

Queensland Bauxite Limited

ABN 18 124 873 507

and Controlled Entities

Half-Year Report

For the half-year ended 31 December 2015

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Corporate Directory

Directors

Pnina Feldman

(Executive Chairperson)

Sholom Feldman

(Managing Director)

Meyer Gutnick

(Non Executive Director)

David Austin

(Alternate Director)

Company Secretary

Sholom Feldman

Chief Geologist

Robert Coenraads, BA(Hons), MSc, PhD,
FAusIMM, FGAA.

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Auditors

Nexia Court & Co, Chartered Accountants

Level 16

1 Market Street

Sydney NSW 2000

Telephone: (02) 9251 4600

Bankers

National Australia Bank

Law Courts Branch

75 Elizabeth Street

Sydney NSW 2000

Share Registry

Computershare Investor Services Pty
Limited

Level 11, 172 St Georges Tce

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Telephone: (08) 9323 2000

Stock Exchange Listing

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

Website

www.queenslandbauxite.com.au

Australian Securities Exchange Code:

QBL

Directors' report

Your Directors present their report on Queensland Bauxite Limited, consisting of Queensland Bauxite Limited ("the Company") and the entities it controlled at the end of or during the half-year ended 31 December 2015.

Directors

The names of the Directors of the Company at any time during or since the end of the financial year are:

Pnina Feldman - Executive Chairperson

Sholom Feldman - Managing Director and Company Secretary

Meyer Gutnick - Non-Executive Director

David Austin - Alternate Director.

Principal Activities

The principal activities of the Group during the half-year ended 31 December 2015 were mineral exploration and identification of potential mining exploration assets for acquisition and development.

Review of Operations and Outlook

The consolidated loss for the half-year ended 31 December 2015 was \$629,421 (2014 loss \$1,499,663).

OPERATIONS REPORT

Dear shareholders,

QBL presents the following report on activities for the half year ending 31 December 2015.

Highlights:

- **Minerals Development Licence (MDL) for South Johnstone Bauxite: formal application lodged with all requested associated environmental, technical and engineering documentation, awaiting Departmental approval;**
- **Granting of MDL will enable immediate shipping from South Johnstone Bauxite project to effectively prove the long-term economic and operational feasibility of the project;**
- **US\$2M (AUD\$2.88M) Facility secured with New York based investment firm Magna for development capital and operating costs for South Johnstone DSO bauxite project in northern Queensland;**
- **Facility allows the Company to independently fast track development and production at South Johnstone bauxite 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;**
- **Malaysian bauxite production has been recently put on hold pending environmental investigations in that country;**
- **QBL during the period 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 increased 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;**
- **New Significant Infrastructure Plans for our NSW Bauxite Project;**
- **In discussions with potential rail to port infrastructure for NSW Bauxite export; and**
- **South Johnstone project remains main focus for short term production.**

During the half year, 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 and further increased its interest in the strategically significant NSW bauxite province.

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

As part of the ongoing development of the South Johnstone project, detailed drilling of 59 holes was completed in June 2015 over approximately 11% of the previously identified estimated 1.9 million tonne Indicated Resource at the South Johnstone deposit, with the goal of being able to model the resource sufficiently to commence work under a Mineral Development Licence application (MDLA).

The Indicated Resource area is less than 1% of the current previously reported Exploration Target area of regional bauxite mineralisation on the South Johnstone project.

The drilling program successfully confirmed assumptions made in the previously delineated Indicated Resource in depth and grade consistency. This gives management further confidence in the consistency of the resource as drilling was based on a 50x50m grid of holes, the majority of which penetrated the entire thickness of the indicated resource (0.5 – 4.5m).

The Company's technical team and Competent Person are comfortable that sufficient detailed work has been done on the MDLA area to enable the further development to commence, and have as a result given the Department the modelling necessary to secure the MDL approvals. The Company's technical team believes that the current modelling of 50m x 50m is more than sufficient to have the confidence to progress the project for initial shipments.

In the interim, 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 bauxite mineralisation at South Johnstone being close to surface and right off the main highway adjacent to port, close to the Asian markets, means that the Company's capital and operational costs are estimated to be of the lowest cost producers in the world. As previously reported in the Company's released scoping study, capital expenditure is expected to be only approximately \$5 million, and operating expenditure is expected to be only AUD\$20.87 per tonne FOB Mourilyan Harbour. For the full summary of the scoping study please see the announcement released by the Company on 29 December 2014 and can be accessed using the following link:

<http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=01588588>

The Company also aims to be the first junior exporter of bauxite in Australia.

