

Queensland Bauxite Limited
ABN 18 124 873 507
and Controlled Entities

Annual Financial Report

For year ended 30 June 2011



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Corporate Directory

Directors

Pnina Feldman
(Executive Chairman)

Sholom Feldman
(Executive Director, CEO)

Paul Stephenson
(Non-Executive Director)

Russell Williams
(Non-Executive Director)

David Austin
(Alternate Director)

Company Secretary

Sholom Feldman

Registered Office

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Auditors

Nexia Court & Co, Chartered Accountants
Level 29, Australia Square
264-278 George 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 2, Reserve Bank Building
45, St George's Terrace
Perth WA 6000

Telephone: (08) 9323 2000

Stock Exchange Listing

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

Website

www.queenslandbauxite.com.au

Australian Securities Exchange Code:

QBL

Schedule of Mineral Tenements as at 30 June 2011

Project Name		Interest Held %	
Broads Dam Gold Project			
Broads Dam	P16/ 2375	Granted	100%
Broads Dam	P16/ 2376	Granted	100%
Broads Dam	P16/ 2377	Granted	100%
Broads Dam	P16/ 2378	Granted	100%
Broads Dam	P16/ 2379	Granted	100%
Broads Dam	P16/ 2380	Granted	100%
Broads Dam	P16/ 2381	Granted	100%
Broads Dam	P16/ 2382	Granted	100%
Broads Dam	P16/ 2383	Granted	100%
Broads Dam	P16/ 2384	Granted	100%
Broads Dam	P16/ 2385	Granted	100%
Broads Dam	P16/ 2386	Granted	100%
Broads Dam	P16/ 2387	Granted	100%
Broads Dam	P16/ 2388	Granted	100%
Pilbara Gold Project			
Pilbara	E47/1153	Granted	100%
Tia River Project			
Tia River	ELA 3503	Granted	100%
Lost River Project			
Lost River	ELA 3689	Offered	100%
South Queensland Project			
Kingaroy 7	EPM 18131	Granted	80%
Kingaroy 12	EPM 18132	Granted	80%
Kingaroy 6	EPM 18133	Granted	80%
Kingaroy 3	EPM 18134	Granted	80%
Pittsworth 1	EPM 18135	Granted	80%
Kingaroy 1	EPM 18136	Granted	80%
Pittsworth 4	EPM 18137	Granted	80%
Kingaroy 2	EPM 18141	Granted	80%
Kingaroy 10	EPM 18142	Granted	80%
Kingaroy 11	EPM 18143	Granted	80%
Kingaroy 8	EPM 18144	Granted	80%
Pittsworth 6	EPM 18145	Granted	80%

Project Name		Interest Held %	
Pittsworth 5	EPM 18146	Granted	80%
Kingaroy 4	EPM 18149	Granted	80%
Kingaroy 5	EPM 18152	Granted	80%
Kingaroy 9	EPM 18153	Granted	80%
Pittsworth 2	EPM 18155	Granted	80%
Pittsworth 3	EPM 18156	Granted	80%
Pittsworth 7	EPM 18794	Granted	80%
Ban Ban Springs	EPM 19078	Granted	80%
Blackbutt E	EPM 19069	Application	80%
Boyne	EPM 19067	Granted	80%
Childers E	EPM 19071	Granted	80%
Coolieman	EPM 19079	Granted	80%
Four Mile	EPM 19073	Granted	80%
Googa Googa	EPM 19072	Granted	80%
Nanango	EPM 19068	Application	80%
South Johnstone Project			
Atherton 2	EPM 18138	Application	100%
Atherton 1	EPM 18139	Granted	100%
Ravenshoe	EPM 18140	Granted	100%
Ravenshoe East	EPM 18464	Granted	100%
South Johnstone	EPM 18463	Granted	100%

Directors' Report

Your Directors submit their report for the year ended 30 June 2011.

Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Pnina Feldman **Executive Chairman**

Pnina Feldman has been active in the mineral exploration industry for 18 years, in which time she has shown much tenacity in sourcing, negotiating and developing exploration and resource projects across Australia, and internationally. She was the founder and executive chairperson of the publicly listed Diamond Rose NL, and was the first woman in Australia to achieve that milestone in the mining industry. Pnina has been successful in negotiating many joint ventures with major companies including BHP and De Beers. Pnina studied Law and Arts at Melbourne University before going to Gateshead, England where she studied teaching, religion and education. She has been the founder and driving force behind, and benefactor to, numerous communal, educational, charitable and women's awareness initiatives, and in 2007 received the Wentworth community award for outstanding community service.

Sholom Feldman **Executive Director, Chief Executive Officer and Company Secretary**

Sholom Feldman has extensive experience in general commercial management, has performed advisory and company secretarial work for both listed and unlisted companies and has managed both private and listed exploration companies. Sholom was general manager of the publicly listed Diamond Rose NL between 1999 and 2005 and is a director and manager of a number of private companies. He has been instrumental in negotiating, financing, developing and managing many exploration projects internationally including the purchase of the Guanaco Mine in Chile from the Canadian Kinross Gold Corporation, and subsequently their Australian gold assets including the Broads Dam Gold Project. Sholom studied at the International MBA program at Bar Ilan University in Israel and has also completed a Company Secretarial Practice and Meetings course with the Chartered Institute of Company Secretaries Australia.

Paul Stephenson **Non-Executive Director**

Paul Stephenson has degrees in law and the arts and is a Partner with the Australian national law firm, HWL Ebsworth Lawyers. He practices in the areas of public and private fundraising, initial public offerings and mergers and acquisitions involving both public and private companies. He has also acted for companies listed in multiple jurisdictions. Paul has wide experience and has acted on behalf of companies in industry sectors covering mining and resources, financial markets, pay TV retailing, mobile telephony, automated teller machines and listed investment companies and trusts, including in relation to other commercial, corporate, fundraising and compliance work.

Russell Williams – Appointed 18th April 2011
Non-Executive Director

Russell Williams is a qualified mechanical engineer with over 30 years' experience in the bauxite and alumina industry, in various roles for Alcoa Inc. In his final three years with Alcoa, Russell was President of Boke Services, the managing company of Company Bauxite de Guinee (CBG) (Alcoa JV), and in that role was responsible for all activity at the operation that ships over 13 million tonnes of bauxite per year. Prior to this role, Russell was involved in all aspects of bauxite production for Alcoa Inc ranging from exploration through to project development and operations. He managed the West Australian bauxite mining operations at the Huntly Mine which in 1999 was producing 11 million tonnes of bauxite per year and is now producing in excess of 23 million tonnes. He then had oversight of all of Alcoa's global mining activity in Brazil, Jamaica and Suriname. During this period he was also responsible for the initial development and growth of the bauxite resource of the Juruti bauxite mine in Brazil which was commissioned two years ago and now ships 4 million tonnes of bauxite per year.

David Austin
Alternate Director

David Austin is a solicitor practising in Sydney.

He has spent many years in the corporate world in the computer, aerospace and heavy engineering industries, and worked for the Northern Territory Government in the 1980s when he was responsible for petroleum, energy, and pipeline policy. During a secondment he reviewed the Northern Territory Mineral Royalty Act and devised a new mineral royalty regime which encouraged the development of a number of major mining projects.

Interests in the shares and options of the Company and related bodies corporate

The relevant interest of each Director in the shares or options over shares of the Company and any other related body corporate, as notified by the Directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Ordinary shares	Options over ordinary shares	Performance Options ⁽³⁾
Pnina Feldman ^{(1) (2)}	109,252,166	73,500,000	10,000,000
Sholom Feldman ^{(1) (2)}	109,252,166	73,500,000	-
Paul Stephenson ⁽⁴⁾	-	1,000,000	-
Russell Williams ^{(5) (6)}	-	700,000	-

- 1) Pnina Feldman and Sholom Feldman are each directors of L'Hayyim Pty Ltd which holds 4,252,166 Shares and 7,500,000 options exercisable at 20 cents each on or before 31 December 2012 in its capacity as trustee of the 770 Unit Trust.
- 2) Pnina Feldman and Sholom Feldman are each directors of Volcan Australia Corporation Pty Ltd which holds 105,000,000 shares and 65,000,000 options exercisable at 5 cents each on or before 31 December 2015
- 3) Performance options
 - a) 5,000,000 Performance Options issued to Pnina Feldman as executive chairperson exercisable at 20 cents each on or before 31 December 2012.
 - b) 5,000,000 Performance Options, issued to Pnina Feldman exercisable at 30 cents each on or before 31 December 2012

- 4) Paul Stephenson, Pnina Feldman and Sholom Feldman each hold 1,000,000 options exercisable at 20 cents each on or before 31 December 2012
- 5) Russell Williams holds 350,000 options exercisable at 20 cents each on or before 31 December 2014
- 6) Russell Williams holds 350,000 options exercisable at 30 cents each on or before 31 December 2015

Share options

Unissued shares under options

At the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Exercise price	Number of options
31/12/2012	0.20	36,000,100
31/12/2012	0.20	5,000,000
31/12/2012	0.30	5,000,000
31/12/2012	0.20	9,291,663
30/06/2014	0.25	5,000,000
31/12/2014	0.20	350,000
31/12/2015	0.30	350,000
31/12/2015	0.25	1,000,000
31/12/2015	0.35	1,000,000
31/12/2015	0.45	1,000,000
31/12/2015	0.05	65,000,000
		128,991,763

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

Shares issued on exercise of options

No shares have been issued by the Company, during or since the end of the financial year, as a result of the exercise of options.

Earnings per share

	Cents
Basic earnings (loss) per share	(2.31)

Dividends

No dividends were paid or declared since the end of the previous financial year. The Directors do not recommend a payment of a dividend in respect of the current financial year.

Director's meetings

The number of meetings of Directors held during the year (including meetings of committees of Directors) and the number of meetings attended by each Director were as follows:

	Board meetings	
	A	B
Pnina Feldman	11	11
Sholom Feldman	11	11
Paul Stephenson	11	11
David Austin	2	11
Russell Williams	3	3

Notes

A = number of meetings attended

B = number of meetings held during the time the Director held office during the year or was a member of the relevant committee

Principal activities

The principal activities of the Company during the year were mineral exploration and identification of potential mining assets for acquisition and development.

There were no significant changes in the nature of the Company's principal activities during the year.

Operating and financial review

Queensland Bauxite Ltd (ASX: QBL) (QBL or the Company) presents the following report on activities for the year ending 30 June 2011.

Highlights of QBL Operations July 2010 to September 2011

- Acquired a 100% interest in the North Queensland Bauxite Projects
- Acquired 80% interests in the South Queensland Bauxite Projects
- The combined area of the prospective bauxite terrain over all of the Queensland Bauxite Projects acquired to date is 7,180 km²
- Initial field inspections of the Queensland Bauxite Projects carried out by the Company led by experienced bauxite consultant geologist Peter Temby
- Extensive areas of lateritised basalt and local observations of gibbsite mineralisation observed at several locations within the South Queensland and South Johnstone Projects
- Environmental constraints analysis completed over all QBL Queensland tenements
- Landowner consultation ongoing in all QBL Queensland tenements
- 123 Aircore drill holes completed in Kingaroy Project for a total advance of 1077m and an average hole depth of 9m
- Selective intervals from 14 drill holes submitted to ALS for XRF analysis
- 75 Aircore drill holes analysed by Innovex XRF unit

- 33 field sites within Kingaroy Project analysed by Innovex XRF unit
- 9 samples from above field site investigation submitted to ALS for %rxSi and %avAl
- 30 Innovex XRF readings taken at key locations in Atherton, Ravenshoe and South Johnstone Projects
- New tenement applications selected based on recent field mapping which noted surface expressions of potential bauxite mineralisation.
- Recent analysis confirms further gibbsite mineralisation in numerous bauxite profiles
- Mark Derriman appointed as Chief Operations Officer
- Company changed its name to Queensland Bauxite Limited (QBL)

New Acquisition – South Queensland Bauxite Projects

On the 14th December 2010 the Company announced that in addition to the acquisition announced on 25th June 2010 of 80% interests in the South Johnstone Bauxite Projects, QBL's shareholders voted in favour of the resolution to acquire 80% interests in the South Queensland Projects from Volcan Holdings Inc (Volcan) in consideration for an issue to Volcan of 40 million QBL shares, together with a \$1 per ton royalty on production. The extensive South Queensland Projects include the Childers, Kingaroy and Pittsworth Bauxite Projects, and are believed to contain potential for some of the largest bauxite occurrences in the portfolio.

