,301	134,926	-	-
	Conversion of convertible notes into ordinary shares – June 2014	3,994,770	55,199	-	-
	At reporting date	403,104,263	15,549,138	271,363,192	13,559,013

Terms and Conditions of Issued Capital

a. Ordinary Shares

Ordinary shares have the right to receive dividends as declared by the board and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle the holder to one vote either in person or by proxy at a meeting of the Company.

b. Options on issue

The following reconciles the outstanding share options at the beginning and year end of the financial year:

	2014 No.	2013 No.
Description		
At the beginning of reporting period	84,200,000	126,991,763
Granted during the financial year	90,000,000	12,500,000
Forfeited during the financial year	-	-
Exercised during the financial year	-	-
Expired during the financial year	(5,000,000)	(55,291,763)
Balance at the end of the financial year	169,200,000	84,200,000
Exercisable at the end of the financial year	169,200,000	84,200,000

Each of the options entitles the holder to one fully paid ordinary share in the Company. The terms of the options on issue are:

- 45,291,763 exercisable at $0.20 on or before 31 December 2012;
- 5,000,000 performance options exercisable at $0.20 on or before 31 December 2012;
- 5,000,000 performance options exercisable at $0.30 on or before 31 December 2012;
- 5,000,000 exercisable at $0.25 on or before 30 June 2014;
- 350,000 exercisable at $0.20 on or before 31 December 2014;
- 350,000 exercisable at $0.30 on or before 31 December 2015;
- 1,000,000 exercisable at $0.25 on or before 31 December 2015;
- 65,000,000 exercisable at $0.05 on or before 31 December 2015;
- 12,500,000 exercisable at $0.03 on or before 2 July 2016; and
- 90,000,000 exercisable at $0.03 on or before 12 November 2016.

Note 23: Share based payments reserve

The share based payments reserve records items recognised as expenses on share based payments.

	Consolidated Entity	
	2014 $	2013 $
Balance as at 1 July	2,409,750	3,463,518
Equity settled share based payment – non-executive directors fees – shares (note 27)	27,000	-
Equity settled share based payment – non-executive directors fees – options (note 27)	-	5,732
Equity settled share based payment – consulting fees – shares (note 27)	219,000	-
Equity settled share based payment – finance costs – options (note 27)	406,800	12,500
Equity settled share based payment – finance costs – shares (note 27)	34,000	-
Transfer to accumulated losses for expired and forfeited options	(280,000)	(1,072,000)
Balance as at 30 June	2,816,550	2,409,750

Note 24: Accumulated losses

	2014 $	2013 $
Balance as at 1 July	(11,572,652)	(10,190,557)
Loss for the year	(2,399,626)	(2,454,095)
Transfer from share based payments reserve for expired and forfeited options	280,000	1,072,000
Balance as at 30 June	(13,692,278)	(11,572,652)

Note 25: Commitments for expenditure

	2014 $	2013 $
Exploration and evaluation		
– not later than 1 year	198,000	399,993
– later than 1 year but no later than 5 years	-	-
	198,000	399,993

Note 26: Reconciliation of cash flows from operating activities

		2014 $	2013 $
a.	**Cash flows from operating activities**		
	Loss for the year	(2,399,626)	(2,454,095)
	Non-cash flows in loss		
	Impairment of exploration assets	89,890	445,541
	Impairment of receivables	22,650	1,272,882
	Depreciation	11,100	26,652
	Share based payments expense	686,800	18,232
	Loss on disposal of plant and equipment	-	28,237
	Interest paid	134,926	-
	Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
	Decrease in trade and other receivables	2,350	815
	Decrease in prepayments	3,191	8,059
	Decrease in GST receivable	6,809	16,706
	(Decrease)/Increase in trade payables and accruals	(44,728)	34,851
	(Decrease) in payroll liability	-	(13,835)
	(Decrease) in other loans	(3,260)	(2,659)
	Net cash from operating activities	(1,489,898)	(618,614)

Note 27: Share based payment arrangements

Description of the share based payment arrangements

The following share based payment arrangements exists at 30 June 2014.

The terms and conditions related to the grant of share options to bondholders are as follows; all options are to be settled by the physical delivery of the shares.

