

**ASX Announcement**

**ASX: QBL**

**30<sup>th</sup> October 2014**

## **South Johnstone Bauxite Scoping Study Excellent Results Confirm Potential for Early Production Start**

- Low Capex, Low Cost, High Margin Operation Delivers High NPV and IRR
- Potential for increased bauxite production in Operating Scenario 3m-5mtpa Stage 2 Project
- Advance discussions with potential strategic partners, stakeholders, off-takers and financiers, in order to fast-track the development of the Project

### **Highlights**

The Directors of Queensland Bauxite Limited (ASX: QBL) ("the Company") are delighted to announce the excellent results of a recently completed independent Scoping Study ("Scoping Study", "the Study") of the South Johnstone Bauxite project ("the Project", or "South Johnstone") in Queensland.

The Study indicates a technically low risk, low cost, highly profitable bauxite operation with significant free cash flows.

The Study supports profitable bauxite production by initially mining higher grade surface resources within the South Johnstone resource in Queensland.

### **Project Parameters**

The following details the inputs and parameters that the Study was based on utilising the Inferred Resource defined to date. Drilling is underway with the goal of upgrading as much of the Inferred JORC Resource to JORC Indicated & Measured category.

The Study assessed the viability of an initial mining operation producing 800,000tpa of bauxite.

### Key Results of Operating Scenario 800,000tpa Stage 1 project:

- Payback of estimated capital costs: <6 months
- Capex: A\$5.14m
- Operating Cost: A\$20.87/t FOB
- Project Study at A\$55.17/t bauxite price
- Royalties: A\$5.52/t
- Current Freight Costs to Shandong, China: A\$10.72/t
- Average annual bauxite production Operating Scenario Stage 1: 800,000 tonnes
- Annual Gross Revenue: A\$44.1m
- NPV (10% discount rate): A\$75.67M on Stage 1 scenario
- IRR: 278%
- Operating annual positive cash flow before tax: A\$14.4M
- Mining estimated start: second half 2015

### Cautionary Statements as Required by JORC 2012

The Scoping Study referred to in this announcement is based on lower-level technical and economic assessments, and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Scoping Study will be realised.

The Scoping Study's conclusions are drawn on the inferred mineral resources as reported by the Company. Further exploration is necessary in order to upgrade the resource to an Indicated and/or Measured level that would enable a mining lease to be granted and production to take place. Until such results are confirmed there is no certainty that the resource will be upgraded to enable production to take place.

Further, the Company cautions that there is no certainty that the forecast financial information derived from production targets will be realised as these will depend on market conditions. The material assumptions underpinning the production targets and forecast financial information derived from the production targets are set out in this announcement.

The estimated mineral resources underpinning the Scoping Study production targets have been prepared by competent persons in accordance with the current JORC Code 2012 Edition.

Factors that lead the Company to believe that it has a reasonable basis for reporting a production target based solely on inferred resources are the surface nature of the mineralisation which is easily mapped; and the large quantity of inferred mineral resources identified which far surpasses the numbers of tonnages being used as the basis of the scoping study.

The Company intends to use the Scoping Study results to aggressively progress the development of the South Johnstone Project. This is expected to include further drilling programmes to better define the Mineral Resource, along with the studies required to obtain a mining lease as quickly as possible.



The Company has concluded that it has a reasonable basis for providing the forward looking statements included in this announcement. The detailed reasons for that conclusion are outlined throughout this announcement.

The Study utilised the Inferred JORC Mineral Resource recently estimated report as announced previously. Under the JORC (2012) Code, Inferred resources are not adequate to determine or imply economic viability.

### **Executive Chairperson's Comments**

Executive Chairperson Ms. Pnina Feldman said, "The outstanding results of the South Johnstone Scoping Study show a highly profitable project which will deliver significant free cash flows."

"Our focus is on generating earnings and building a robust bauxite business that enables the Project to add considerable value for QBL shareholders. The existing infrastructure and close proximity to a deepwater Port with current capacity reduces both the capital cost and lead time to bauxite production which is reflected in a very quick payback."