In addition, the Company acquired the remaining 20% interests in the South Johnstone Projects in Queensland, from Plateau Bauxite Limited (PLB), for an issue to PLB of 15 million QBL shares. This acquisition increased the Company's position in the South Johnstone Projects to a 100% interest.

Details of the transactions and a Notice of Meeting which included independent expert fair and reasonable reports were sent to shareholders on 14th November 2010, and on 14th December 2010 shareholders unanimously approved the transactions and the transactions were subsequently completed.

The South Queensland Projects

The South Queensland Projects (**Figure 1**) cover a number of discrete volcanic provinces that are known to contain historic occurrences of bauxite within widespread blankets of highly altered and weathered basaltic rocks, and are close to major infrastructure, rail, ports and power. A number of these projects are as close as 80 kms from port with extensive rail networks running through the projects that have capacity. These Bauxite Projects, which include the Childers, Kingaroy and Pittsworth Bauxite Projects, are Exploration Licenses EPM18131, EPM18132, EPM18133, EPM18134, EPM18135, EPM18136, EPM18137, EPM18141, EPM18142, EPM18143, EPM18144, EPM18145, EPM18146, EPM18149, EPM18152, EPM18153, EPM18155, EPM18156 and EPM18794 (the South Queensland Projects).

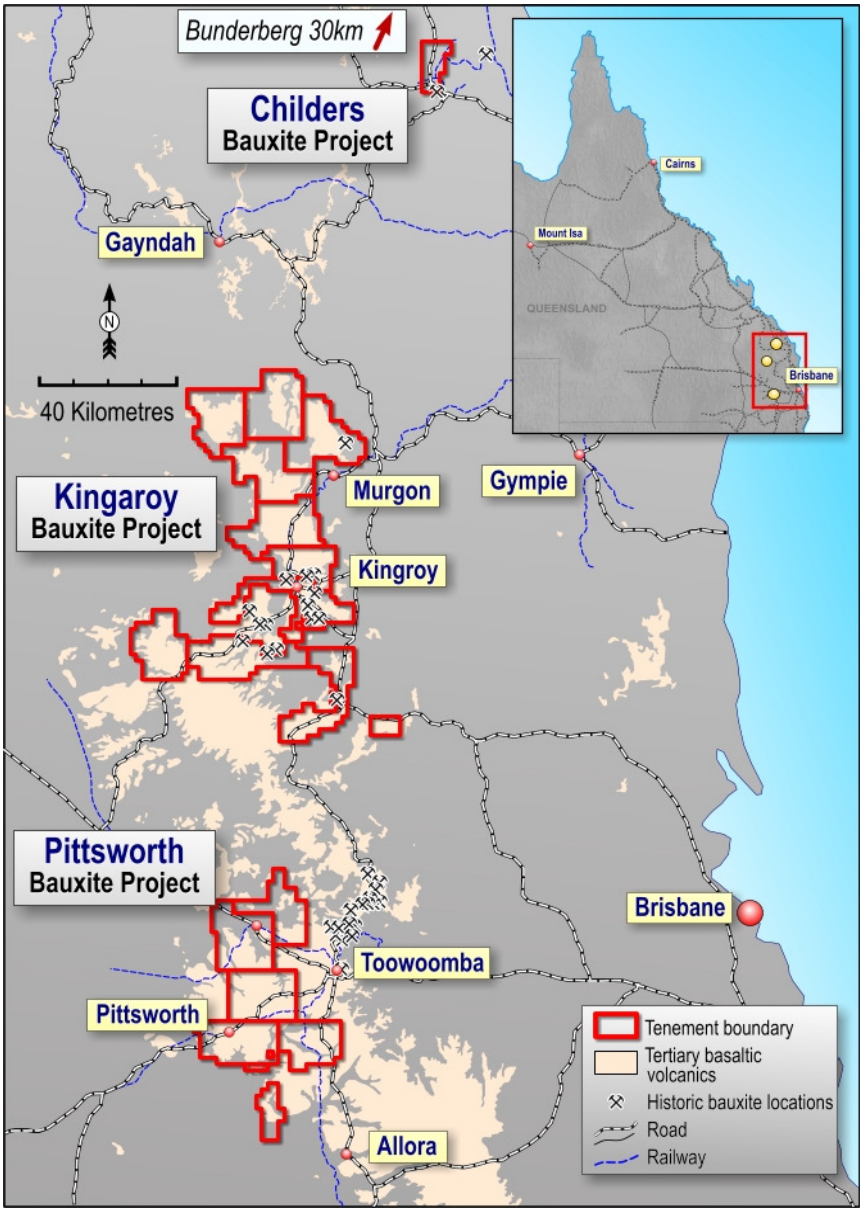


Figure 1: Queensland Bauxite SE Queensland Projects

Subsequent Further Acquisition in South Queensland

The Company applied for and the Queensland Department of Mines and Energy accepted the Company's applications for an additional eight exploration licenses (EPM19067, 19068, 19069, 19071, 19072, 19073 19078, 19079) within the East Australian Bauxite Province (**Figure 3**). These new tenement applications are situated in and around the town of Kingaroy and east of the town of Childers in South East Queensland, and will augment QBL's South Queensland Project. During the reporting period EPM's 19071, 19078 and 19079 were granted.

New Tenements

The eight new tenements were selected based on recent field mapping which noted surface expressions of potential bauxite mineralisation over large areas. QBL has commenced studies to determine the extent of gibbsite mineralisation over these tenements (refer to About Gibbsite Mineralisation below).

The Queensland Department of Mines and Energy has accepted QBL's tenement applications and the formal granting of these applications is expected within the second half of 2011. Upon granting of these eight tenements QBL will hold 32 exploration licenses in Queensland for a combined bauxite prospective landholding of over 7,180km², a 31% increase in the previously announced 5,466km² landholding.

Bauxite Profiles

QBL has recently conducted field inspections and geological mapping at the South Queensland Project which has confirmed bauxite profiles up to 6 meters in thickness occur throughout numerous tenements. In addition away from the road cuts, it was observed on one of the tenements, possible "bauxitic" gravels (**Figure 2**) occur over areas in excess of 40km² which may indicate the existence of buried bauxite profiles. These zones of apparent widespread bauxite mineralisation provide numerous high quality drill targets which if successful could rapidly convert the Company's considerable exploration targets into a significant resource.

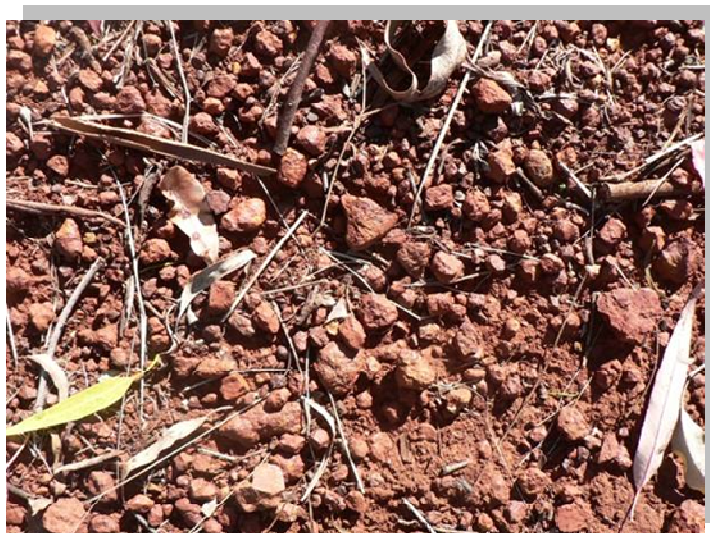


Figure 2: Surface expression of bauxite mineralisation
– classic pisolitic bauxite

Historical Kingaroy Bauxite Sampling

In 1941 the Queensland Government commissioned a study into the commercialisation of bauxite resources in South East Queensland. The investigations indicated that the most potentially economic deposits of bauxite were conveniently located in close proximity to existing rail infrastructure within a 30km radius of the town of Kingaroy. Subsequently government geologists S. Shepherd and T. Connah embarked on a bauxite sampling program in the Kingaroy District and submitted 55 bauxite/laterite samples for geochemical analyses. Of the analyses received 28 or 51% of the samples returned analyses $> 30\%$ avAl_2O_3 and $< 3\%$ R_xSiO_2 to a maximum of 56% avAl_2O_3 from selective sampling of a bauxite laterite. Bauxite profiles were observed to be up to 6 metres in thickness.

About Gibbsite Mineralisation

Gibbsite – aluminium hydroxide $\text{Al}(\text{OH})_3$ is the most sought after of the bauxite ore minerals because it readily dissolves at low temperatures and pressures at the alumina refinery stage (the Bayer process) while boehmite – aluminium oxide hydroxide $\text{AlO}(\text{OH})$ must be processed at high temperatures and high pressures in more expensive pressure vessels. Some unwanted non-alumina minerals are also dissolved so that additional processing stages to remove the non-alumina contaminants are required. The additional processing stages to remove contaminants can also be associated with alumina loss.

Gibbsite mineralisation has been noted within the Kingaroy Bauxite Project and QBL believe gibbsite is likely to be more extensively developed.

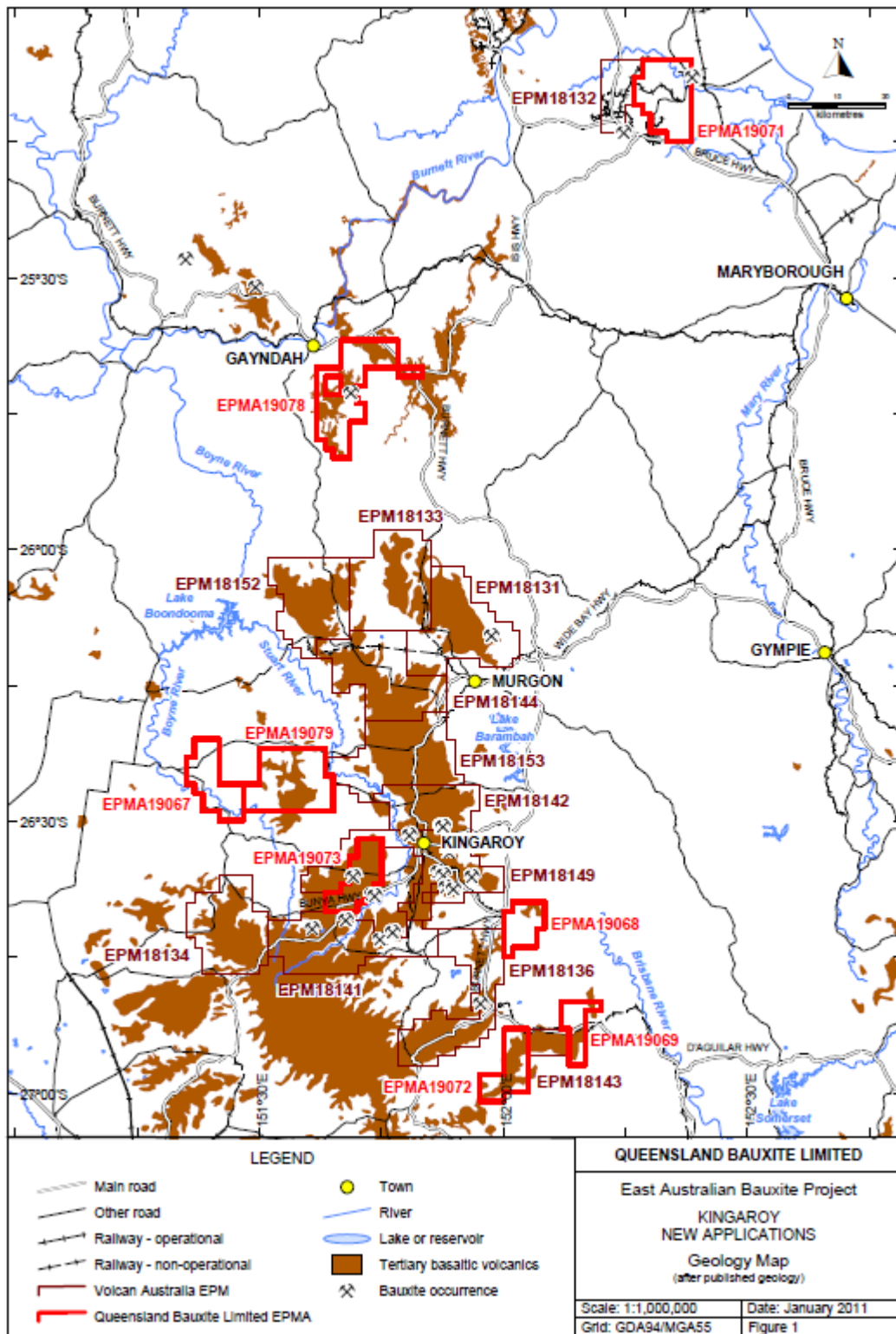


Figure 3: The 8 new applications in the Northern Area of QBL's South Queensland Project