Grant date/ persons entitled	Number of options	Vesting conditions	Contractual life of option
Options granted to bondholders	90,000,000		3 years

On 22 November 2013

All share options granted to bondholders, confer a right of one ordinary share for every option held.

Ordinary shares granted

On 10 September 2013, the Company issued 24,000,000 ordinary shares as consideration for consulting services. The share price at the grant date was 0.7 cents per share, resulting in consideration for consulting services of $168,000 in total paid to Gleneagle Securities Pty Limited, Jersey & York Capital Group and RJL Investments Pty Ltd.

On 10 December 2013, the Company issued 4,500,000 ordinary shares to Paul Stephenson in lieu of non-executive director fees. The share price at the grant date was 0.006 cents per share, resulting in non-executive directors fees of $27,000.

On 9 June 2014, the Company issued 1,500,000 ordinary shares as consideration for consulting services. The share price at the grant date was 3.4 cents per share, resulting in consideration for consulting services of $51,000 paid to Andrew McCrea.

On 9 June 2014, the Company issued 1,000,000 ordinary shares as commitment shares in relation to convertible notes. The share price at the grant date was 3.4 cents per share, resulting in finance costs of $34,000.

The following share based payment arrangements existed at 30 June 2013.

The terms and conditions related to the grant of share options are as follows; all options are to be settled by the physical delivery of shares.

Grant date/ persons entitled	Number of options	Vesting conditions	Contractual life of option
Options granted to a director	350,000	1 year's service from	2 years
On 18 April 2011		the grant date	
	350,000	2 year's service from	2 years
		the grant date	

All options granted to directors or employees of Queensland Bauxite Limited, confer a right of one ordinary share for every option held.

Grant date/ persons entitled	Number of options	Vesting conditions	Contractual life of option
Options granted to bondholders	12,500,000	-	3 years
On 28 June 2013			

All options granted as corporate fee payments, confer a right of one ordinary share for every option held.

Measurement of fair values

The fair value of the share based payments were measured based on the Black-Scholes formula. Expected volatility is estimated by considering historical volatility of the Company's share price over the period commensurate with the expected term.

Equity settled share based payments relating to non executive directors fees

The inputs used in the measurement of the fair values at grant date of the equity settled share based payment was as follows:

	2014	**2013**
Fair value at grant date	-	$0.038
Share price at grant date	-	$0.16
Exercise price	-	$0.20
Expected volatility (weighted average)	-	30%
Expected life (weighted average)	-	4.2 years
Risk-free interest rate	-	4.75%

Equity settled share based payment relating to finance costs

The inputs used in the measurement of the fair values at grant date of the equity settled share based payments were as follows:

	2014	**2013**
Fair value at grant date	$0.00452	$0.001
Share price at grant date	$0.011	$0.007
Exercise price	$0.03	$0.03
Expected volatility (weighted average)	117%	60%
Expected life (weighted average)	3 years	3 years
Risk-free interest rate	3.10%	2.50%

Expense recognised in profit or loss

	Consolidated Entity	
	2014 $	2013 $
Equity settled share based payment transactions		
Non-executive directors fees - share options granted in 2011 (note 23)	-	5,732
Non-executive directors fees – ordinary shares granted in 2014 (note 23)	27,000	-
Consulting fees – ordinary shares granted in 2014 (note 23)	219,000	-
Finance costs – share options granted in 2014 and 2013 (note 23)	406,800	12,500
Finance costs – ordinary shares granted in 2014 (note 23)	34,000	-
Total expense recognised for equity settled share based payments	686,800	18,232

Reconciliation of outstanding share options

	2014 Number of options	2014 Weighted Average Exercise price	2013 Number of options	2013 Weighted average exercise price
Outstanding at the beginning of the year	19,200,000	0.10	16,700,000	0.27
Granted	90,000,000	0.03	12,500,000	0.03
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	(5,000,000)	0.25	(10,000,000)	0.25

Outstanding at year-end	104,200,000	0.03	19,200,000	0.10
Exercisable at year-end	104,200,000	0.03	19,200,000	0.10

The options outstanding at 30 June 2014 have an exercise price in the range of $0.03 to $0.30 (2013: $0.03 to $0.30) and a weighted average contractual life of 2.3 years (2013: 2.5 years).

