

29th January 2016

DECEMBER 2015 QUARTERLY REPORT

HIGHLIGHTS

- **Minerals Development Licence (MDL) formal application lodged with all requested associated technical documentation, awaiting Departmental approval**
- **Granting of MDL should enable immediate shipping from South Johnstone Bauxite project to effectively prove the long-term economic and operational feasibility of the project**
- **South Johnstone project of the lowest cost bauxite projects in projected production costs, thereby giving confidence in the long term viability of the project even in light of the recent increase in Malaysian production**
- **Malaysian bauxite production has been recently put on hold pending environmental investigations in that country**
- **QBL during the recent quarter thoroughly briefed local government representatives, feedback extremely positive in securing their necessary support and recommendation for the development of the project;**
- **Company has also undertaken extensive constructive consultation with key federal and state MPs;**
- **QBL to increase its interest in key mineralisation in regionally strategic NSW bauxite project – with significant large scale bauxite mineralisation already identified**
- **In discussions with neighbouring tenement owners for medium term large scale development**
- **South Johnstone project remains main focus for short term production**

During the December quarter 2015, Queensland Bauxite Limited (ASX: QBL, or the “Company”) continued to significantly progress the development of its flagship South Johnstone DSO bauxite project in northern Queensland.

A number of corporate and operational milestones were achieved during this period, with the Company aiming to generate positive net cash flows in the short term through the commencement of DSO bauxite production and shipping.

Operational Overview

The Company has formally lodged a Mineral Development License Application (MDL or MDLA) with the Queensland Department of Natural Resources and Mines, together with all the requested accompanying environmental, operational, social and engineering studies documentation. The Department is currently considering this application.

Granting of the MDL will enable the Company to begin initial shipments of bauxite to the customer refinery, which will consequently prove the long-term economic and operational feasibility of the project.

The results of the MDL will be a key part of the overall strategy to develop an export operation in a staged development of South Johnstone that allows for long term mining and export on a prospect by prospect basis at low cost within the entire project area.

The Company looks forward to receiving approval of the MDL in the near term. This achievement will help the Company to determine its ability to enter into the large international bauxite market in the short term, apply for larger ML's throughout the project area, and to generate positive net cash flows as quickly as possible.

QBL maintains a constructive and ongoing dialogue with the DNRM as a part of the MDL application process, including detailed discussion on the technical and engineering aspects of the project.

Further to this, the Company has ensured that it has consulted and thoroughly briefed relevant federal and state members of parliament on all aspects of the project, including federal MP the Hon Bob Katter. The South Johnstone Bauxite project is located in Mr Katter's electorate of Kennedy.

QBL is encouraged by the positive feedback it has received from government stakeholders, particularly in regard to the future economic benefits that the project will deliver to the region and to the state of Queensland.

In addition, during the quarter, QBL's directors and management briefed the Mayor and the Councillors from the region's local government, the Cassowary Coast Regional Council, on the environmental, social and economic impacts that the project is likely to have, along with critical infrastructure needs. As a part of this process the Company has submitted detailed documentation regarding all of these issues.

QBL is pleased to report that its consultation with members of the Cassowary Coast Regional Council has been both positive and productive, and that its dialogue with key stakeholders representing the local community is ongoing and constructive, with strong expressions of support given to the Company for the granting of the MDL.

QBL's Managing Director Sholom Feldman commented: "We feel very confident that we are now in the final stages of consultation with the DNRM on our MDL application for South Johnstone. The granting of the MDL would be a key milestone in this project that will then allow us to fast track the further development of the project."

“We have undertaken extensive consultation with both state and federal members of parliament on all aspects of the project, and we are greatly encouraged by the positive feedback and support that we continue to receive, particularly in the context of the significant economic benefits that it will deliver to the local region and the State of Queensland.”

“As part of our ongoing stakeholder engagement program, we also recently briefed the Mayor and the Councillors from the Cassowary Coast Regional Council, giving the Councillors the opportunity to discuss any questions that they may have had regarding the project, and discussed at length the benefits that the development should bring to the region.”

“I am pleased to report that our engagement with the Cassowary Coast Regional Council has been extremely positive and productive, and that as with all concerned stakeholders, our dialogue with them is ongoing and constructive.”

“The Minister had particularly requested that the Company secure the support of the local Council, and the positive meetings with the Councillors gives the Company the confidence that the council will give the anticipated positive recommendation to the Minister for the grant of the MDL.”

“I look forward to updating shareholders on our progress with obtaining the MDL, and on all further developments at the South Johnstone Bauxite project. We have every confidence in the project’s future.”

NSW Bauxite Project Acquisition

The Company has offered to acquire an increased stake in its already 50% owned bauxite tenement EL7301, which contains a large 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 offered to purchase up to an additional 31% interest in exploration licence (EL 7301) in New South Wales to potentially bring the Company’s interest up to 81% of the tenement.

Shareholders approved the making of the offer in the recent AGM held on 30th November 2015. It is anticipated that the transaction will conclude within the next few weeks with those who have accepted the offer.

Background to the acquisition

EL7301 is currently held in joint venture 50% by QBL and 50% by Plateau Bauxite Limited (PLB), a public unlisted company. Plateau Bauxite has already spent in excess of \$3 million in bauxite exploration on EL7301.