The North Queensland Projects

The North Queensland Projects are located around South Johnstone in Northern Queensland and consist of Exploration Licenses EPMA 18138, EPM18139, EPMA18140, EPM18463 and EPM18464 (**Figure 4**). The Company has now acquired the remaining 20% of the South Johnstone Projects, from Plateau Bauxite Limited. The South Johnstone Project is located as close as 18 kms from the Mourilyan Port in a region of excellent infrastructure and power availability, with direct rail link to the main project area. Ongoing discussions are being held with Ports North who operate the port at Mourilyan.

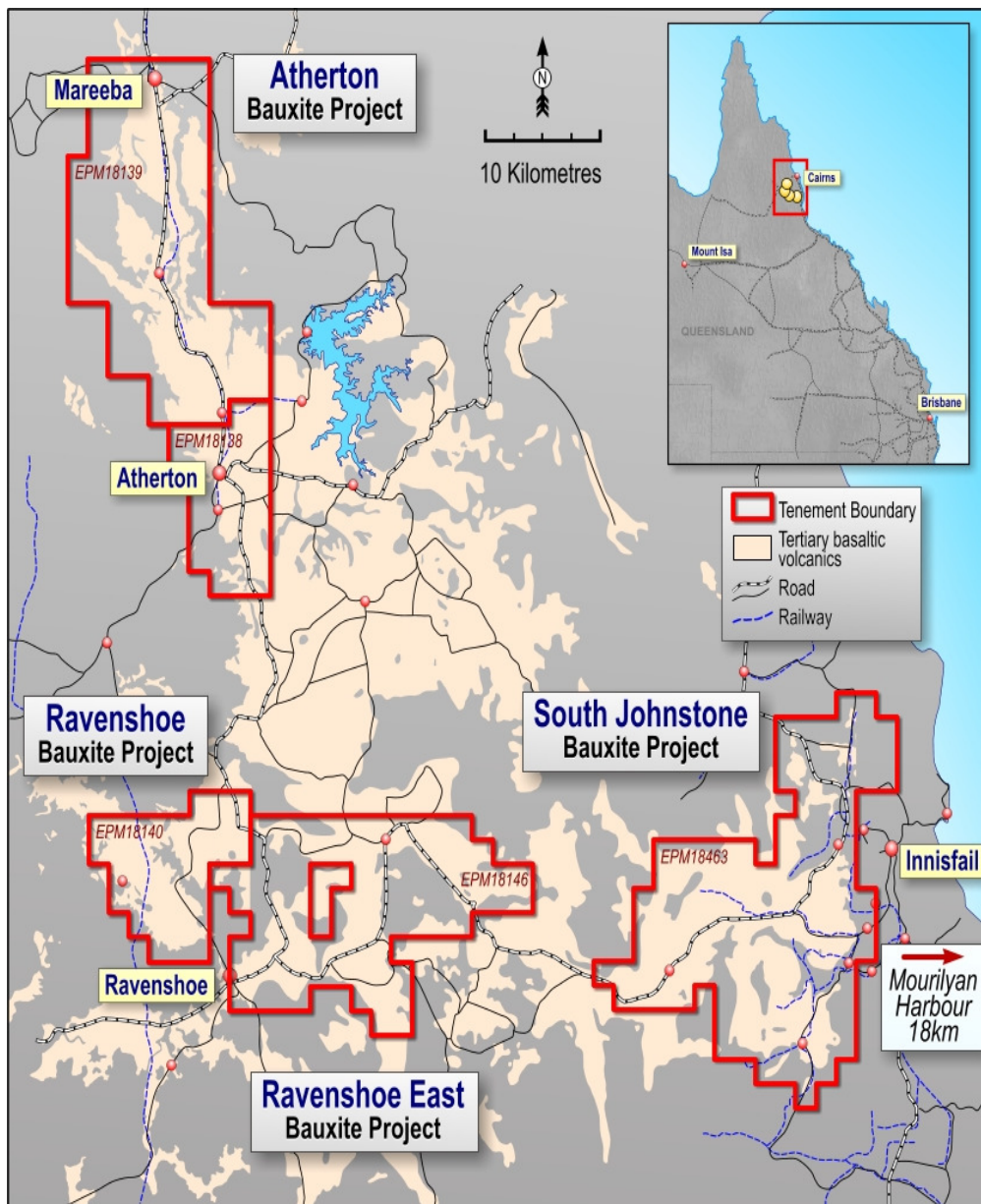


Figure 4: Queensland Bauxite North Queensland Projects

Over the period, in preparation for a drilling program to test the previously reported bauxite occurrences at the South Johnstone Projects, the Company signed access agreements with a number of key landholders. In addition, several lateritised profiles were mapped (see photos below) and discussions were held with Mourilyan Port staff.

There is no Native Title over the granted tenements either on the South Johnstone Project or the South Queensland Projects.

Although the Company has not yet undertaken any drilling or testing of the project to report a bauxite ore resource on the South Johnstone tenements, records of previous exploration in the 1960's are held on file by the Queensland Department of Mines and Energy. Carpentaria Exploration Pty Ltd, a wholly owned subsidiary of Mt Isa Mines, reported bauxite within the South Johnstone and Ravenshoe East tenements following a drilling programme undertaken by that company. QBL intends to undertake drilling over the area drilled by Carpentaria that reported the bauxite.

On the most recent field trip, the Company successfully located the drilling locations reported in the historical maps and reports, and also signed access agreements with the key landowners.

The tenements acquired by QBL are located within the East Australian Bauxite Province which extends from Queensland into New South Wales. The East Australian Bauxite Province has had its considerable potential confirmed by Australian Bauxite Limited's (ASX: ABZ) recent announcements of a combined 41 Mt gibbsite-rich bauxite resource (ASX Announcement, Feb & Sep 2010).

Initial results from those drilling programmes displayed significant potential with high available alumina and low reactive silica and the material is considered to be ideal for direct shipping (DSO) to foreign or local alumina refineries.

Kingaroy Community Consultation

QBL take community consultation seriously and to that end a series of landowner meetings were organized for the Kingaroy District to inform the landowners of our proposed exploration program. During the meetings QBL outlined the drilling methodology in detail and that the first phase of drilling will be low impact.

During the community consultation phase the CEO's of the South Burnett Shire and Bunya Wakka Wakka Cultural Heritage Aboriginal Corporation were also briefed as to QBL's planned exploration as they represent key stakeholders in the area.

Appointment of Land Manager

As QBL will be dealing with a large number of landowners the decision was made to appoint an experienced Land Manager to oversee community consultations. Brad Perry of Perryprojects, who specialize in community engagement, has been appointed.

Brad has extensive experience with community consultation and has managed stakeholder negotiations for several large infrastructure projects in Queensland.

Environmental Constraints Analysis

QBL takes its environmental responsibility seriously and to that end before any on ground exploration takes place a thorough Environmental Constraints analysis is carried out. Our GIS consultant provided QBL with Mapinfo environmental layers for Category A, B and C reserves for which Category A has a 1000m buffer and Category B has a 500m buffer. Environmental Constraints analysis has been completed for all QBL Queensland Projects.

Maiden drill program commences May 17th at Kingaroy Project

Innovex XRF analyses were collected out at the Kingaroy Project which involved the sampling of 75 aircore drill holes (average depth of 9m) from a drill program completed earlier in the September Quarter. The aircore samples were collected in chip trays and the Innovex XRF instrument collected readings from every half meter interval. The maximum %Al₂O₃ reading was 47.2% and the lowest %SiO₂ reading was 10.7%. These samples will be analysed for their available alumina and reactive silica content. Very often the actual reactive silica content is much lower than the total SiO₂ content.

Of the holes drilled samples from 14 holes were submitted to ALS in Brisbane for multi element XRF analyses. An orientation study of 4 holes where ALS and XRF had been collected indicated that for %SiO₂ and %Al₂O₃ the correlation coefficient was in excess of 0.8 (1.0 being a perfect correlation). From the small subset of samples sent to ALS the maximum for %Al₂O₃ was 33.8% and the minimum for %SiO₂ was 19.6%. Ongoing ALS analyses of drill samples are being undertaken. **(Figure 5)**