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

The Company looks forward to receiving further information regarding the MDL. An MDL grant would help the Company to determine its ability to enter into the large international bauxite market in the short term, apply for larger ML's throughout the project area, and to generate positive net cash flows in the near term.

QBL maintains a constructive and ongoing dialogue with the DNRM as a part of the MDL application process, including detailed discussion on the technical, environmental 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 reporting period, 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."

Corporate Overview

A significant milestone for the Company during the period was securing the support of New York based investment firm Magna, through a US\$2 million (AUD\$2.88 million) Development Facility in Capital and Development Finance for the South Johnstone Bauxite project.

It is estimated that QBL requires approximately \$5 million to proceed into production at the South Johnstone project. With initial ongoing operating costs, this facility underwrites the opportunity to bring the Company to a cash flow positive position without having to rely on the volatile nature of capital markets in the current climate.

This vote of confidence by Magna in the Company gives management further belief in the economics of its flagship project. Initially, Magna has advanced US\$500,000 of the facility to the Company, with a further US\$750,000 available upon the grant of the pending Minerals Development Licence (MDL). The additional US\$750,000 will be made available 45 days after the MDL is granted to the Company.

Funds are to be drawn strictly at the request of the Company, and there is no obligation for the Facility to be drawn down. Once drawn down, the Company will have the option to repay the facility within twelve months at a 20% premium, or issue shares to Magna at 20% discount to market price based on VWAP formula of the previous ten trading days. Any issue of shares will be subject to ASX Listing Rule 7.1 or shareholder approval.

Magna Managing Director Ari Morris commented:

"We are proud to support QBL during their exciting growth phase. We invest in companies with clear short term growth opportunities, and partner with them to create long term value. We see QBL as a stand out opportunity in the sector, and we look forward to seeing the company achieve its stated milestones for the benefit of all shareholders and investors."

NSW Bauxite Project Acquisition

Subsequent to year end, the Company has acquired an additional 31% 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.

Shareholders approved the acquisition in the recent AGM held on 30th November 2015.

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.

Infrastructure Upgrade Plans for our NSW bauxite project

- 1. Proposed New Rail corridor: 300 km of purpose-built railway line**
- 2. Boosts potential of QBL's NSW bauxite deposits**
- 3. Direct link to port Yamba**

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

Queensland Bauxite Limited has been in discussion with Mr Desmond J. T. Euen, Founder and CEO of Australian Infrastructure Developments (AID) with regard to gaining an economic transport-to-Yamba Port option for QBL's NSW bauxite deposits.

AID is an Australian company, founded to develop and commercialise Australian market driven freight infrastructure projects. AID proposes to build a national freight infrastructure network as the platform for growth and other market driven related services.

AID is taking advantage of the current shortfall in existing Australian freight infrastructure and, both current and future market requirements that are currently not being served. This is because the current Australian freight rail and port industries are fragmented, capacity poor and disparate.

The proposed AID rail to port project proposes to introduce

1. Increased reach and operational efficiencies via the use of world-class technology; and
2. Strong growth in freight marketing.

The proposed Pacific West railway will provide a direct and expedient unconstrained link connecting the western inland corridor at Moree with the Great Northern Railway at Glen Innes and from there to the Port of Yamba (see map, Figure 1). QBL's NSW bauxite tenement lies close to the section of line near Inverell (see Map, Figure 2). The railway will be Australian heavy duty, double track standard gauge and allow for double stacking of containers. Track alignment will conform to a ratio of 1:100 gradient and be constructed with 1000 metre radial curves to permit high speed (115kph) operations. The system is anticipated to be able to handle one train every 3.5 minutes. Together with rail construction, the Port of Yamba will be upgraded to receive Handymax ships which will be the preferred vessel used to ship the company's product to overseas markets.

The proposed Pacific West Rail Link is anticipated to create a viable bauxite export operation from the Company's bauxite project in NSW, which is an area of extensive high grade gibbsitic bauxite with low reactive silica.

Summary

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.