There were no options exercised during the year ended 30 June 2014 (2013: Nil).

Note 28: Related parties disclosures

Identity of related parties

The consolidated entity 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 the Queensland Bauxite Limited and the director 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 Company by the following executives:

- Pnina Feldman – Executive Director, Business Development;
- Dr Robert Coenraads – Principle 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 period ended 30 June 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, 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 Company at its Bondi offices at 67 Penkivil St, which includes use of office space, the board room, 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 Company, such as secretarial, accounting and office management services. These services were provided to the Company by AGMPL on reasonable arm's length terms as approved by the independent director(s).

AGMPL services	2014 $	2013 $
Rent	60,000	85,464
Management and secretarial	36,000	39,000
Exploration and geological	143,162	162,389
Executive and corporate services	216,000	168,000
Reimbursement of expenses	23,085	5,968

Total	478,247	460,821

Amounts owed to AGMPL included in trade payables as at 30 June 2014 is $12,260 (2013:$NIL).

Other transactions with related parties

The Company engaged HWL Ebsworth Lawyers to provide legal, contractual and consulting services on a fee for service basis at commercial rates. Paul Stephenson who was a director of QBL, is a partner in HWL Ebsworth. During the financial year ended 30 June 2014, HWL Ebsworth was paid $2,265 (2013: $21,388) for these services.

Loans advanced to director related companies	**2014**	**2013**
	$	**$**
Volcan Australia Corporation Pty Ltd	(1,200,000)	1,200,000
Impairment recognised as at 30 June 2014	(1,200,000)	(1,200,000)
Due for repayment on 14 December 2012		
Volcan Australia Corporation Pty Ltd	70,532	70,982
Impairment recognised as at 30 June 2014	(70,532)	(70,982)
No due date for repayment.		
Joytell Pty Ltd	1,360	-
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.

Note 29: Financial instruments

a. Financial risk management

The Group's financial instruments consist mainly of deposits with banks, trade and other receivables and trade and other payables.

The main risk the Group is exposed to through its financial instruments is interest rate risk.

Interest rate risk

The Group's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result in changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities refer Note 29(b).

Foreign currency risk

The Group was not exposed to fluctuations in foreign currencies during the reporting period.

Credit risk

Neither the Group or the Company have any material credit or other risk exposure to any single receivable or group of receivables or payables under financial instruments entered into by the Group.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash reserves or unutilised borrowings are maintained.

The following are the remaining contractual maturities at the end of the reporting period of financial liabilities, including estimated interest payments:

	30 June 2014		**Contractual cash flows**				
	Carrying amount $	Total $	2 months or less $	2 to 12 months $	1-2 Years $	2 to 5 years $	More than 5 years $
Non derivative financial liabilities							
Convertible notes	69,506	(69,506)	(69,506)	-	-	-	-

	30 June 2013		**Contractual cash flows**				
	Carrying amount $	Total $	2 months or less $	2-12 months $	1-2 years $	2-5 years $	More than 5 years $
Non-derivative financial liabilities							
Convertible bonds	1,600,000	(1,600,000)	-	(128,000)	(1,472,000)	-	-

Price risk

The Group's anticipated value of the South Johnstone Bauxite project is affected by the price of bauxite. Any rise or fall of the price of bauxite may affect the project's value accordingly.

b. Financial Instrument composition and maturity analysis

The tables below reflect the contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments.