"The study validates the opinion of the Company that South Johnstone ticks all the boxes with low Capital Expenditure (Capex), low Operating Costs, significant operating margins and fast track to production. We are positioned to become a competitive, highly profitable producer with a plan that aims to deliver the timely and economic development of the Project."

"There is potential to develop a much larger mining operation over time which should see revenues multiplied accordingly."

"Bauxite mining at surface is probably the simplest of all mining operations, as all that is required is picking up the ore and putting it on the back of a truck. Being so close to a deep water port as South Johnstone is, is indeed quite fortunate for the company as the infrastructure is already in place to enable mining to proceed".

Ms Feldman said: "The Study has strategically positioned QBL to be a low operating cost producer. The Company will utilise the Scoping Study to further advance discussions with potential off-takers, stakeholders and financiers, in order to fast track the development of the Project".

"The Company will look to develop a larger production scenario in tandem with key stakeholders including the Port, local and state government departments as well as relevant communities."

"The Study is a significant milestone for all shareholders, stakeholders and local communities and we are very excited about the potential benefits to all from project development."

## Summary

The Study was carried out by independent consultants Sandercock and Associates Pty Limited and with key input from other contributors including independent industry experts and consultants and was based on the JORC Resource estimate published by the Company on 12 June 2014.

The scoping study shows that based on the current technical and market assumptions, the project is technically and commercially feasible and can generate strong cash flows at the lower end of industry operating and capital costs.

The Project Development Plan envisages a staged production ramp up commencing at 800,000tpa (Operating Scenario 1) then increasing production to between 3-5mtpa Mtpa (Operating Scenario 2).

Projected costings and detail regarding the larger production scenario will be detailed in a future study which will incorporate advanced mining, production, transport and shipping options.

The priority is to get the 800,000tpa project into production given that existing infrastructure and Port capacity is currently available to support this level of production.

## Capital cost estimate

Table 2 provides the capital cost estimates for the proposed components of the project. The costs are provided (AUD).

**Table 2: Capital cost estimate for producing 800,000tpa of bauxite.**

CAPITAL ESTIMATE	EXPENDITURE
Port stockpile	\$3,762,900
Mining License & approvals	\$430,000
Bulk Sampling, drilling	\$245,000
Contingencies including land access	\$700,000
<b>Total</b>	<b>\$5,317,900</b>

## Operating cost estimate

**Table 3: Operating cost estimate for producing 800,000tpa of bauxite.**

ITEM	ESTIMATE
Cost per tonne of ore	\$26.39
Shipping/tonne to Shandong, China	\$10.72



## **Bauxite Price**

A bauxite price of AUD \$55.17 per tonne has been used in the Financial Model by the independent Consultant group based on current prevailing market prices for bauxite of the grades and specifications as reported at South Johnstone. The market for bauxite is forecast to remain strong with the trend to further price increases in 2015/2016 expected by industry experts & analysts including CRU, CM Group, Metal Bulletin Research.

## **Mining Schedule**

Various mining production scenarios were examined. The scenario that was adopted as the base case of the Study was a simple mining operation to extract ore from surface to approximately 3 metres at the rate necessary to utilise current available Port capacity of 800,000tpa.

Bauxite to be mined by surface methods (open cut mining). The topsoil is removed to allow for the simple extraction of the underlying bauxite. The bauxite is to be mined in panels, with the topsoil from the following panel being placed back into the previously mined panel for a quick rehabilitation of the area.

Mining is estimated to cost an average of \$4.11 per tonne.

Mining production would be campaigned throughout the year. During the wet season, production will continue with ore being stockpiled if necessary.

## **Transport**

For the purpose of the Study the only transport option considered was direct trucking of bauxite to the port of Mourilyan. The project is located 15-25 km west of the Port; the exact distance is dependent on which areas of the project are mined first.

The loading and transport under this scenario is estimated to cost an average of \$5.83 per tonne.

Future studies, including for the increased production in Operating Scenario 2 will investigate additional transport scenarios such as utilising the current existing rail network that goes directly from the project area to the port, amongst other transport alternatives.