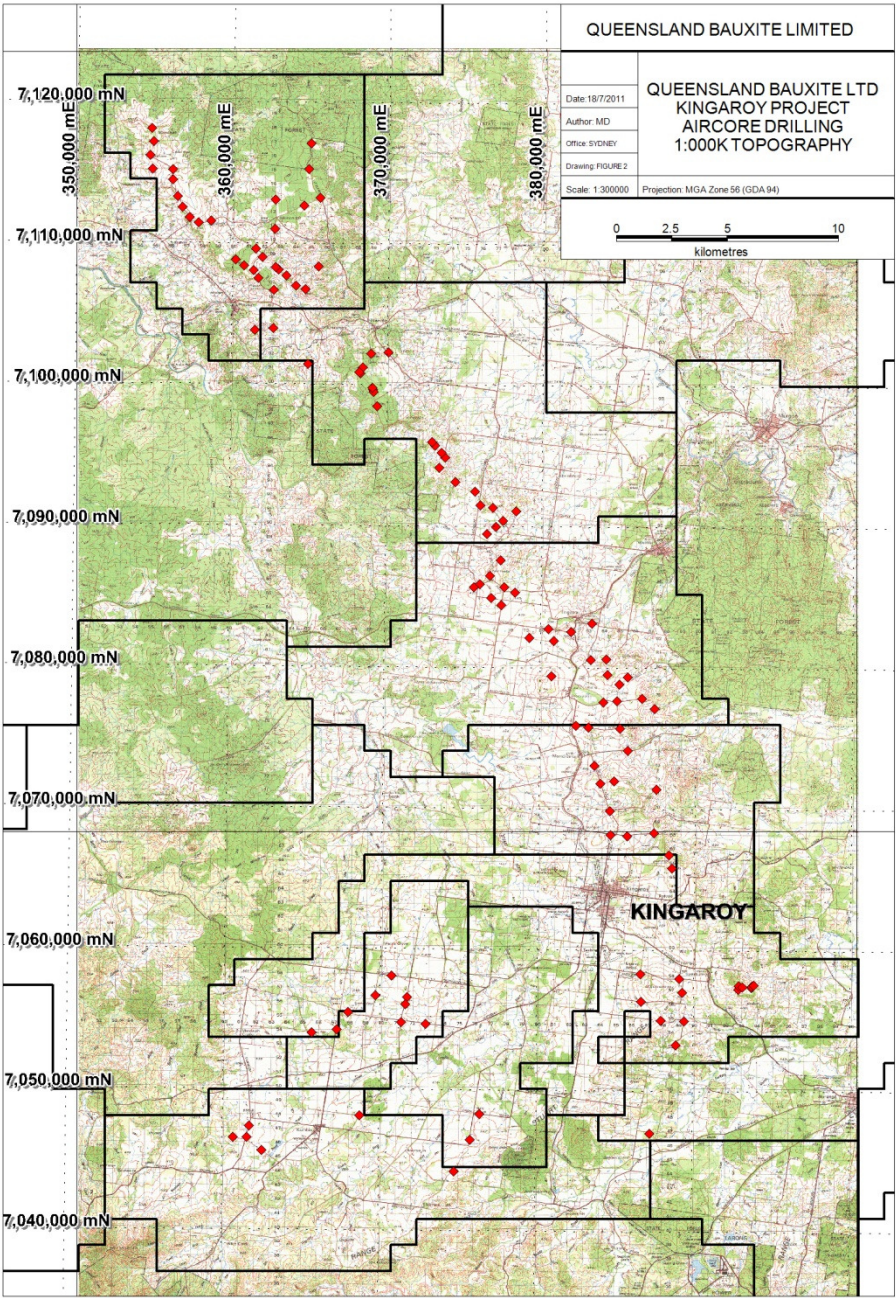


Figure 5: Distribution of Air Core Drilling – Kingaroy Project

Surface geochemical sampling at Kingaroy Project

The Queensland Government commissioned a “bauxite search” during the 1940’s aimed at locating potential bauxite mineralisation for future development. One of the areas where bauxite/laterite was developed was the Kingaroy region of South East Queensland which has been the focus of a drilling campaign by the Company.

At the historical (1946) bauxite locations in and around Kingaroy a total of 35 sites were visited and sampled with the Innovex XRF unit. The sample statistics are shown below:

	Maximum	Minimum
%Al ₂ O ₃	46.9	7.4
%SiO ₂	63.1	5.7
%Fe ₂ O ₃	30.8	6.4
%TiO ₂	3.9	0.3

Table 1 - Innovex XRF results from all outcrop sampling in and around Kingaroy

Two sites had visible gibbsite mineralisation (**Figures 6 & 7**) set in a red ferruginous matrix. Evaluation of the Kingaroy Project will be more focused in light of the Innovex results and field mapping carried out in the September Quarter. The information gained from the Innovex sampling and first phase of drilling will be used to focus on detailed drilling and sampling of the areas with the high grade results to determine the nature and extent of the bauxite resources in those areas. Results for three of the sample areas are shown below

- Sample from 4Km north west of Kingaroy returned 49.7% Al₂O₃ and 1.6% SiO₂
- Sample from 10Km north of Kingaroy returned 23.8% Al₂O₃ and 5.7% SiO₂
- Sample from 20Km south of Kingaroy returned 46.8% Al₂O₃ and 5.7% SiO₂

At Ban Ban Springs, Queensland Bauxite Limited has carried out preliminary Innovex XRF sampling (**Figures 8 & 9**) of a bauxite/laterite ridge located 10km south east of the town of Gayndah within EPM 19078 and part of broader Kingaroy Project (**Figure 1**). The sampling targeted a historic bauxite location sampled by Queensland geologists in 1946 as part of the search for bauxite in south east Queensland. The 1946 sample results are shown below:

	360/GS	361/GS	363/GS
% Alumina (Alkalai Soluble)	31.2	42.1	38.4
% Silica (Alkalai Soluble)	1.6	1.4	
% Total Alumina as Al ₂ O ₃	43.2	45.3	40.1
%Total Silica as Si ₂ O ₃	9	2.4	1.6
% Total Iron as Fe ₂ O ₃	25	24.5	30.2
% Titania			5.9

Table 2: Historical Ban Ban Springs Bauxite Rock Chip Analyses

The government alkalai soluble analysis of the samples involved treatment in an autoclave at a pressure of 5 atmospheres for half an hour with a caustic soda density of 1.45.

The arcuate bauxite/laterite ridge is approximately 2.5km in length at elevations between 400 and 450m ASL and Innovex sampling has been carried out along a central 750m portion. Results returned from ALS laboratories of the available alumina and reactive silica content included samples with the following high grade analyses:

Sample BS2b returned 34.8% available alumina and 1.6% reactive silica and sample KN14 returned 36.4% available alumina and 1.4% reactive silica. In contrast the Innovex sampling of the same area returned 56.7% Al_2O_3 and 5.2% SiO_2 for sample KN14 and 29.1% Al_2O_3 and 4.8% SiO_2 for sample BS2B.

Further exploration is planned to evaluate the full bauxite/laterite ridge as well as defining other areas within EPM 19078 with the potential to host bauxite of similar grades to that which occurs at Kinellan.



Figure 6: Nodules of yellow brown gibbsite set in a red brown ferruginous matrix as site Yarraman



Figure 7: Innovex sampling of gibbsite (yellow brown) at Site HB8a

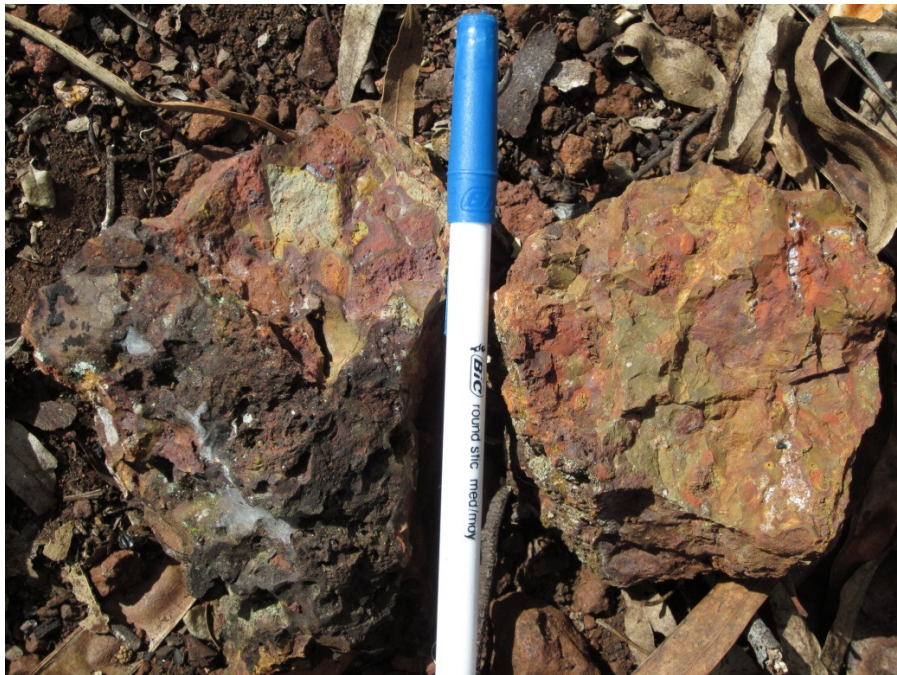


Figure 8: Bauxite from historic Kinellan bauxite location – SE of Gayndah

Innovex sampling in North Queensland

30 Innovex readings were taken at various key localities within South Johnstone, Ravenshoe East and Atherton. Geological observations indicate that there has been little lateritic soil development at Atherton with basalt soil profiles being generally very thin and chocolate brown in colour. Towards Ravenshoe and South Johnstone lateritic soil development is more pronounced with profiles being thicker and brighter red or red/brown in colour.

In the South Johnstone and Ravenshoe East tenements some nodular gibbsite development was observed with some encouraging Innovex readings recorded at 4 surface localities. These are:

1. CEC H13 historic hole ($\text{Al}_2\text{O}_3=27\%$ & $\text{SiO}_2=6\%$) in the South Johnstone Tenement
2. West EPM 18463 ($\text{Al}_2\text{O}_3=25\%$ & $\text{SiO}_2=8\%$) in the South Johnstone tenement
3. West EPM 18463 ($\text{Al}_2\text{O}_3=25\%$ & $\text{SiO}_2=10\%$) in South Johnstone tenement
4. Road cut on the Palmerston Hwy ($\text{Al}_2\text{O}_3=30\%$ & $\text{SiO}_2=6\%$) in the Ravenshoe East tenement

The Company believes that the South Queensland Project is ideally placed close to infrastructure and available deep water port facilities to be suitable for a direct shipping operation of bauxite.

Geological mapping performed by the Company during a field visit within just one of the South Queensland tenements identified a potential 40km^2 area of lateritised Tertiary basalt, and bauxite mineralisation (gibbsite) was noted.

Recent drilling by Australian Bauxite Limited (ASX: ABX) targeting potentially bauxitic lateritised tertiary basalt to the north of QBL's projects at Binjour, returned results showing that the average thickness of the bauxite profile at Binjour is 6.3m with $\text{Al}_2\text{O}_3\text{avl}\%$ (*Available Aluminium Oxide*) in the range of 28.9% to 50.5% (*ABX - ASX announcement 13 August 2010*).

Based on those results and the above mapping by QBL, this gives QBL an exploration target for each project area out of the Queensland Project's tenements of 250Mt to 300Mt with an $\text{Al}_2\text{O}_3\text{avl}\%$ range of 30% to 50% using a target tonnage calculation of a density of 1.8 and a potential thickness range of 3.5m to 4.2m.

Appointment of Chief Operations Officer

QBL has appointed Mark Derriman as Chief Operations Officer who will be focused on bringing the bauxite projects into production.

Change of Company Name to Queensland Bauxite Limited (QBL)

During the period, the Company changed its name from Australian Gold Investments Limited to Queensland Bauxite Limited. A Notice of Meeting to shareholders was distributed, and shareholders voted unanimously on this resolution on the 17th February 2011. The code QBL has been assigned to the Company by the ASX, and formally changed from AGV on the 23rd February 2011.

Sale of ML1492

As part of the transactions with Volcan presented to shareholders, QBL sold its interest in ML1492 which contains an alluvial sapphire mining project to Volcan in consideration of Volcan paying \$1.2 million to QBL prior to the end of 2012.

Gold Projects

The Company currently has four gold projects in Australia, comprising two principle gold exploration projects in Western Australia - the Broads Dam Gold Project near Kalgoorlie and the Pilbara Gold Project in the south-west Pilbara, and two gold projects in New South Wales - the Tia River Gold Project and the Lost River Gold Project, both in the New England Orogen.

Broads Dam Gold Project

The Broads Dam Gold Project covers approximately 3,000 hectares of the highly prospective Zuleika Shear Zone, located in the Eastern Goldfields Province of the Yilgarn Craton, Western Australia, approximately 40km north-west of Kalgoorlie. The Zuleika Shear Zone hosts a number of nearby, currently working, underground gold mines, including Barrick Gold's Raleigh and Bullant deposits, and La Mancha's Frog Leg mine.

The Company has sold the Broads Dam tenements. As announced on the 31st January 2011, QBL has signed a Letter of Agreement with ASX-listed Phoenix Gold Limited (**PXG** or **Phoenix**) for PXG to purchase a 100% interest in QBL's Broads Dam Gold Project.

QBL has sold the Broads Dam Gold Project for the following consideration:

- non-refundable deposit on signing formal agreement \$100,000;
- cash payable at settlement \$400,000;
- 10 million Phoenix fully paid ordinary shares; and
- a \$10/oz production royalty on gold mined from the Broads Dam Gold Project.

Phoenix has also agreed to replace the environmental bonds in respect of the tenements contained in the Broad Dams Gold Project immediately following settlement. The royalty is a project royalty and to also include production on associated Broads Dam tenements owned by Phoenix.

