

30th January 2015

DECEMBER 2014 QUARTERLY REPORT

HIGHLIGHTS

- **Release of Initial JORC Compliant Indicated Mineral Resource at South Johnstone**
- **Release of Updated Scoping Study based solely on initial Indicated Resource**
- **Payback period of Capex would be less than 6 months**
- **Continuing discussions with refineries, commodity trading groups**
- **Progressing approvals with stakeholders to fast-track the development of the Project**
- **Well positioned for export to Asian markets**
- **Well funded to continue development and drilling: \$4.34M cash**

During the recent quarter **Queensland Bauxite (ASX:QBL)** defined an initial JORC Compliant Indicated Mineral Resource at South Johnstone.

In addition, the Company released an updated Scoping Study with a view to commencing direct shipping ore (DSO) bauxite mining and export operations.

Initial Indicated Mineral Resource Defined

Drilling at the South Johnstone Bauxite Project in Queensland has defined an initial Indicated Mineral Resource.

The new Indicated Mineral Resource confirmed the geological bauxite continuity model at the South Johnstone Bauxite Project.

A new round of drilling in the upcoming quarter will aim to increase the Indicated Resource.

Surface drilling returned results of up to 33.6% available alumina and as low as 1.8% reactive silica.

The focus has been on Area I where further drilling has proven continuity and consistency of results from surface. In addition, some results were received from limited drilling to a depth of three metres which returned higher available alumina and lower reactive silica grades.

The upgrade in mineral resources estimation was undertaken by Chief Geologist Dr Robert Coenraads.

Xstract Mining Consultants Pty Ltd provided an additional internal reporting to the Board on the methodology and efficacy of the approach and provided specialist advice to assist the Competent Person in developing the Mineral Resource.

The Initial Indicated Resource drilled to date represents significantly less than 1% of the previously reported Exploration Target area, which is very encouraging for the goal of achieving a very large economic resource.

Results of Scoping Study

The level of confidence in the South Johnstone Bauxite Project is greatly enhanced with the initial Indicated Resource which has enabled the Company to refine the Scoping Study to support the economics of the Project.

The initial JORC Indicated Resource underpins a revised independent Scoping Study Stage 1 of the South Johnstone Bauxite which illustrates a technically low risk, low cost, highly profitable bauxite operation with significant free cash flows.

The updated Scoping Study supports profitable bauxite production by initially mining the already identified higher confidence Indicated Mineral Resource at South Johnstone.

The Scoping Study indicates that South Johnstone Bauxite Project represents a robust bauxite deposit with a simple mining and quarrying operation to produce a DSO product with a favorable location with respect to infrastructure and presents a real opportunity to promote sustainable regional development and development of the project in 2015.

The upgraded Scoping Study results are based solely on new initial JORC Indicated Resource Stage 1 Project and does not rely on any lower confidence Inferred Resources.

Based on the updated Scoping Study and an average bauxite production Operating Scenario Stage 1 of 800,000 tonnes per annum would yield annual gross revenue of A\$42.4 million and operating annual positive cash flow before tax (From Year 1 Stage 1 Project only): of A\$12.3 million.

The Directors note that the initial Indicated Resource that underpins this Scoping Study provides the basis for progressing the aggressive development of South

Johnstone Bauxite Project. As a result of the Scoping Study results, the Company has formally commenced environmental approvals in order to apply for a Mining License to enable production to commence in 2015.

The projected Internal Rate of Return based solely on the initial Indicated Resource was 223%.

The estimated start for mining is the second half of 2015.

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 is based on the upgrade in the JORC Mineral Resource estimate as detailed in the separate announcement.

High Demand:

Forward demand continues to be strong for bauxite given the favourable demand and supply metrics.

The global market requires a constant supply of bauxite to meet the growing demand and South Johnstone is well positioned to capitalize on demand.

Bauxite at South Johnstone is predominantly gibbsite which is the preferred form of bauxite as it is easier to process at low temperature than non-gibbsitic bauxite.

Overall, the macro bauxite picture continues to provide confidence in not only the potential of South Johnstone bauxite products to find markets for its higher grade bauxite but also for the lower grade bauxite in 2015 and beyond.

Easy Access:

The South Johnstone Project covers an area of 400 square kilometres and is situated as close as 16 kilometres 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

Favourable 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 of an initial 800,000 tonnes per annum as an initial operating mine stage 1 with scope to look at a larger mining and export project in a later feasibility study.

Profit margins in bauxite mines in general are strongly affected by transportation costs, and they often need to even build the railroads and regular roads to transport the material many kilometres to a deep water port, and then the cost of shipping from that port to a large importer of bauxite like China.