	Weighted average effective interest rate		Floating interest rate		Within one year		1 to 5 years		Non-interest bearing		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2013	2012
Consolidated Entity	%	%	$	$	$	$	$	$	$	$	$	$
Financial assets:												
Cash and cash equivalents	3.6%	4.3%	4,110,529	5,203,383	-	-	-	-	100	100	4,110,629	5,203,483
Trade and other receivables	-	-	-	-	-	-	-	-	65,346	207,086	65,346	207,086
Other non-current assets	-	-	-	-	-	-	-	-	1,292	1,292	1,292	1,292
Financial liabilities:												
Trade and other payables	-	-	-	-	-	-	-	-	295,195	339,923	295,195	339,923
Other financial liabilities	-	8.0%	-	-	-	128,000	-	1,472,000	69,506	-	69,506	1,600,000

c. Fair values vs carrying amounts

The fair values of financial assets and liabilities, together with carrying amounts shown on the statement of financial position, are as follows:

	2014 Total Carrying Amount $	2014 Fair Value $	2013 Total Carrying Amount $	2013 Net Fair Value $
Financial Assets				
Cash and cash equivalents	4,110,629	4,110,629	5,203,483	5,203,483
Trade and other receivables	65,346	65,346	207,086	207,086
Other financial assets	1,292	1,292	1,292	1,292
Financial Liabilities				
Trade and other payables	295,195	295,195	339,923	339,923
Other financial liabilities	69,506	69,506	1,600,000	1,600,000

Note 30: Parent entity disclosures

	2014 $	2013 $
As at and throughout the financial year ending 30 June 2014, the parent entity of the Group was Queensland Bauxite Limited.		
Financial Position of parent entity at year end		
Assets		
Current assets	4,175,975	5,422,623
Non-current assets	735,982	923,365
Total assets	4,911,957	6,345,988
Liabilities		
Current liabilities	401,417	1,948,464
Non-current liabilities	-	-
Total liabilities	401,417	1,948,464
Total equity of the parent entity comprising of:		
Issued capital	15,549,138	13,559,013
Share based payment reserve	2,816,550	2,409,750
Accumulated losses	(13,855,148)	(11,571,239)
Total Equity	4,510,540	4,397,524
Financial Performance		
Loss for the year	(2,563,909)	(3,876,084)
Other comprehensive income	-	-
Total comprehensive income for the year	(2,563,909)	(3,876,084)

Note 31: Company details

The registered office of the Company and principal place of business is:

Queensland Bauxite Limited
67 Penkivil Street
Bondi, NSW 2026

Note 32: Segment information

Description of segments

Management has determined the operating segments based on the reports reviewed by the Board of Directors, that are used to make strategic decisions. The Board of Directors has identified one reportable segment, being mining and exploration.

Segment information provided to the Board of Directors

The segment information provided to the Board of Directors for the reportable segments for the year ended 30 June 2014 is as follows:

	Mining and exploration $	All other segments $	Total $
Total segment revenue	-	-	-
Inter-segment revenue	-	-	-
Revenue from external customers	-	-	-
Segment loss before tax	(2,399,626)	-	(2,399,626)
Depreciation	(11,100)	-	(11,100)
Impairment of exploration assets	(89,890)	-	(89,890)
Impairment of receivables	(22,650)	-	(22,650)
Interest income	167,064	-	167,064
Finance costs	(586,213)	-	(586,213)
Income tax expense	-	-	-
Total segment Assets	5,038,111	-	5,038,111
Total segment liabilities	(364,701)	-	(364,701)

The segment information provided to the Board of Directors for the reportable segments for the year ended 30 June 2013 is as follows:

	Mining and exploration $	All other segments $	Total $
Total segment revenue	14,772	-	14,772
Inter-segment revenue	-	-	-
Revenue from external customers	-	-	-
Segment loss before tax	(2,454,095)	-	(2,454,095)
Depreciation	(26,652)	-	(26,652)
Impairment of exploration assets	(445,541)	-	(445,541)
Impairment of receivables	(1,272,882)	-	(1,272,882)
Interest income	207,401	-	207,401
Finance costs	(42,933)	-	(42,933)
Income tax expense	-	-	-
Total segment assets	6,336,034	-	6,336,034
Total segment liabilities	(1,939,923)	-	(1,939,923)

Note 33: Events subsequent to balance date

- Acquisition of EL7301
  The Company has entered into an agreement to acquire 50% of EL7301, a known gibbsitic province in the Nullamana region. The Company has clear and unencombrered title of its 50% interest after the issue of 37,500,000 ordinary shares in the Company and 30,000,000 options. The issue of the shares and options was approved by shareholders on 15 September 2014.

- During July 2014, all the convertible notes on issue were converted to 4,392,551 ordinary shares.