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.

Outcropping quartz "blows" and stockworks located along well developed east-west shear zones near the intrusion boundary between the Rocklea Dome monzogranite and Hardey Formation pelites and metasandstones are considered prospective for the discovery of gold.

Tia River Gold Project

The Tia Gold Project comprises Exploration Licence 7224 located within the New England Orogen, near Walcha, in north-eastern New South Wales.

A moderately-sized shallow (i.e <4m) Holocene alluvial gold target covering ~85 ha has been identified in the upper reaches of Swamp Creek and Agnes Creek. A 100-hole Calweld drill program is planned to test the gold resource potential and minability in these valleys.

Lost River Deep-Lead Gold, Ruby, Sapphire and Diamond Project

QBL holds a 94 Unit exploration license (EL 7409) over a 20 km long Cainozoic basalt-capped palaeovalley defined by inverted topography, near Nowendoc, NSW.

Historic records record a gold-bearing deep-lead system partly exposed along the eastern edge of the basalt cap in the license area. Initial topographic inversion modelling indicates the existence of a buried palaeovalley whose axis appears to lie to the west of the exposed gold-bearing gravels cropping out along the eastern edge of the basalt cap. Gravity and magnetic surveys are currently being considered along the axis of the inverted topography to help aid in locating drill holes designed to test the width and depth of the deep lead beneath the basalt cap.

Consents

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Dr Robert Coenraads (BA Hons, MSc, PhD) and Mr Mark Derriman (BAppSC Hons, MAppSc, MBA). Dr Coenraads is a fellow of the Australasian Institute of Mining and Metallurgy. Mr Derriman is a member of the Australian Institute of Geoscientists.

Dr Coenraads contracts services to QBL. Mr Derriman is a full-time employee of QBL.

Each of Dr Coenraads and Mr Derriman 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 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources or Ore Reserves".

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

Capital Raising

On 21st July 2010 the Company resolved to issue 29 million ordinary fully paid shares at an issue price of 7 cents per share to raise approximately \$2 million. Hartleys Limited was broker to the offer. The capital raising was completed on 1st September 2010.

On 7th February 2011 the Company resolved to issue 28,571,429 ordinary fully paid shares at an issue price of 21 cents per share to raise approximately \$6,000,000. Hartleys Limited was broker to the offer. The capital raising was completed on 16th February 2011.

The placement shares have been issued and cash received.

Operating results

The operating loss after tax for the year ended 30 June 2010 for the Consolidated Entity and Company was (\$4,500,805) 2010 (\$1,265,312).

Dividends

There were no dividends paid or declared by the Company to members since the end of the previous financial year.

Environmental regulation

The Company is subject to and compliant with all aspects of environmental regulation of its exploration activities. The Directors are not aware of any environmental law that is not being complied with.

Significant changes in the state of affairs

During the period there were no changes in the state of affairs of the Company other than those referred to elsewhere in this report of the financial statements or notes thereto.

Events subsequent to balance date

During the reporting period, QBL signed an agreement with ASX-listed Phoenix Gold Limited (**PXG** or **Phoenix**) for PXG to purchase a 100% interest in QBL's Broads Dam Gold Project.

QBL agreed to sell the Broads Dam Gold Project for the following consideration:

- Non-refundable deposit on signing formal agreement \$100,000;
- Cash payable at settlement \$400,000;
- 10 million Phoenix fully paid ordinary shares; and
- a \$10/oz production royalty on gold mined from the Broads Dam Gold Project.

Subsequent to the reporting period, on the 27th September 2011, Phoenix Gold Limited (**PXG**) paid to QBL the full consideration for settlement and transfer of the Broads Dam Gold Project to PXG, being \$400,000 in cash plus 10 million Phoenix fully paid ordinary shares. Phoenix has also agreed to replace the environmental bonds in respect of the tenements contained in the Broad Dams Gold Project immediately following settlement. The royalty is a project royalty and to also include production on associated Broads Dam tenements owned by Phoenix.

Likely developments

Further information about likely developments in the operations of the Company in future years, the expected results of those operations, the strategies of the Company and its prospects for future financial years has not been included in this report.

Indemnification and insurance of officers and auditors

Indemnification

The Company has agreed to indemnify the following current Directors of the Company, Mrs Pnina Feldman, Mr Sholom Feldman, Mr Paul Stephenson, Mr Russell Williams and Mr David Austin against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors and Officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. This agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Non-audit services

The Company's auditor, Nexia Court & Co – Chartered Accountants was appointed auditor of the Company in January 2008.

A copy of the auditors' independence declaration as required under Section 307C of the Corporations Act is included in the Directors' report.

Details of the amounts paid to the auditor of the Company, Nexia Court & Co – Chartered Accountants, and its related practices for audit and non-audit services provided during the year are set out below:

Statutory audit

- audit and review of financial reports	\$ 49,974
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Services other than statutory audit

- taxation services and advice	\$ 12,285
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Remuneration Report – Audited

Remuneration policies

The Board has adopted a framework for corporate governance, including policies dealing with Board and Executive remuneration. These corporate governance policies are described more fully on pages 29 to 34 of the Directors' Report. Policies adopted by the Board reflect the relative stage of development of the Company, having regard for the size and structure of the organisation.

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced Directors and Senior Executives. The remuneration packages of Executive Directors provide for a fixed level of remuneration. Other than as noted below Executive remuneration packages do not have guaranteed equity based components or performance based components.

Fixed remuneration

Fixed remuneration consists of base remuneration (salary or consulting fees) including any FBT charges as well as employer contributions to superannuation funds, where applicable.

Remuneration levels are reviewed annually by the Board of Directors.

Performance linked remuneration

During the previous financial period, the Board of Directors completed a review of compensation and benefit structures.

Long-term incentives are provided as options over ordinary shares of the Company. As set out below, to date shareholders in general meeting have approved specific grants of options to Executive Directors as a form of remuneration.

Consequences of performance on shareholders wealth

In view of the relatively early stage of development of the Company's business and remuneration policies, there is insufficient information to provide a meaningful quantitative analysis of the relationship between remuneration and Company performance.

Service agreements

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 Company by the following executives:

- Pnina Feldman – Executive Director, Business Development;
- Dr Robert Coenraads – Principle Geologist, Exploration and Mining; and
- Sholom Feldman – Chief Executive Officer and Company Secretary.

In respect of each of these executives (**Key Persons**), AGMPL was paid a retainer for the period ended 30 June 2011. 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 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 provide suitable fully serviced offices to the Company at its Sydney CBD offices at Level 34, 50 Bridge Street, which includes use of office space, the board room, kitchen, access to a full-time receptionist, 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 Company, such as secretarial, accounting and office management services. These services were provided to the Company by AGMPL on reasonable arm's length terms as approved by the independent director(s).

(AGMPL) Services	Note	Consolidated Entity	
		2011 \$	2010 \$
Rent		148,097	121,559
Management & Secretarial		96,399	130,284
Exploration & Geological		267,335	165,577
Executive & Corporate Services		449,888	321,336
Reimbursement of Expenses		28,370	45,158
Total		990,089	781,914

Non-Executive Directors

Non-Executive directors are paid up to \$70,000 per annum directors fees.

Director and Executive disclosures

Details of Directors and Company Executives (including Key Management Personnel)

Other than the Executive Directors, no other person is concerned in, or takes part in, the management of the Company or has authority and responsibility for planning, directing and controlling the activities of the entity. As such, during the financial year, the Company did not have any person, other than Directors, that would meet the definition of "Key Management Personnel" for the purposes of AASB124 or "Company Executive or Relevant Group Executive" for the purposes of section 300A of the Corporations Act 2001 (**Act**). Remuneration details of the Company Secretary are disclosed as section 300A(1B)(a) of the Act defines a "Company Executive" to specifically include a secretary of the entity.

Directors and Key Management Personnel

Pnina Feldman	Chairperson
Sholom Feldman	Director / Chief Executive Officer
Paul Stephenson	Non-Executive Director
David Austin	Alternate Director
Russell Williams	Non-Executive Director

Specified Directors	Short term			Post employment		Share based payments	Other		Proportion of remuneration performance Related %	Value of options as a proportion of remuneration %
	Salary & fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Termination Benefits \$	Options \$	Bonuses \$	Total \$		
Pnina Feldman										
2011	160,000	-	-	-	-	-	-	160,000	-	-
2010	100,000	-	-	-	-		-	100,000	-	-
Sholom Feldman										
2011	100,000	-	-	-	-	-	-	100,000	-	-
2010	100,000	-	-	-	-	-	-	100,000	-	-
Paul Stephenson										
2011	60,000	-	-	-	-	-	-	60,000	-	-
2010	50,000	-	-	-	-	-	-	50,000	-	-
David Austin										
2011	17,500	-	-	-	-	-	-	17,500	-	-
2010	-	-	-	-	-	-	-	-	-	-
Total Compensation:										
Directors including Key Management Personnel										
(Company and consolidated entity)										
2011	337,500	-	-	-	-	-	-	337,500	-	-
2010	250,000	-	-	-	-	-	-	250,000	-	-
Total Compensation:										
Executive Officers (Company and consolidated entity)										
2011		-	-	-	-	-	-	-	-	-
2010		-	-	-	-	-	-	-	-	-

Options and rights over equity instruments granted as compensation

Details of options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details of options that were vested during the reporting period are as follows. The options were issued free of charge. Each option entitles the holder to subscribe for one fully paid ordinary share in the entity at the exercise price shown below.

Directors	Vested Number	Granted Number	Grant Date	Value per Option at Grant Date \$	Exercise Price per Share \$	First Exercise Date	Last Exercise Date
Pnina Feldman	-	-	-	-	-	-	-
Sholom Feldman	-	-	-	-	-	-	-
Paul Stephenson	-	-	-	-	-	-	-
David Austin	-	-	-	-	-	-	-
Russell Williams	-	350,000	18-04-2011	0.034	20c	18/4/2012	31/12/2015
Russell Williams	-	350,000	18-04-2011	0.041	30c	18/4/2013	31/12/2015
Total		700,000					

No options have been granted since the end of the financial year. The options were provided at no cost to the recipients.

Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period.

Exercise of options granted as compensation

During the period there were no shares issued as a consequence of the exercise of options previously granted as remuneration.

Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period.

Analysis of share-based payments granted as compensation

Options were issued to Non-Executive Director, Russell Williams as follows:

- 350,000 exercisable at 0.20 on or before 31 December 2014
- 350,000 exercisable at 0.30 on or before 31 December 2015

Exercise of options granted as compensation

During the period there were no shares issued as a consequence of the exercise of options previously granted as remuneration.

End of audited Remuneration Report.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 35 and forms part of the directors' report for the year ended 30 June 2011.

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

A handwritten signature in black ink, reading "Prina Feldman". The signature is written in a cursive style with a large initial 'P'.

Prina Feldman, Chairperson

Dated this 28th day of September 2011

Corporate Governance Statement

The Directors of Queensland Bauxite Limited (**QBL** and the **Company**) have established a framework of corporate governance, which they review on a regular basis.

In order to promote investor confidence and to assist companies meet stakeholder expectations, the Australian Securities Exchange Corporate Governance Council developed and released corporate governance guidelines for Australian entities listed on the Australian Securities Exchange (**ASX**). The second edition, Corporate Governance Principles and Recommendations (**ASX Principles and Recommendations**) was released in August 2007.

The Company's corporate governance policies referred to below were updated during 2009 following the release in August 2007 of the second edition, ASX Principles and Recommendations. The ASX Principles and Recommendations, in conjunction with the ASX Listing Rules, require companies to disclose whether their corporate governance practices follow the Guidelines on an "if not, why not" basis. This statement outlines the main corporate governance practices adopted by the Board, which comply with the ASX Principles and Recommendations, unless otherwise stated.