QBL has offered up to a total of 29 million shares in QBL for up to a further 31% beneficial interest in EL7301. QBL has offered to purchase the shares of the independent shareholders in PLB to be held in a special purpose company to be set up to hold the beneficial interest in EL7301. The directors believe that an increase of ownership in this valuable tenement is of good strategic value to QBL and in line with the Company's vision of becoming a major emerging force in the bauxite market for the long term. With continuing forecasted strong demand for bauxite as well as a result of the Indonesian and now Malaysian ban on bauxite exports, the Company is looking to increase its portfolio of strategic bauxite projects at the right price. This acquisition fits the criteria.

Further information on EL7301 and on the geological significance of this project can be found in the original acquisition announcement released by the Company on 11th July 2014 and can be accessed at the following link:

<http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=01533081>

Neighbouring Tenement Owners

The Company has been in discussion with the owners of tenements in the same area as EL7301. One of these tenements has already been reported to ASX in May 2012 by Australian Bauxite Limited (ASX:ABX) as containing 38 million tonnes of bauxite. ¹

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

Further Information

The transaction is conditional on the acceptance of the offer by the relevant vendor shareholders, and the subsequent issue of the securities as per above, following which the vendor's interest is vested immediately into QBL. The directors believe that this transaction represents a value adding acquisition taking into account current market dynamics.

The Company does not have any plans to raise further funds in conjunction with this transaction as this transaction is not dependent upon 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 ongoing exploration. QBL intends to fund its portion of the drilling program from its existing cash resources.

¹ The following JORC compliant report was released to ASX: 08/05/2012 ASX announcement - Inverell Resource Grade Improvement – 38 million tonnes resource.

Given the highly encouraging results and continuing strong progress at the Company's South Johnstone Project in North Queensland, the South Johnstone Project remains the key focus for short term development.

Corporate

QBL's cash position as at 31st December 2015 was \$6.01 million. This is against a current market capitalisation for QBL of approximately \$7 million.

As at 31st December 2015, the Company held the following tenements:

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

For further information please visit the company's website at

www.queenslandbauxite.com.au or contact:

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www.twitter.com/QLDBauxite

About Queensland Bauxite

Queensland Bauxite Ltd is an Australian listed company focused on the exploration and development of its bauxite tenements in Queensland and New South Wales. The Company's lead project is the South Johnstone Bauxite Deposit in northern Queensland which has rail running through the project area and is approximately 15-24 kilometres from the nearest deep water port. The Company intends to become a bauxite producer with a focus on commencing production at South Johnstone as early as possible.

Competent Person Statement

The information in this announcement that relates to exploration results, Exploration Targets or Mineral Resources is based on, and fairly represents, information compiled by Dr Robert Coenraads. Dr Robert Coenraads is a Fellow of the Australasian Institute of Mining and Metallurgy. Dr Coenraads contracts services to Queensland Bauxite Limited. Dr Coenraads has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the JORC Code. Dr Coenraads has given his consent to the inclusion in the announcement of the matters based on this information in the form and context in which it appears.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

Queensland Bauxite Limited

ABN

18 124 873 507

Quarter ended ("current quarter")

31 December 2015

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	-199	-640
	-102	-263
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	52	105
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
	-249	-798
Net Operating Cash Flows		
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets		
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		
1.10 Loans from other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows		
1.13 Total operating and investing cash flows (carried forward)		
1.13 Total operating and investing cash flows (brought forward)	-249	-798

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.		684
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
Net financing cash flows			684
Net increase (decrease) in cash held		-249	-114
1.20	Cash at beginning of quarter/year to date	6256	6121
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	6007	6007

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	-140
1.24	Aggregate amount of loans from the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	\$2M USD Development facility from Magna	\$500,000 (\$684K AUD)
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	200
4.2 Development	800
4.3 Production	
4.4 Administration	100
Total	1100

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	6007	6256
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	6007	6256

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

6.2	Interests in mining tenements acquired or increased				
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Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities <i>(description)</i>				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	752,964,047	752,964,047		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	15,055,411	15,055,411		
7.5	+Convertible debt securities <i>(description)</i>				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.7	Options <i>(description and conversion factor)</i>	Options 12,500,000	Nil	<i>Exercise price</i> \$0.03	<i>Expiry date</i> 02/07/2016
		Options 63,648,825	Nil	\$0.10	31/07/2016
		Options 90,000,000	Nil	\$0.03	11/11/2016
		Options 10,000,000	Nil	\$0.08	16/09/2017
		Options 10,000,000	Nil	\$0.10	16/09/2017
		Options 5,000,000	Nil	\$0.15	16/09/2017
		Options 5,000,000	Nil	\$0.20	16/09/2017
		Options 10,000,000	Nil	\$0.03	28/02/2018
		Options 2,846,046	Nil	\$0.06	30/08/2018
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter	<i>Options</i>	<i>Number quoted</i>	<i>Exercise price</i>	<i>Expiry date</i>
		65,000,000	Nil	\$0.05	31/12/2015
		350,000	Nil	\$0.30	31/12/2015
		1,000,000	Nil	\$0.25	31/12/2015
		1,000,000	Nil	\$0.35	31/12/2015
		1,000,000	Nil	\$0.45	31/12/2015
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: Date: 29th January 2016
(Company secretary)

Print name: Sholom D Feldman

Notes

- 1 The quarterly report provides a basis for informing the market how the entity’s activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The “Nature of interest” (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.