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 and be attractive to major international bauxite partners. QBL continues to build on its strong position ahead of predicted rises in bauxite prices, and as a result is currently evaluating the further expansion of its portfolio through the acquisition of further tenements.

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David C. Jones
 Consulting Civil and Structural Engineers



"Bridging the Gap between Cost Effectiveness and Excellence"
 Serving Inverell and District Since 1974
 Proud Partnering for Inverell RSD as a Free Community Service Since 2010

NEW AND UPGRADED RAILWAYS PROPOSED FOR YAMBA PORT AND RAIL REDEVELOPMENT

PRELIMINARY COST ESTIMATES FOR RAILWAYS:

Port Yamba to Banyabba	33km	\$448 million
Banyabba to Koolikhan	33km	\$133 million
Koolikhan to Moree	414km	\$6,228 million
Glen Innes to Werris Ck	307km	\$2,046 million
Werris Ck to Lithgow	433km	\$1,040 million
Lithgow to Badgerys Ck	161km	\$11,096 million
Badgerys Ck to Camden	29km	\$630 million

KEY:

- Existing Main Lines
- Proposed Inland Railway
- Proposed Pacific West Railway
- Proposed Upgraded Railways
- Existing Railways

Prepared by David C. Jones, Inverell
 0427 210 222 david@dcjones.com
 for Yamba Port and Rail
 16Sep2014

Figure 1.

Figure 2. Proposed Pacific West Rail Line in the vicinity of Inverell

GOLD PROJECTS

The Company currently has one gold project in Australia, comprising a gold exploration project in Western Australia - the Pilbara Gold Project in the south-west Pilbara.

Pilbara Gold Project

The Pilbara Gold Project comprises Exploration Licence E47/1153 which covers the northern half of the Rocklea Dome and encompasses an area of approximately 200km².

No work has been done on this project over the half-year.

Auditor's independence declaration

The lead auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 14 and forms part of the directors' report for the half-year ended 31 December 2015.

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



Pnina Feldman

Executive Chairperson

Sydney

15 March 2016

Consents

The information in this report that relates to Exploration Results, Exploration Targets, Mineral Resources or Ore Reserves is based on 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 is employed by Australian Gemstone Mining Pty Ltd which contracts services to QBL.

Dr Coenraads has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking and to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources or Ore Reserves".

Dr Coenraads consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

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

To the Board of Directors of Queensland Bauxite Limited

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

As lead audit partner for the review of the financial statements of Queensland Bauxite Limited for the half-year ended 31 December 2015, 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



Nexia Court & Co
Chartered Accountants



Joseph Santangelo
Partner

Sydney
15 March 2016

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Financial statements

Condensed consolidated statement of profit or loss and other comprehensive income

for the half-year ended 31 December 2015

Continuing Operations	Consolidated Entity	
	31 Dec 2015 \$	31 Dec 2014 \$
Interest received	105,876	81,183
Corporate and administrative expenses	(199,343)	(153,768)
Depreciation	(2,307)	(3,225)
Directors fees	(214,881)	(143,000)
Legal expenses	(47,341)	(18,409)
Finance costs	(68,194)	-
Occupancy expenses	(54,000)	(30,000)
Exploration written off (Note 6)	(75,896)	(60,790)
Other expenses	(10,678)	(5,430)
Travelling expenses	(41,436)	(22,956)
Exchange loss realised	5,828	(26,510)
Impairment of receivable	(6,842)	5,773
Impairment of exploration assets (Note 6)	-	(672,140)
Share based payments expense (Note 5)	(20,207)	(450,391)
Loss before income tax	(629,421)	(1,499,663)
Income tax expense	-	-
Loss after tax from continuing operations	(629,421)	(1,499,663)
Other comprehensive income, net of tax	-	-
Total comprehensive income	(629,421)	(1,499,663)
Loss attributable to members of Queensland Bauxite Limited	(629,421)	(1,499,663)
Total comprehensive income attributable to members of Queensland Bauxite Limited	(629,421)	(1,499,663)
Basic earnings per share (cents per share)	(0.08)	(0.32)
Basic earnings per share from continuing operations (cents per share)	(0.08)	(0.32)
Diluted earnings per share (cents per share)	(0.08)	(0.32)
Diluted earnings per share from continuing operations (cents per share)	(0.08)	(0.32)

The accompanying notes form part of these financial statements.