The roles of the Board and management

The role of the Board is to oversee and guide the management of QBL and its business with the aim of protecting and enhancing the interests of its shareholders and taking into account the interests of all stakeholders.

The Board is responsible for promoting the success of the Company in a way which ensures that the interests of shareholders and stakeholders are promoted and protected. The Board may delegate some powers and functions to the Chief Executive Officer for the day-to-day management of the Company. Powers and functions not delegated remain with the Board.

The key responsibilities and functions of the Board include the following:

- to develop, review and monitor the Company's long-term business strategies and provide strategic direction to management;
- to ensure policies and procedures are in place to safeguard the Company's assets and business and to enable the Company to act ethically and prudently;
- to develop and promote a system of corporate governance which ensures the Company is properly managed and controlled;
- to identify the Company's principal risks and ensure that it has in place appropriate systems of risk management, internal control, reporting and compliance; and
- to monitor management's performance and the Company's financial results on a regular basis.

The Board's role and the Company's corporate governance practices are continually reviewed and improved as required.

The Company's Executive Directors are implementing the running of the general operations and financial business of the Company in accordance with the delegated authority of the Board.

Board structure and independence

The Company recognises the importance of having a Board comprising Directors with an appropriate range of backgrounds, skills and experience to suit the Company's current and future strategies and requirements. The composition of the board is determined by the application of the following principles:

- persons nominated as Non-Executive Directors shall be expected to have qualifications, experience and expertise of benefit to the Company and to bring an independent view to the Board's deliberations. Persons nominated as Executive Directors must be of sufficient stature and security of employment to express independent views on any matter;
- the Chairman should ideally be independent, but in any case be Non-Executive and be elected by the Board based on his / her suitability for the position;
- all Non-Executive Directors are expected voluntarily to review their membership of the board from time-to-time taking into account length of service, age, qualifications and expertise relevant to the Company's then current policy and programme, together with the other criteria considered desirable for composition of a balanced board and the overall interests of the Company; and
- Executive Directors shall be expected to retire from the board on the relinquishment of their Executive.

The Company has adopted a Policy on Assessing the Independence of Directors which is consistent with the guidelines detailed in the ASX Principles & Recommendations. The Company considers that the Board should have at least three Directors and will aim to have a majority of independent Directors (as required) but acknowledges that this may not be possible at all times due to the size of the Company.

The Company's Board Charter includes guidelines for assessing the materiality of matters which are summarised below:

- A balance sheet item is material if it has a value of more than 5% of pro-forma net assets or \$50,000, whichever is greater.
- A profit and loss item is material if it will have an impact on the current year operating results of 5% or more.
- Items are also considered material if they impact the reputation of the Company, they involve a breach of legislation or a potential breach of legislation, if they are outside the ordinary course of business, could affect the Company's rights to its assets, involve a contingent liability that would impact the balance sheet or profit and loss by 5% or more or if they have an effect on operations which is likely to result in a change in net income or dividend distribution of more than 5% upwards or downwards.
- A contract is considered material if it is one which is outside the ordinary course of business, includes exceptionally onerous provisions, any default of the contract may trigger the qualitative balance sheet or profit and loss materiality levels, is essential to the operations of the Company, contains or triggers change of control provisions or is between related parties.

The current Board includes two independent Non-executive directors, Paul Stephenson and Russell Williams, and two executive directors Pnina Feldman and Sholom Feldman. As such, the Board does not currently have a majority of independent Directors. Paul Stephenson and Russell Williams fall within the requirements of an independent Director as stipulated in the ASX Principles & Recommendations, that is, no past or current relationships exist between these Directors and the Company that may affect their status as an independent Director. Pnina Feldman is Chairperson of the Board. Sholom Feldman is the Chief Executive Officer and Company Secretary. David Austin acts as an independent alternate Director to Sholom Feldman.

A minimum of three Directors is required under the Company's Constitution. Any changes to the composition of the Board will be determined by the Board, subject to any applicable laws and the resolutions of Shareholders. The Board seeks to nominate persons for appointment to the Board who have the qualifications, experience and skills to augment the capabilities of the Board. At each Annual General Meeting, one third of the Directors must resign, with Directors resigning by rotation based on the date of their appointment. Directors resigning by rotation may offer themselves for re-election.

Details of the background, experience and professional skills of each Director and the Company Secretary are set out on pages 4 and 5 of the directors' report and are also available on the Company's website.

Meetings of the Board

The Board intends to meet formally at least eight times a year and on other occasions, as required. The agenda for Board meetings is prepared by the Company Secretary/Chief Executive Officer. Standard items include the Chief Executive Officer's report, financial reports, strategic matters, risk management and governance and compliance matters. Executives are available to participate in Board discussions as required.

Board access to information and independent advice

All Directors have unrestricted access to all employees of the Company and, subject to the law and the terms of Deeds of Access, Insurance and Indemnity, access to all Company records.

Each Director may, with the prior written approval of the Chairman, obtain independent professional advice to assist the Director in the proper exercise of powers and discharge of duties as a Director or as a member of a Board Committee. The Company will reimburse the Director for the reasonable expense of obtaining that advice.

Conflicts of interest

In accordance with the Corporations Act, directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered.

Non-Executive Directors' Committee

Given the size of the Board and the stage of the Company's development, the Directors do not feel that a separate Non-Executive Directors' Committee, nomination committee and remuneration committee is appropriate, however the responsibilities of the committees are carried out by the Board of Directors.

Company code of conduct

The Board has adopted a Company Code of Conduct to promote ethical and responsible decision making by all employees (including Directors). The Code embraces the values of honesty, integrity, accountability and equality and to strive to enhance the reputation and performance of the Company. In summary the overriding principles are:

- all employees must conduct their duties honestly and in the best interests of the Company as a whole;
- treat other stakeholders fairly and without discrimination;
- respect confidentiality and do not misuse Company information or assets;
- conduct themselves in accordance with both the letter and spirit of the law; and
- maintain a safe working environment.

A breach of the Code is subject to disciplinary action which may include termination of employment.

Securities trading policy

The Board has adopted a policy and procedure on dealing in the Company's securities by Directors, Officers and employees. The Guidelines for Dealing in Securities Policy adopted by the Board requires that:

- Trading in Shares by directors, senior executives and employees is limited to specific periods, following the release of an annual report and half year results. Outside of these "window" periods, all directors, senior executives and employees, must follow the Guidelines for Dealing in Securities Policy and receive clearance for any proposed dealing in the Company's shares on the ASX prior to undertaking a transaction.
- A Director must receive clearance from the Chairman before he may buy or sell Shares. If the Chairman wishes to buy or sell Shares they must first obtain clearance from the Chief Executive Officer.
- Senior executives and employees must receive clearance from the Chief Executive Officer before they may buy or sell Shares.
- Directors, senior executives and employees must be aware of and observe their obligations under the Corporations Act not to buy or sell Shares if in possession of price sensitive non-public information and that they do not communicate price-sensitive non-public information to any person who is likely to buy or sell Shares or communicate such information to another party.

Audit & Compliance Committee

Given the present size of the Company and the Board, the usual functions of an Audit and Compliance Committee are attended to by all members of the board and any relevant matters are discussed at board level. The Board believes no efficiencies or other benefits could be gained by establishing a separate Audit and Compliance Committee.

The Company's auditor is Nexia Court & Co – Chartered Accountants. They were appointed in January 2008. The auditor attends and is available to answer questions at the Company's annual general meeting.

The Company's Chief Executive Officer has provided a declaration in accordance with section 295A of the Corporations Act in writing to the Board that:

- the consolidated financial statements of the Company and its controlled entities for each half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

Continuous disclosure

The Company understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the ASX and has adopted a comprehensive Information Policy.

The purpose of this Information Policy is to set out the procedure for:

- protecting confidential information from unauthorised disclosure;
- identifying material price sensitive information and reporting it to the Company Secretary for review;
- ensuring the Company achieves best practice in complying with its continuous disclosure obligations under the Corporations Act and ASX Listing Rules; and

- ensuring the Company and individual officers do not contravene the Corporations Act or ASX Listing Rules.

The Company's Information Policy is reviewed periodically and updated as required.

Communications with shareholders

The Company has a Shareholder Communications Policy that promotes effective communication with shareholders and encourages presentation of information to shareholders in a clear, concise and effective manner.

The Company will communicate information on its activities and financial performance through the issue of the annual and half year financial reports, reports on activities and cash flows and through other announcements released to the ASX.

The Company posts all reports, ASX announcements, media releases and copies of newspaper reports on the Company's website at www.queenslandbauxite.com.au. The website will contain an archive of ASX announcements and annual reports. The Company will, wherever practicable, take advantage of new technologies that provide greater opportunities for more effective communications with shareholders.

The Company will ensure that the annual general meeting is held in a manner that enables as many shareholders as possible to attend and encourages effective participation by shareholders. The Company requires the attendance of the external auditor at the Company's annual general meeting and to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Risk management

Responsibility for control and risk management is delegated to the appropriate level of management with the Chief Executive Officer having ultimate responsibility to the Board for the risk management and control framework.

The Company is committed to the identification, monitoring and management of risks associated with its business activities and has established various financial and operational reporting procedures and other internal control and compliance systems in this regard. These include the following:

- the Chief Executive Officer is required to report on the management of risk as a standing agenda item at each Board meeting. This involves that tabling of a Risk Register which is actively monitored and updated by management.
- delegated authority limits exist in respect of financial expenditure and other business activities;
- a comprehensive annual insurance programme is undertaken;
- internal controls exist to safeguard the Company's assets and ensure the integrity of business processes and reporting systems;
- annual budgeting and monthly reporting systems for business operations is undertaken which enable the monitoring of progress against performance targets and the evaluation of trends;
- appropriate due diligence procedures are undertaken for acquisitions and divestments; and
- disaster recovery procedures and crisis management systems exist.

The Company's Chief Executive Officer has provided a declaration that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. Additionally, the Chief Executive Officer has stated that the declaration is based on a sound system for risk management and internal compliance and control which implements the policies adopted by the Board and the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

The Board also requires management to report to it confirming that those risks are being managed effectively. The Board has received assurance from the Chief Executive Officer that the Company's management of its material business risks are effective.

ASX Listing Rule Disclosure – Exception Reporting

The following table discloses the extent to which QBL has followed the best practice recommendations set by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd Edition).

Principle No	Best Practice Recommendation	Compliance	Reasons for Non-compliance
2.1	A majority of the Board should be independent directors.	Currently, the Company has two independent directors and two non-independent directors.	The Board considers that its structure has been, and continues to be, appropriate in the context of the Company's recent history and the scope and scale of the Company's operations. Persons have been selected as directors to bring specific skills and industry experience relevant to the Company.
2.4	The Board should establish a nomination committee.	The Board has not established a separate nomination committee.	Given the size of the Board and the stage of the Company's development, the Directors do not feel that a separate nomination committee is appropriate. The Board believes no efficiencies or other benefits could be gained by establishing a Non-Executive Directors' Committee.
4.2	The audit committee should be structured so that it has at least three members.	The Company does not have a separate Audit and Compliance Committee.	Given the present size of the Company and the Board, the Board believes no efficiencies or other benefits could be gained by establishing a separate Audit and Compliance Committee.
8.1	The Board should establish a remuneration committee.	The Board has not established a remuneration committee.	Given the size of the Board and the stage of the Company's development, the Directors do not feel that a separate remuneration committee is appropriate.

Auditor's Independence Declaration

Follows.