- Meyer Gutnick, non-executive director, was issued 5,000,000 ordinary shares in the Company, for no consideration, in lieu of directors fees, on 19 September 2014, as approved by shareholders on 15 September 2014.

- Marion Lesaffre and Robert Coenraads, who are both employees of the related company, AGMPL, were each issued 1,000,000 ordinary shares in the Company, for no consideration, as part of a bonus to their respective salaries. This was approved by shareholders on 15 September 2014.

- An employee share option plan was approved by shareholders on 15 September 2014. The Employee Share Option Plan provides for the grant of Shares and Options to eligible employees of the Company. The purpose of the Employee Share Option Plan is to enable the Company to appropriately attract, remunerate and incentivise employees.

- The Company issued 16,961,620 ordinary shares at 2 cents per share to institutional and professional investors, during August 2014.

- The Company issued 13,475,259 ordinary shares at 2 cents per share to institutional and professional investors, during September 2014.

- The Company issued 5,000,000 ordinary shares to consultants, in lieu of fees.

There has not arisen in the interval between the end of the financial year and the date of this report any further item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the company, the results of those operations, or the state of affairs of the company, in future financial years.

Note 34: Disposal of subsidiaries

On 8 March 2013, the Australian Securities and Investments Commission deregistered the wholly owned subsidiary Broads Dam Gold Holdings Pty Ltd. This had no financial impact on the Group.

On 4 February 2013, the Australian Securities and Investments Commission deregistered the wholly owned subsidiary Volcan South Queensland Bauxite Pty Ltd This had no financial impact on the Group.

Directors' Declaration

In the directors' opinion:

1. the financial statements and accompanying notes set out on pages 67 to 102 are in accordance with the *Corporations Act 2001* and:

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

   (b) give a true and fair view of the economic entity's financial position as at 30 June 2014 and of its performance for the year ended on that date;

2. the financial statements and notes also comply with International Financial Reporting Standards, as disclosed in Note 2 to the financial statements;

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

The directors have been given the declaration by the chief executive officer and chief financial officer required by section 295A.

Signed in accordance with a resolution of the Directors.

On behalf of the directors:

Pnina Feldman, Chairperson
Dated this 30th day of September 2014

Sydney

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF QUEENSLAND BAUXITE LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Queensland Bauxite Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the 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 year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors as at the time of this auditor's report.

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Opinion

In our opinion:

(a) the financial report of Queensland Bauxite Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 53 to 58 of the directors' report for the year ended 30 June 2014. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Queensland Bauxite Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001.*

Nexia Court & Co
Chartered Accountants

Joseph Santangelo
Partner

Sydney
30 September 2014

Additional Information – as at 26 September 2014

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below:

Distribution schedule and number of holders of equity securities as at 26 September 2014

	1 – 1,000	1,001 – 5,000	5,001 – 10,000	10,001 – 100,000	100,001 and over	Total
Fully Paid Ordinary Shares (QBL)	9	22	64	186	143	424
Unlisted Options – 20c 31/12/14	-	-	-	-	1	1
Unlisted Options – 30c 31/12/15	-	-	-	-	1	1
Unlisted Options – 25c 31/12/15	-	-	-	-	1	1
Unlisted Options – 5c 31/12/15	-	-	-	-	1	1
Unlisted Options – 3c 02/07/16	-	-	-	-	1	1
Unlisted Options – 3c 12/11/16	-	-	-	-	1	1
Unlisted Options – 8c 16/09/17	-	-	-	-	1	1
Unlisted Options – 10c 16/09/17	-	-	-	-	1	1
Unlisted Options – 15c 16/09/17	-	-	-	-	1	1
Unlisted Options – 20c 16/09/17	-	-	-	-	1	1

The number of holders holding less than a marketable parcel of fully paid ordinary shares as at 26 September 2014 is 0.