Condensed consolidated statement of financial position

as at 31 December 2015

	Consolidated Entity	
	31 Dec 2015 \$	30 June 2015 \$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	5,993,938	6,103,305
Trade and other receivables (Note 10)	165,322	145,940
TOTAL CURRENT ASSETS	6,159,260	6,249,245
NON-CURRENT ASSETS		
Other non-current assets (Note 10)	16,792	16,792
Exploration and evaluation (Note 6)	2,339,834	2,012,272
Property, plant and equipment	30,885	33,192
TOTAL NON-CURRENT ASSETS	2,387,511	2,062,256
TOTAL ASSETS	8,546,771	8,311,501
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables (Note 10)	394,475	303,382
Other financial liabilities (Note 10)	643,309	-
TOTAL CURRENT LIABILITIES	1,037,784	303,382
NON-CURRENT LIABILITIES		
Other financial liabilities	-	-
TOTAL NON-CURRENT LIABILITIES	-	-
TOTAL LIABILITIES	1,037,784	303,382
NET ASSETS	7,508,987	8,008,119
EQUITY		
Issued capital (Note 7)	19,244,305	19,134,223
Share based payments reserve	4,856,098	4,961,241
Accumulated losses	(16,591,416)	(16,087,345)
TOTAL EQUITY	7,508,987	8,008,119

The accompanying notes form part of these financial statements.

Condensed consolidated statement of changes in equity

for the half-year ended 31 December 2015

Consolidated Entity				
	Issued Capital	Accumulated Losses	Share Based Payments Reserve	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2014	15,549,138	(13,692,278)	2,816,550	4,673,410
Loss for the half-year attributable to members of consolidated entity	-	(1,499,663)	-	(1,499,663)
Transfer from share based payment reserve to accumulated losses	-	11,900	(11,900)	-
Share and option based payments	-	-	450,391	450,391
Shares issued during the half year	569,947	-	-	569,947
Shares and options issued during the half year for the acquisition of exploration and evaluation assets	1,050,000	-	445,000	1,495,000
Balance at 31 December 2014	17,169,085	(15,180,041)	3,700,041	5,689,085
Balance at 1 July 2015	19,134,223	(16,087,345)	4,961,241	8,008,119
Loss for the half-year attributable to members of consolidated entity	-	(629,421)	-	(629,421)
Share and option based payments	-	-	20,207	20,207
Shares issued during the half year	110,082	-	-	110,082
Transfer from share based payment reserve to accumulated losses	-	125,350	(125,350)	-
Balance at 31 December 2015	19,244,305	(16,591,416)	4,856,098	7,508,987

The accompanying notes form part of these financial statements.

Condensed consolidated statement of cash flows

for the half-year ended 31 December 2015

	Consolidated Entity	
	31 Dec 2015 \$	31 Dec 2014 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(518,237)	(508,208)
Interest received	105,876	81,183
Income tax refund	54,522	-
Finance cost	(68,194)	-
Net cash outflow from operating activities	(426,033)	(427,025)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from security deposits	-	20,000
Payment for exploration assets	(327,562)	(138,126)
Net cash outflow from investing activities	(327,562)	(118,126)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan provided to related company – Australian Gemstone Mining Pty Ltd	(108,137)	-
Proceeds from share issue	-	170,000
Proceeds from issue of convertible notes/bonds	752,365	609,300
Net cash inflow from financing activities	644,228	779,300
Net (decrease)/increase in cash held	(109,367)	234,149
Cash and cash equivalents at the beginning of the half - year	6,103,305	4,110,629
Cash and cash equivalents at the end of the half – year	5,993,938	4,344,778

The accompanying notes form part of these financial statements.

Notes to the consolidated financial statements for the half-year ended 31 December 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report for the interim half year reporting period ended 31 December 2015 has been prepared in accordance with applicable Accounting Standards including Accounting Standard AASB 134 *Interim Financial Reporting*, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by Queensland Bauxite Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The Group has adopted all of the new and revised Accounting Standards and Accounting Interpretations issued by the AASB that are relevant to their operations and effective for the current half-year.

NOTE 2: USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The only area involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, is in relation to share and option based payments and convertible notes/bonds.