The Board of Directors
Queensland Bauxite Limited
Level 34
50 Bridge Street
SYDNEY NSW 2000

Dear Board Members

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

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Queensland Bauxite Limited:

As lead audit partner for the audit of the financial statements of Queensland Bauxite Limited for the financial year ended 30 June 2011, 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



David Gallery
Partner



Nexia Court & Co
Chartered Accountants
Sydney, 28 September 2011



Financial Statements

Statement of comprehensive income

for the year ended 30 June 2011

		Consolidated Entity	
	Note	2011 \$	2010 \$
Revenue	2b	286,137	124,084
Profit on sale of plant & equipment	2a	248,403	-
General and administrative expenses		(220,209)	(101,537)
Depreciation		(35,260)	(128,314)
Management services		(894,043)	(247,233)
Corporate and legal expenses		(162,875)	(100,523)
Directors fees		(337,500)	(250,000)
Marketing expenses		(95,070)	(10,545)
Finance expenses		(1,489)	(2,060)
Occupancy expenses		(161,578)	(121,559)
Exploration written off	12	(488,399)	(201,079)
Travelling expenses – directors travel		(203,407)	(79,090)
Other expenses		(64,208)	(19,956)
Share based payments expense. Consulting services		(2,371,307)	(127,500)
Loss before income tax		(4,500,805)	(1,265,312)
Income tax benefit	4	-	-
Loss after tax from continuing operations		(4,500,805)	(1,265,312)
Other comprehensive income, net of tax		-	-
Total comprehensive loss		(4,500,805)	(1,265,312)
Loss attributable to members of Queensland Bauxite Limited		(4,500,805)	(1,265,312)
Total comprehensive income attributable to members of Queensland Bauxite Limited		(4,500,805)	(1,265,312)
Basic earnings per share (cents per share)	7	(2.31)	(1.97)
Basic earnings per share from continuing operations (cents per share)	7	(2.31)	(1.97)
Diluted earnings per share (cents per share)	7	(2.31)	(1.97)
Diluted earnings per share from continuing operations (cents per share)	7	(2.31)	(1.97)

The accompanying notes form part of these financial statements

Statement of financial position

as at 30 June 2011

		Consolidated Entity	
	Note	2011 \$	2010 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	4,460,053	176,164
Trade and other receivables	9	445,026	83,525
TOTAL CURRENT ASSETS		4,905,079	259,689
NON-CURRENT ASSETS			
Other non-current assets	10	1,317,047	4,590
Exploration and evaluation	12	2,566,610	1,710,686
Property, plant and equipment	13	137,577	322,667
TOTAL NON-CURRENT ASSETS		4,021,234	2,037,943
TOTAL ASSETS		8,926,313	2,297,632
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	378,867	327,825
Employee benefits	15	3,681	-
Other financial liabilities	16	40,900	-
TOTAL CURRENT LIABILITIES		423,448	327,825
NON-CURRENT LIABILITIES			
Other financial liabilities	16	42,702	-
TOTAL NON-CURRENT LIABILITIES		42,702	-
TOTAL LIABILITIES		466,150	327,825
NET ASSETS		8,460,163	1,969,807
EQUITY			
Issued capital	17	13,559,013	4,939,159
Share based payments reserve	18	3,446,807	1,075,500
Accumulated losses	19	(8,545,657)	(4,044,852)
TOTAL EQUITY		8,460,163	1,969,807

The accompanying notes form part of these financial statements.

Statement of changes in equity

for the year ended 30 June 2011

		Share Capital Ordinary	Accumulated Losses	Share Based Payments Reserve	Total
	Note	\$	\$	\$	\$
CONSOLIDATED ENTITY AND COMPANY					
Balance at 30 June 2009		4,704,159	(2,779,540)	948,000	4,335,014
Loss attributable to members of consolidated entity	18	-	(1,265,312)		(1,462,395)
Share Based Payment		-	-	127,500	127,500
Shares Issued During the Year		250,000	-	-	250,000
Transaction costs		(15,000)	-	-	(15,000)
Balance at 30 June 2010		4,939,159	(4,044,852)	1,075,500	1,969,807
Loss attributable to members of consolidated entity	18	-	(4,265,805)	-	(4,265,805)
Share based payment	17	-	-	2,136,307	2,136,307
Shares issued during the year	16	8,619,854	-	-	8,619,854
Balance at 30 June 2011		1,359,013	(8,310,657)	3,211,807	8,460,163

The accompanying notes form part of these financial statements.

Statement of cash flows

For the year ended 30 June 2011

		Consolidated Entity	
	Note	2011 \$	2010 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		-	-
Payments to suppliers and employees		(2,864,411)	(1,061,106)
Interest received		95,389	15,528
Other receipts		190,748	108,556
Net cash (from) operating activities	21	(2,578,274)	(937,022)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(104,865)	-
Exploration and evaluation expenditure		(1,062,972)	(175,749)
Net cash (from) investing activities		(1,167,837)	(175,749)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		8,030,000	250,000
Payment of share issue costs		-	(15,000)
Net cash from financing activities		8,030,000	235,000
Net increase in cash held		4,283,889	(877,771)
Cash at beginning of financial year		176,164	1,053,935
Cash at end of financial year		4,460,053	176,164

The accompanying notes form part of these financial statements.

Notes to the financial statements for the year ended 30 June 2011

Note 1: Statement of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretation, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The financial report covers the consolidated entity (**the Group**) of Queensland Bauxite Limited and controlled entities, and Queensland Bauxite Limited as an individual parent entity. Queensland Bauxite Limited (**QBL**) is a listed public company, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

The financial report was authorised for issue by the Directors on 28 September 2011.

The financial report is presented in the Australian currency.

Reporting basis and conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified where applicable by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. All amounts presented are Australian dollars unless otherwise stated.

Accounting policies

a. Principles of consolidation

The consolidated financial statements comprise the financial statements of Queensland Bauxite Limited and its subsidiaries at 30 June each year (**the Group**). Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Potential voting rights that are currently exercisable or convertible are considered when assessing control. Consolidated financial statements include all subsidiaries from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intragroup transactions have been eliminated. Unrealised losses are also eliminated unless costs cannot be recovered.

Subsidiaries are accounted for in the parent entity financial statements at cost.

b. Business combinations

The purchase method of accounting is used to account for all business combinations. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued, the value of the equity instruments is their published market price as at the date of exchange unless, in rare circumstances it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are initially measured at their fair values at acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the group's share of the fair value of the net assets acquired, the difference is recognised in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the cash consideration is deferred, the amounts payable in future are discounted to present value at the date of exchange using the entity's incremental borrowing rate as the discount rate.

c. **Income tax**

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognized where the timing of the reversal of temporary differences can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Queensland Bauxite Limited and its wholly-owned subsidiaries have implemented the tax consolidation legislation for the whole of the financial year. Queensland Bauxite Limited is the lead entity in the tax consolidated group.

d. **Property, plant and equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

Depreciation on plant and equipment is provided on a prime cost basis over the estimated useful life of those assets.

The depreciation rates used for each class of depreciable assets for 2011 and 2010 are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	25%
Motor Vehicles	15%
Office Furniture	10%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

e. **Financial Instruments.**

Classification

The group classifies its financial assets in the following categories: financial assets at fair value through profit and loss, loans and receivables, held to maturity investments and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

(i) Financial assets at fair value through profit and loss.

Financial assets at fair value through profit and loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designed as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 8) in the balance sheet.

(iii) Held- to maturity Investments

Held-to maturity Investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. If the group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised as fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value and transaction costs are expensed in profit and loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risk and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit and loss as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity Investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit and loss' category are presented in profit and loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in profit and loss as part of revenue from continuing operations when the group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit and loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in note (23)

f. Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is reclassified from equity and recognised in profit and loss as a reclassification adjustment. Impairment losses recognised in profit and loss on equity instruments classified as available-for-sale are not reversed through profit and loss.

If there is evidence of impairment for any of the group's financial assets carried at amortised cost, the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in profit and loss.

g. Impairment of non-financial assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

h. Exploration and Evaluation Expenditure

Exploration and evaluation expenditure, including the costs of acquiring the licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Company has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- (i) the expenditures are expected to be recouped through successful development and exploitation or from sale of the area of interest; or
- (ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy (h)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made.

i. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

j. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

k. Revenue Recognition

Revenue is recognised at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

Interest

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

l. Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

m. Contributed equity

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

n. Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates — impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets including property, plant and equipment and identifiable intangible assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates, including levels of operating revenue and terminal values of assets. A material change to these key assumptions could result in a material adjustment to the carrying values of non-current assets.

No impairment has been recognised in respect of property, plant and equipment or exploration and evaluation assets for the year ended 30 June 2011.

o. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to members of Queensland Bauxite Limited, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share

Earnings used to calculate diluted earnings per share are calculated by adjusting the basic earnings by the after-tax effect of dividends and interest associated with dilutive potential ordinary shares. The weighted average number of shares used is adjusted for the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

p. Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and have 30-60 day payment terms.

q. Trade receivables

Trade receivables are recognised at original invoice amounts less an allowance for uncollectible amounts and have repayment terms between 30 and 90 days. Collectability of trade receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off.

r. Employee Benefits

i. Short-Term Obligations

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

ii. Share Based Payment Benefits

Share based compensation benefits are provided to directors and consultants.

The fair value of options granted is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the director or consultant

becomes unconditionally entitled to the options.

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (e.g. profitability or transaction specific targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the statement of comprehensive income with a corresponding adjustment to equity.

s. **New Standards and Interpretations not yet Adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2011 reporting period. The Group's assessment of the impact of these new standards is set out below:

i. ***AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)***

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity instruments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit and loss. In the current reporting period, the Group did not recognise any such activity therefore there were no gains recorded in other comprehensive income.

There will be no impact on the Group's Accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The Group will apply the amended standards from 1 July 2013.

ii. ***Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)***

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The group will apply the amended standards from 1 July 2011. When the amendments are applied, the group will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.

iii. ***AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement (effective from 1 January 2010)***

In December 2009, the AASB made an amendment to Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The amendment remove an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in

regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. The Group does not make any such prepayments. The amendment is therefore not expected to have any impact on the Group's financial statements. The Group intends to apply the amendments from 1 July 2011.

iv. AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Cabral Resources Limited is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the entity.

v. AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (effective of annual reporting periods beginning on or after 1 July 2011)

Amendments made to AASB 7 *Financial Instruments: Disclosures* in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. They are not expected to have any significant impact on the Group's disclosures. The Group intends to apply the amendments from 1 July 2011.

vi. AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012)

In December 2010, the AASB amended AASB 112 *Income Taxes* to provide a practical approach for measure deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The Group will apply the amendment from 1 July 2012.

t. Going concern basis of accounting

Notwithstanding the loss for the year, negative cash flow from operations and historical financial performance, the financial report has been prepared on a going concern basis. This assessment is based on a cash at bank balance at balance date, and the directors' understanding of expected cash outflows in the coming financial year.

Note 2: Income

	Consolidated Entity	
	2011 \$	2010 \$
2a Other Income		
Profit on sale of plant & equipment	248,403	-
2b Revenue		
Interest received	95,389	15,528
Other revenue	190,748	108,556
	286,137	124,084

Note 3: Expenses

	Consolidated Entity	
	2011 \$	2010 \$
Employee benefits expenses:		
Salaries and wages expenses	79,615	-
Share based payment expense	235,000	-
Contributions to accumulation superannuation funds	7,165	-
Provision for employee benefits annual leave	3,681	-
	325,461	-

Note 4: Income tax

	Consolidated Entity	
	2011 \$	2010 \$
Major components of income tax expense		
a. Income tax benefit		
Accounting loss	4,500,805	(1,265,312)
Prima facie tax benefit on the loss from ordinary activities before income tax at 30% (2009: 30%) differs from the income tax provided in the financial statements as follows:		
Tax benefit at 30%	(1,350,242)	(379,594)
Tax effect of non-deductible expense	711,392	38,250
Add:		
- business related capital costs amortised	(53,585)	(53,585)
- exploration expenditure capitalised	(199,868)	(52,725)
Less:		
Deferred tax asset not brought to account	790,256	447,976
Income tax benefit attributable to operating loss	-	-

b. Unrecognised deferred tax assets

Deferred tax assets have not been recognised
In respect of the following item:

Tax losses	2,169,773	1,280,976
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The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

Note 5: Key management personnel disclosures

Names and positions held of economic and parent entity key management personnel in office at any time during the financial year are:

Key management person	Position
Pnina Feldman	Chairperson
Sholom Feldman	Director / Chief Executive Officer
Paul Stephenson	Non-Executive Director
Russell Williams	Non-Executive Director
David Austin	Alternate Director

The key management personnel remuneration has been included in the remuneration report section of the director's report.