20 largest holders of quoted equity securities as at 26 September 2014

The names of the twenty largest holders of fully paid ordinary shares (ASX code: QBL) as at 26 September 2014 are:

Rank	Name	Units	% of Units
1.	VOLCAN AUSTRALIA CORPORATION PTY LTD	105,000,000	21.54
2.	GLENEAGLE SECURITIES (AUST) PTY LTD	24,747,826	5.08
3.	UNICORN PRAYERS PTY LTD <PRESTIGE WORLDWIDE A/C>	13,313,789	2.73
4.	FIRST STATE PTY LIMITED	12,500,000	2.56
5.	MR ANDREW GORDON MCCREA	8,200,000	1.68
6.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,788,479	1.60
7.	CAPITA TRUSTEES LIMITED <BAM 2006 PP RE PEGUM A/C>	7,141,127	1.47
8.	RENLYN BELL INVESTMENTS PTY LTD <G & R BONACCORSO FAMILY A/C>	6,060,000	1.24
9.	SHAINDEL GUTNICK	5,000,000	1.03
10.	MR PAUL STEPHENSON	4,500,000	0.92
11.	J P MORGAN NOMINEES AUSTRALIA LIMITED	4,467,897	0.92
12.	MR GEOFFREY ALFRED WAKEFIELD	4,423,000	0.91
13.	MR GWYNN CAMERON FORREST	4,093,076	0.84
14.	MR BRETT CHRISTENSEN	4,000,000	0.82
15.	ALCARDO INVESTMENTS LIMITED <STYLED 102501 A/C>	3,666,857	0.75
16.	RJL INVESTMENTS PTY LTD	3,150,000	0.65
17.	MAGNA EQUITIES II LLC	3,067,651	0.63
18.	MR KIM LEONG WONG	3,050,000	0.63
19.	DR SALIM CASSIM	3,000,000	0.62
20.	MRS JANE KILLEN + MR MATTHEW JAMES KILLEN <KILLEN FAMILY SUPERFUND A/C>	3,000,000	0.62
TOTAL		**230,169,702**	**47.24**
REMAINDER		**257,263,991**	**52.76**
GRAND TOTAL		**487,433,693**	**100.00**

Stock Exchange Listing – Listing has been granted for all ordinary fully paid shares of the Company on issue on ASX Limited.

Substantial shareholders

Substantial shareholders in Queensland Bauxite Limited and the number of equity securities over which the substantial shareholder has a relevant interest as disclosed in substantial holding notices given to the Company are listed below:

	No. Shares Held	% of Issued Capital
VOLCAN AUSTRALIA CORPORATION PTY LTD	105,000,000	21.54%
GLENEAGLE SECURITIES (AUST) PTY LTD	24,747,826	5.08%

Unquoted Securities

The number of unquoted securities on issue as at 26 September 2014:

Unquoted Securities	Number on Issue	Exercise Price	Expiry Date
Unquoted Options	65,000,000	5c	31/12/15
Unquoted Options	350,000	20c	31/12/14
Unquoted Options	350,000	30c	31/12/15
Unquoted Options	1,000,000	25c	31/12/15
Unquoted Options	12,500,000	3c	02/07/16
Unquoted Options	90,000,000	3c	12/11/16
Unquoted Options	10,000,000	8c	16/09/17
Unquoted Options	10,000,000	10c	16/09/17
Unquoted Options	5,000,000	15c	16/09/17
Unquoted Options	5,000,000	20c	16/09/17

Names of persons holding more than 20% of a given class of unquoted securities (other than employee options) as at 26 September 2014

Security	Name	Number of Securities
Unlisted Options 5c 31/12/15	Volcan Australia Corporation Pty Ltd	65,000,000
Unlisted Options – 3c 12/11/16	Gleneagle Securities (Aust) Pty Ltd	90,000,000
Unlisted Options – 3c 02/07/16	Gleneagle Securities (Aust) Pty Ltd	12,500,000

Restricted Securities as at 26 September 2014

There are no restricted shares or options.

Voting Rights

All fully paid ordinary shares carry one vote per ordinary share without restriction.

Unlisted options have no voting rights.

Schedule of Mineral Tenements as at 30 September 2014

Project Name			Interest Held %
Pilbara Gold Project			
Pilbara	E47/1153	Granted	100%
Eastern Australia Bauxite Projects			
Nullumana	EL7301	Granted	50%
South Johnstone	EPM18463	Granted	100%