NOTE 3: SEGMENT INFORMATION

The Group has applied AASB 8 *Operating Segments* from 1 July 2010. AASB 8 requires a management approach under which segment information is presented on the same bases as that used for internal reporting purposes. The QBL Group consists of one business segment operating predominately in Australia relating to the exploration of mining tenements. It is in this manner that internal reporting is provided to the chief operating decision maker of the QBL Group, being the Board of Queensland Bauxite Limited.

NOTE 4: LOSS FOR THE HALF-YEAR

The consolidated loss for the half- year ended 31 December 2015 was (\$629,421) (2014: loss (\$1,499,663))

NOTE 5: SHARE BASED PAYMENTS EXPENSE

The share based payments expense for the half-year ended 31 December 2014 relates to the following share issues:

	Half-Year Ended 31.12.2015 \$	Half-year ended 31.12.2014 \$
Shares issued in lieu of directors fees to Meyer Gutnick	-	110,000
Shares issued to employees of related entity Australian Gemstone Mining Pty Ltd	-	42,000
Shares issued to consultants	-	274,300
Options issued to Magna Equities II, LLC in accordance with the convertible notes agreement	20,207	
Shares issued in respect to finance costs relating to the issue of convertible notes	-	24,091
	<u>20,207</u>	<u>450,391</u>

NOTE 6: EXPLORATION AND EVALUATION

	31 December 2015 \$	30 June 2015 \$
NON-CURRENT		
Balance as at beginning of the period	2,012,272	835,794
Mining permits, tenement acquisition and administration and geologist expenses	327,562	1,848,618
Impairment of exploration assets – Pilbara Gold Project	-	(672,140)
Balance as at reporting date	<u>2,339,834</u>	<u>2,012,272</u>
Exploration expenses written off during the period	<u>75,896</u>	<u>220,344</u>

The exploration and evaluation asset balance relating to the mining tenement EL 7301 is \$1,403,254 as at 31 December 2015 (30 June 2015 \$1,356,946). The mining tenement EL 7301 expired on 23 February 2016. Application forms have been lodged to renew and transfer the mining tenement to Queensland Bauxite Limited (“QBL”) following the acquisition of a further 31% on 25 February 2016, for a further 5 years to 23 February 2021. This process has not yet been finalised with the NSW Department of Industry Resources & Energy. The Directors of QBL consider the renewal and transfer of EL7301 to be processed in the ordinary course of business and therefore QBL holds current rights to tenure over all its exploration and evaluation assets.

NOTE 7: ISSUED CAPITAL

	31.12.2015 No.	31.12.2015 \$.	30.06.2015 No.	30.06.2015 \$.
Ordinary shares				
At the beginning of reporting period	737,908,636	19,134,223	403,104,263	15,549,138
Share based payments	-	-	80,517,070	-
Conversion of convertible notes into ordinary shares	12,055,409	110,082	50,989,654	722,918
Placement shares NRRI	-	-	127,297,649	1,782,167
Placement shares CBTIC	-	-	65,000,000	910,000
Placement @ 0.02	-	-	1,000,000	20,000
Placement @ 0.015	-	-	10,000,000	150,000
At reporting date	749,964,045	19,244,305	737,908,636	19,134,223

NOTE 8: RELATED PARTY TRANSACTIONS

Identity of related parties

The Group 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 Queensland Bauxite Limited and the director of 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 Group by the following executives:

- Pnina Feldman – Executive Director, Business Development;
- Dr Robert Coenraads – Head 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 half-year ended 31 December 2015. 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 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 Group at its Sydney offices at 67 Penkivil Street, Bondi, which includes use of office space, 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 Group, such as secretarial, accounting and office management services. These services were provided to the Group by AGMPL on reasonable arm's length terms as approved by the independent director(s).

	Half-year ended 31.12.2015 \$	Half-year ended 31.12.2014 \$
Consulting services – Geologist Fees	180,000	90,000
Rent	54,000	30,000
Management and secretarial	72,000	54,000
Exploration and geological	9,110	9,427
Executive and corporate services	156,000	108,000
Administrative fee	18,000	-
Reimbursement of expenses	4,085	3,481
TOTAL	493,195	294,908

Other transactions with related parties

The Company paid directors' fees of \$48,881(2014: \$35,000) for the non-executive director, Meyer Gutnick, during the half-year ended 31 December 2015.

The Company paid directors' fees of \$10,000 (2014: \$NIL) to the non-executive director, David Austin, during the half-year ended 31 December 2015.