Port and ship loading costs are estimated to cost an average of \$10.51 per tonne.

## **Additional Information**

The results of the scoping study provides the Company with sufficient confidence and a highly compelling business case to advance the project to an indicated and/or measured JORC resource and undertake the necessary studies required for a mining lease to move to early mining and production.

The key considerations in the Scoping Study were a preliminary assessment of the preferred mining design; the development and expandability of a staged development plan, reflective of the outstanding approvals and currently installed infrastructure; the transition from a smaller-scale to a larger-scale development, including streamlining safety designs, operational and transport efficiencies for shipping of the bauxite; and the diligent consideration to community and environmental impacts of the Project as well as liaison with key stakeholders.

The Operating Scenario 800,000tpa Project is based on the Maiden Resource Estimate. The Consultants have estimated capital cost estimate and operating cost estimate, including mining, road transport, port costs, and general and administrative expenses.

Capital and operating costs have been derived from first principles based on budget quotes and as well as consultant databases related to similar projects.

### **Drilling program**

The drilling program is seeking to better define the higher grade bauxite areas of the 400km<sup>2</sup> of South Johnstone tenements to assist to fast track mining and production. In addition, drilling will look to upgrade the confidence category levels of the resource. Further drilling has taken place, and ongoing drilling is planned, and results will be released to market as and when received.

### **Competent Person Statements**

The information in this announcement that relates to Mineral Resources underpinning the Production Target is based on, and fairly represents, information compiled by Mr Heath Sandercock and Dr Robert Coenraads. Mr Sandercock is an independent expert consultant and is the principal of Sandercock and Associates Pty Limited. Mr Sandercock is a Fellow of the Australasian Institute of Mining and Metallurgy. Dr Robert Coenraads is a Fellow of the Australasian Institute of Mining and Metallurgy. Dr Coenraads contracts services to Queensland Bauxite Limited. Both Dr Coenraads and Mr Sandercock have sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the JORC Code. Dr Coenraads and Mr Sandercock have given their consent to the inclusion in the announcement of the matters based on this information in the form and context in which it appears.

### **About Sandercock and Associates Pty Ltd**

Mr Sandercock is the Principal of Sandercock and Associates, a Sydney based mining consultancy established in 2001 to provide independent mining and management consultancy services.

Mr Sandercock graduated with a Bachelor of Engineering in Mining Engineering from the University of NSW in 1974 and has 40 years of metalliferous and precious commodity operations and consulting experience. He is a Fellow and Chartered Member of the Australasian Institute of Mining and Metallurgy, a Member of the Mineral Industry Consultants Association as well as being a Member of the Society of Mining Engineers (United States).

Sandercock and Associates has conducted due diligence reviews of mining operations in Australia, the Philippines, South Africa, South America and Russia. In particular he was part of a team conducting due diligence on Russian Aluminium (RUSAL) assets in Siberia as part of the merger of RUSAL, Siberian Aluminium and Glencore aluminium assets into RUSAL AC one of the largest aluminium producers in the world. Mr Sandercock also conducted a due diligence on RUSAL'S Guyana bauxite assets.

Sandercock and Associates has conducted scoping, pre-feasibility and bankable feasibility studies to JORC and NI 43-101 standards on a variety of metals in Central and S.E. Asia, Australia, the Pacific and South America. In particular Mr Sandercock was on a team conducting a scoping study on bauxite in the Kimberley region of WA.

For further information, please contact:

Queensland Bauxite Ltd

Tel: +61 (0)2 9291 9000

For further information or any queries please email the Company at:

[info@queenslandbauxite.com.au](mailto:info@queenslandbauxite.com.au)

### **About Queensland Bauxite**

Queensland Bauxite Ltd is an Australian listed company focused on the exploration and development of its bauxite tenements in Queensland and New South Wales. The Company's lead project is the South Johnstone Bauxite Deposit in northern Queensland which has rail running through the project area directly to the port, and is approximately 15-25 kilometres from the nearest deep water port. The Company intends to become a bauxite producer with a focus on commencing production at South Johnstone as early as possible.

End