North Queensland is one of the closest ports to China than nearly all the major bauxite export provinces around the world.

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 transport and shipping costs.

The team at Queensland Bauxite are most excited to be at the right place in the right time which should add to shareholders' wealth.

Environment

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

Development & off take

The Company's goal has been to become a major exporter of Australian bauxite. The Directors believe that this initial Indicated Resource will enable that goal to be achieved in the near term for the benefit of the Company's shareholders.

The Company is continuing discussions directly with refineries in Asia that have indicated a strong demand for product from our South Johnston bauxite project. In addition, the Company is in advanced discussions with commodity trading groups, financiers as well as examining other options for funding the relatively low capital expenditure required for the project.

The Company will focus on early development of the Project and is currently reviewing the most favourable development options.

Future Drilling:

A new drilling program is being finalized at South Johnstone to increase the Indicated Resources inventory to support Operating Scenario 1 in later years of production, and for potential larger scale Operating Scenario 2. The ongoing results will be released to market as and when received.

This will target the higher grade areas of the Project.

Corporate

QBL's cash position as at 31st December 2014 was \$4.344 million.

The Company is well funded to continue drilling and drive development of the South Johnstone project. It has been a central tenet of the Board to conserve and replenish cash resources where possible, and operate the Company in as frugal an operating structure as possible.

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.

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.

Current tenement holdings

Tenement reference	Nature of interest	Location	Interest
EPM 18463 South Johnston Bauxite	Owned by QBL	North Queensland	100%
EL7301 New England Bauxite	Purchase agreement in place	Northern NSW	50%
E47/1153 Rocklea Gold	Gold Mineralisation Rights owned by QBL	WA	100%

For further information please visit the company's website at www.queenslandbauxite.com.au or contact:

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Web: www.queenslandbauxite.com.au

Consents

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 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.

About Sandercock and Associates Pty Ltd

Mr Sandercock is an independent expert consultant and is the author of the scoping study reported in this announcement and 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.

About Xstract Mining Consultants Pty Ltd

Xstract Mining Consultants is a diversified technical services group providing professional services in the areas of geology, geotechnical, mining, processing, and corporate advisory. Xstract provides strategic and tactical solutions and operational services to resource projects and mining operations globally in the areas of corporate advisory, technical and consulting services, and project and mine support.

Mark Noppe, General Manager & Principal Consultant, Xstract Mining Consultants Pty Ltd

Since graduating as a geologist in 1983, Mark has worked in South Africa, Western Australia and Queensland in exploration, mining geology, practical geostatistical applications, resource estimation, grade control, mine reconciliation, and professional training and mentoring. Mark's technical experience covers a wide range of commodities, geological and mining settings, including bauxite, gold, nickel laterite, coal, alluvial, eluvial deposits, hard rock diamonds, base metals, industrial minerals. He has held positions as Chairman of the Southern Queensland branch of the Australasian Institute of Mining and Metallurgy, and the Geostatistical Association of Australasia.

Mark Noppe holds a Master of Science in Exploration Geology, a Diploma in Terrain Evaluation, and a Bachelor of Science in Geology and Chemistry, with Honours in Geology. He is also a Fellow and Chartered Professional Geologist of the Australasian Institute of Mining and Metallurgy and a Member of the Geostatistical Association of Australasia.

Mark provided specialist advice to assist the Competent Person in developing the Mineral Resource and has consented to his findings being included in the form and context in which it appears in this announcement.

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 2014

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'ooo	Year to date (6 months) \$A'ooo
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration & evaluation (b) development (c) production (d) administration	-190 -93	-361 -185
1.3	Dividends received	40	75
1.4	Interest and other items of a similar nature received		
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (provide details if material)		
	Net Operating Cash Flows	-243	-471
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	9	9
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)	-234	-462

+ 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.	336	696
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	336	696
Net increase (decrease) in cash held		102	234
1.20	Cash at beginning of quarter/year to date	4344	4110
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	4344	4344

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'ooo
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	Nil

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

N/A

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		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	400
4.2 Development	100
4.3 Production	
4.4 Administration	100
Total	600

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	4344	4242
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	4344	4242

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 (description)				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	487,433,693	487,433,693		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	+Convertible debt securities (description)				
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 (description and conversion factor)	Options 65,000,000	Nil	Exercise price \$0.05	Expiry date 31/12/2015
		1,000,000 Performance Options	Nil	\$0.25	31/12/2015
		Options 1,000,000 Performance	Nil	\$0.35	31/12/2015
		Options 1,000,000	Nil	\$0.45	31/12/2015
		Options 12,500,000	Nil	\$0.03	02/07/2016
		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
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

+ 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: 30th January 2015
(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.