NOTE 9: RELATED PARTY TRANSACTIONS

<u>Loans advanced to director related companies</u>	31.12.2015 \$	30.06.2015 \$
Volcan Australia Corporation Pty Ltd	1,200,000	1,200,000
Impairment recognised as at 31 December 2015	(1,200,000)	(1,200,000)
Due for repayment on 14 December 2012*		
 Volcan Australia Corporation Pty Ltd	 79,258	 72,416
Impairment recognised as at 31 December 2015	(79,258)	(72,416)
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.

*The loan to Volcan Australia Corporation Pty Ltd was not a cash advance from the company to Volcan, but was the amount that was to be paid in consideration for the purchase by Volcan Australia Corporation Pty Ltd (VAC) of ML1492 from the Company pursuant to the transactions completed on 14 December 2010 as approved at the time by shareholders at an EGM. Volcan was to have invested in ML1492, and from the profits of the development of that asset was to have paid QBL \$1.2M. Volcan subsequently invested in the asset's development, but due to the prevailing market conditions, Volcan was not able to make a profit from that asset at that time. As a result, Volcan was unable to meet the acquisition cost of \$1.2M at the due date. The amount due was unsecured, due for payment in cash on 14 December 2012, and there was no interest payable on the amount due. The Directors have agreed that it is in QBL's interest to allow VAC further time to seek to further develop that asset in more favourable market conditions to enable Volcan to make the necessary amounts from the asset 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 financial statements until the payment is able to be made.

NOTE 10: FINANCIAL INSTRUMENTS

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	31.12.2015 Total Carrying Amount \$	31.12.2015 Net Fair Value \$	30.06.2015 Total Carrying Amount \$	30.06.2015 Net Fair Value \$
Financial assets				
Trade and other receivables	165,322	165,322	145,940	145,940
Other financial assets	16,792	16,792	16,792	16,792
Financial liabilities				
Trade and other payables	394,475	394,475	303,382	303,382
Other financial liabilities	643,309	643,309	-	-

NOTE 11: COMMITMENTS FOR EXPENDITURE

	31 December 2015 \$	30 June 2015 \$
Exploration and evaluation		
- not later than 1 year	405,000	955,500
- later than 1 year but no later than 5 years	492,000	-
	<u>897,000</u>	<u>955,500</u>

NOTE 12: EVENTS SUBSEQUENT TO BALANCE DATE

On 25th February 2016 Queensland Bauxite Limited ("QBL") concluded the acquisition of a further 31% in EL7301 by way of issue of 29 million shares in the Company as approved by shareholders at the AGM on 30 November 2015 and as reported elsewhere in this report. Also please refer to Note 6.

There has not arisen in the interval between the end of the half 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.

Directors' Declaration

In the Directors' opinion:

- (a) the financial statements and accompanying notes set out on pages 15 to 24 are in accordance with the *Corporations Act 2001*, and:
 - (i) comply with Accounting Standards and the *Corporations Regulations 2001*; and
 - (ii) give a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half-year ended on that date;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors:



Pnina Feldman
Chairperson

Sydney
15 March 2016

**INDEPENDENT AUDITORS' REVIEW REPORT
TO THE MEMBERS OF QUEENSLAND BAUXITE LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Queensland Bauxite Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2015, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-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 half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Queensland Bauxite Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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**INDEPENDENT AUDITORS' REVIEW REPORT
TO MEMBERS OF QUEENSLAND BAUXITE LIMITED
(CONTINUED)**

Opinion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Queensland Bauxite Limited is not in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

Without modifying our opinion, we draw your attention to Note 6 "Exploration and Evaluation Assets" of the half year financial report, which describes the renewal and transfer status of EL 7301 following its expiry on 23 February 2016. The Directors state in that note why they believe that the rights of tenure to EL 7301 reside with Queensland Bauxite Limited and are current. If the process for renewal and transfer were not to be finalised for any reason, there is a risk that Queensland Bauxite Limited will not be able to realise this asset in the normal course of business.

A handwritten signature in dark ink that reads 'Nexia Court & Co'.

Nexia Court & Co
Chartered Accountants

A handwritten signature in dark ink that reads 'Joseph Santangelo'.

Joseph Santangelo
Partner

Sydney
15 March 2016