

29<sup>th</sup> December 2014

## SEPTEMBER 2014 QUARTERLY REPORT

### HIGHLIGHTS

- **Initial JORC Compliant Indicated Mineral Resource defined at South Johnstone**
- **Updated Scoping Study based solely on initial Indicated Resource**
- **Project economics yield annual gross revenue of A\$42.4m and positive cash flow before tax of A\$12.3m**
- **Payback period of Capex would be less than 6 months**
- **Data room open to advance discussions with potential strategic partners, stakeholders, off-takers and financiers, in order to fast-track the development of the Project**
- **South Johnstone Bauxite Project Less than 25km from Mourilyan Deepwater Port;**
- **Well positioned for export to the Chinese and Asian markets;**
- **Well funded to continue drilling and development: \$4.24M cash**

**Queensland Bauxite (ASX:QBL) has been focused** on defining significant bauxite resources with a view to commencing direct shipping ore (DSO) bauxite mining and export operations.

The directors are pleased that after much effort, major milestones have been reached by defining a JORC Compliant Indicated Resource as well as completing an updated Scoping Study based solely on an Indicated Resource, providing potentially lucrative near term mining and development opportunities.

### **Initial Indicated Mineral Resource Defined**

Drilling at the South Johnstone Bauxite Project in Queensland has defined an initial Indicated Mineral Resource. This new indicated resource has been reported upon in detail in a separate announcement released today.

The new Indicated Mineral Resource confirmed the geological bauxite continuity model at the South Johnstone Bauxite Project as a result of the recent drilling.

As drilling continues to increase the Indicated Resources, and results are received, these will be released to the market in a timely manner.

Drilling results were received from ALS Laboratories in Queensland and the Indicated Resource returned an average of 29.7% available alumina and 3.2% reactive silica, which is in line with initial drilling and proving the geological model of Chief Geologist Dr Robert Coenraads.

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**

Pursuant to JORC Clause 38, this announcement refers to a Scoping Study. A Scoping Study is defined as an order of magnitude technical and economic study of the potential viability of Mineral Resources. It includes appropriate assessments of realistically assumed modifying factors together with any other relevant operational factors that are necessary to demonstrate at the time of reporting that progress to a Pre-Feasibility Study can be reasonably justified.

A Scoping Study 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 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 results of the Scoping Study were presented in greater detail in a separate announcement released today.

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 and the Scoping Study is a platform to enable the Company to formally commence environmental approvals and apply for a Mining License in 2015, which process is now being initiated.

The projected Internal Rate of Return of the project is 223%.

Environmental approval application and mining lease application processes are underway.

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:**

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

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

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

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

Of note, industry and analysts report little new supply of bauxite is likely to be on-stream in 2015/16, providing opportunities for new bauxite suppliers with favourable infrastructure and CAPEX and OPEX metrics.

Overall, the macro bauxite picture provides 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.

## **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**

Advanced 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 by far the closest port 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 since inception 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 has opened a data room to accommodate the approaches it has received and assist ongoing discussions with the potential off takers, refineries, commodity trading groups and financiers to assist the decision making toward fast tracking development of South Johnstone.

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

## **Future Drilling:**

Continued drilling is planned over the next few months 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 30<sup>th</sup> September 2014 was \$4.242 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 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](http://www.queenslandbauxite.com.au) or contact:

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## 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")

30 September 2014

### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (3 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	-171  -92	-171  -92
1.3	Dividends received	35	35
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)		
	<b>Net Operating Cash Flows</b>	-228	-228
<b>Cash flows related to investing activities</b>			
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) Loan to Regius		
	<b>Net investing cash flows</b>		
1.13	Total operating and investing cash flows (carried forward)		
1.13	Total operating and investing cash flows (brought forward)	-228	-228

+ See chapter 19 for defined terms.

## Appendix 5B

### Mining exploration entity quarterly report

<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	360	360
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)		
<b>Net financing cash flows</b>		360	360
<b>Net increase (decrease) in cash held</b>		132	132
1.20	Cash at beginning of quarter/year to date	4110	4110
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	4242	4242

### 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	

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

- 37,500,000 FPO shares issued to First State as approved by shareholders in consideration for its interest in EL7301, Northern NSW bauxite project.

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

### Financing facilities available

Add notes as necessary for an understanding of the position.

+ See chapter 19 for defined terms.

	Amount available \$A'ooo	Amount used \$A'ooo
3.1 Loan facilities		
3.2 Credit standby arrangements		

### Estimated cash outflows for next quarter

	\$A'ooo
4.1 Exploration and evaluation	300
4.2 Development	
4.3 Production	
4.4 Administration	100
<b>Total</b>	<b>400</b>

### 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'ooo	Previous quarter \$A'ooo
5.1 Cash on hand and at bank	4242	4110
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>4242</b>	<b>4110</b>

### 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	4070L	Option agreement with Regius Coal (RC)	Right to earn up to 51% of RC	NIL
	4169L	Option agreement with RC	Right to earn up to 51%	NIL
	2232L	Option agreement with RC	Right to earn up to 51%	NIL

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

6.2	Interests in mining tenements acquired or increased	4185L	Option agreement with RC	Right to earn up to 51%	NIL
		5038L A	Option agreement with RC	Right to earn up to 51%	NIL
		5084L A	Option agreement with RC	Right to earn up to 51%	NIL
		5085L A	Option agreement with RC	Right to earn up to 51%	NIL
		EL 7301	Purchase contract	Agreement to acquire 50%	50%

**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	<b>Preference + securities</b> (description)				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	<b>+Ordinary securities</b>	487,433,693	487,433,693		
7.4	Changes during quarter (a) Increases through issues  (b) Decreases through returns of capital, buy-backs	72,936,879	72,936,879		
7.5	<b>+Convertible debt securities</b> (description)				

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	b) 28,750 convertible notes converted.	\$1		2c per share	
7.7	<b>Options</b> (description and conversion factor)	Options 65,000,000	Nil		<i>Exercise price</i>	<i>Expiry date</i>
		1,000,000 Performance Options	Nil		\$0.25	31/12/2015
		1,000,000 Performance Options	Nil		\$0.35	31/12/2015
		1,000,000 Performance Options	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	<b>Debentures</b> (totals only)					
7.12	<b>Unsecured notes</b> (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: 31<sup>st</sup> October 2014  
(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.