Other key management personnel transactions with the Company or its controlled entities

From time to time, key management personnel of the Company or its controlled entities, or their related entities, may purchase goods from the Group. These purchases are on the same terms and conditions as those entered into by other the Group employees or customers and are trivial or domestic in nature.

Options and rights over equity instruments granted as compensation

The movement during the reporting period in the number of options over ordinary shares in QBL held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2011

	Held at 1 July 2010	Granted as compensation	Lapsed	Held at 30 June 2011	Vested during the year	Vested and exercisable at 30 June 2011
Directors						
Pnina Feldman ⁽¹⁾	11,000,000	-	-	11,000,000	-	-
Sholom Feldman	1,000,000	-	-	1,000,000	-	-
Paul Stephenson	1,000,000	-	-	1,000,000	-	-
David Austin	-	-	-	-	-	-
Russell Williams	-	700,000	-	700,000	-	-

2010

	Held at 1 July 2009	Granted as compensation	Lapsed	Held at 30 June 2010	Vested during the year	Vested and exercisable at 30 June 2010
Directors	No Movement					
Pnina Feldman ⁽¹⁾	11,000,000	-	-	11,000,000	-	-
Sholom Feldman	1,000,000	-	-	1,000,000	-	-
Paul Stephenson	1,000,000	-	-	1,000,000	-	-
David Austin	-	-	-	-	-	-

No options held by key management personnel are vested but not exercisable.

(1) Performance options

- (a) 5,000,000 Performance Options issued to Pnina Feldman as executive chairperson exercisable at 20 cents each on or before 31 December 2012.
- (b) 5,000,000 Performance Options, issued to Pnina Feldman as a result of at least \$3,500,000 raised by the public offer exercisable at 30 cents each on or before 31 December 2012.

Movements in shares

The movement during the reporting period in the number of ordinary shares in QBL held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2011

	Held at 1 July 2010	Acquired	Disposed	Held at 30 June 2011	Vested during the year	Vested and exercisable at 30 June 2011
Directors						
Pnina Feldman ⁽¹⁾⁽²⁾	25,000,100	105,000,000	20,747,934	109,252,166	-	-
Sholom Feldman ⁽¹⁾⁽²⁾	25,000,100	105,000,000	20,747,934	109,252,166	-	-
Paul Stephenson	1,000,000	-	-	1,000,000	-	-
David Austin	-	-	-	-	-	-

2010

	Held at 1 July 2009	Acquired	Disposed	Held at 30 June 2010	Vested during the year	Vested and exercisable at 30 June 2010
Directors						
Pnina Feldman ⁽¹⁾	25,000,100	-	-	25,000,100	-	-
Sholom Feldman ⁽¹⁾	25,000,100	-	-	25,000,100	-	-
Paul Stephenson	1,000,000	-	-	1,000,000	-	-
David Austin	-	-	-	-	-	-
Geoffrey Gander	-	-	-	-	-	-

- (1) Pnina Feldman and Sholom Feldman are each directors of L'Hayyim Pty Ltd which holds 4,252,166 Shares and 7,500,000 options exercisable at 20 cents each on or before 31 December 2012 in its capacity as trustee of the 770 Unit Trust; and
- (2) Pnina Feldman and Sholom Feldman are each directors of Volcan Australia Corporation Pty Ltd which holds 105,000,000 shares and 65,000,000 options exercisable at 5 cents each on or before 31 December 2015.

Note 6: Auditor's remuneration

	Consolidated Entity	
	2011 \$	2010 \$
Remuneration of the auditor (Nexia Court & Co) of the parent entity for:		
An audit or review of the financial report of the Company		
- Current year	28,001	23,000
- Prior year	-	12,826
- Half-year review	21,973	9,758
Other services		
- Taxation services and advice	12,285	4,216
	<u>62,259</u>	<u>49,800</u>

Note 7: Earnings per share

	Consolidated Entity	
	2011 cents	2010 cents
Basic Earnings per Share		
a. Basic loss per share (cents)	(2.31)	(1.97)
Loss attributable to ordinary shareholders	(4,500,805)	(1,265,312)
Earnings used to calculate basic EPS	<u>(4,500,805)</u>	<u>(1,265,312)</u>
	No.	No.
b. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	<u>195,141,958</u>	<u>64,329,434</u>

Diluted Earnings per Share

a. Basic loss per share (cents)	(2.31)	(1.97)
Loss attributable to ordinary shareholders	(4,500,805)	(1,265,312)
Earnings used to calculate diluted EPS	<u>(4,500,805)</u>	<u>(1,265,312)</u>
b. Weighted average number of ordinary shares outstanding during the year used in calculating diluted EPS	<u>195,141,958</u>	<u>64,329,434</u>

Note 8: Cash and cash equivalents

	Consolidated Entity	
	2011 \$	2010 \$
CURRENT		
Cash at bank	4,460,053	176,164

Note 9: Trade and other receivables

	Consolidated Entity	
	2011 \$	2010 \$
CURRENT		
Prepaid rent	14,247	20,856
Prepaid Insurance	10,888	11,788
Other debtors	312,970	5,832
GST receivable	106,921	45,049
	445,026	55,700

Note 10: Other non-current assets

	Consolidated Entity	
	2011 \$	2010 \$
NON-CURRENT		
Loan to Australian Iron Ore Pty Ltd	1,292	1,075
Loan to L'Hayyim Gold Pty Ltd	5,383	3,515
Loan Volcan Alumina Pty Ltd	572	-
Loan to New England Sapphire Pty Ltd	1,600	-
Loan to Volcan Australia Corporation Pty Ltd	1,298,000	-
	1,306,847	4,590

Note 11: Controlled entities

		Country of incorporation	Percentage owned (%)	
			2011	2010
a.	Controlled entities consolidated			
	Parent entity:			
	Queensland Bauxite Limited	Australia		
	Subsidiaries of Queensland Bauxite Limited			
	Pilbara Gold Holdings Pty Ltd	Australia	100%	100%
	Broads Dam Gold Holdings Pty Ltd	Australia	100%	100%
	South Johnstone Bauxite Pty Ltd	Australia	100%	-
	Volcan Queensland Bauxite Pty Ltd	Australia	100%	-
	Volcan South Queensland Bauxite Pty Ltd	Australia	100%	-

* Percentage of voting power is in proportion to ownership

Note 12: Exploration and evaluation

	Consolidated Entity	
	2011 \$	2010 \$
NON-CURRENT		
Balance as 30 June	1,710,686	1,534,937
Mining permits, tenement acquisition and administration and geologist expenses	1,256,381	175,749
Tenement disposal	(688,608)	-
Balance as 30 June	2,278,459	1,710,686
Exploration expenses written off during the year	488,399	201,079

The value of the Company's interest in exploration expenditure is dependent upon the:

- continuance of the economic entity's right to tenure of the areas of interest;
- results of future exploration, and
- recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

Note 13: Property, plant and equipment

	Consolidated Entity	
	2011	2010
	\$	\$
NON-CURRENT		
Mining Equipment		
At cost	211,745	513,255
Accumulated depreciation	(74,168)	(190,588)
Total written down amount	137,577	322,667

Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

2011	Mining Equipment	Total
	\$	\$

Consolidated Entity:

Carrying amount year ended 30 June 2010	322,667	322,667
Additions	104,865	104,865
Disposals	(254,695)	(254,695)
Depreciation expense	(35,260)	(35,260)
Impairment loss	-	-
Carrying amount year ended 30 June 2011	137,577	137,577

2010	Mining Equipment	Total
	\$	\$

Consolidated Entity:

Carrying amount year ended 30 June 2009	450,981	450,981
Additions	-	-
Disposals	-	-
Depreciation expense	(128,314)	(128,314)
Impairment loss	-	-
Carrying amount year ended 30 June 2010	322,667	322,667

Note 14: Trade and other payables

	Consolidated Entity	
	2011 \$	2010 \$
CURRENT		
Unsecured liabilities		
Trade payables	157,992	205,825
Accrued expenses	78,000	122,000
Other creditors	1,458	-
Deferred income	100,000	-
Payroll liability	16,963	-
GST Payable	24,454	-
	<u>378,867</u>	<u>327,825</u>

Note 15: Employee Benefits

	Consolidated Entity	
	2011 \$	2010 \$
Current liability for annual leave	3,681	-

Note 16: Other financial liabilities

	Consolidated Entity	
	2011 \$	2010 \$
CURRENT		
Hire purchase liability - secured	40,900	-
Total	40,900	-
NON-CURRENT		
Loan – Australian Gemstone Mining Pty Ltd – unsecured	31,016	-
Hire purchase liability - secured	11,686	-
Total	<u>42,702</u>	<u>-</u>

Note 17: Issued capital

	Consolidated Entity	
	2011 \$	2010 \$
271,363,192 (2011: 71,041,763) fully paid ordinary shares	13,559,013	4,939,159

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

	2011 No.	2011 \$.	2010 No.	2010 \$
a. Ordinary shares				
At the beginning of reporting period	71,041,763	4,939,159	61,791,763	4,704,159
Shares issued during the year				
Shares issued for cash				
— 31 December 2009	-	-	5,000,000	250,000
— 01 September 2010	29,000,000	2,030,000	-	-
— 16 February 2011	28,571,429	6,000,000	-	-
Share based payments (refer note 18)				
— 25 June 2010	-	-	4,250,000	-
— 21 July 2010	20,750,000	-	-	-
— 15 December	2,000,000	-	-	-
Shares issued to acquire subsidiaries				
— 14 December 2010	120,000,000	589,854	-	-
	271,363,192	13,559,013	71,041,763	4,954,159
Less Cost of capital	-	-	-	(15,000)
At reporting date	271,363,192	13,559,013	71,041,763	4,939,159

Terms and Conditions of Issued Capital**a. Ordinary Shares**

Ordinary shares have the right to receive dividends as declared by the board and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle the holder to one vote either in person or by proxy at a meeting of the Company.

b. Options on issue

The following reconciles the outstanding share options at the beginning and year end of the financial year:

	2011 No.	2010 No.
Description		
At the beginning of reporting period	55,291,763	55,291,763
Granted during the financial year	73,700,000	-
Forfeited during the financial year	-	-
Exercised during the financial year	-	-
Expired during the financial year	-	-
Balance at the end of the financial year	128,991,763	55,291,763
Exercisable at the end of the financial year	128,991,763	55,291,763

Each of the options entitles the holder to one fully paid ordinary share in the Company. The terms of the options on issue are:

- 45,291,763 exercisable at \$0.20 on or before 31 December 2012
 - 5,000,000 performance options exercisable at \$0.20 on or before 31 December 2012
 - 5,000,000 performance options exercisable at \$0.30 on or before 31 December 2012
 - 5,000,000 exercisable at 0.25 on or before 30 June 2014
 - 350,000 exercisable at 0.20 on or before 31 December 2014
 - 350,000 exercisable at 0.30 on or before 31 December 2015
 - 1,000,000 exercisable at 0.25 on or before 31 December 2015
 - 1,000,000 exercisable at 0.35 on or before 31 December 2015
 - 1,000,000 exercisable at 0.45 on or before 31 December 2015
 - 65,000,000 exercisable at \$0.05 on or before 15 September 2016
- 65,000,000 underlying shares for each of the options are subject to a 12 month ASX imposed escrow period which expires in December 2011.

Note 18: Share based payments reserve**Share based payments reserves**

The share based payments reserve records items recognised as expenses on share based payments.

	Consolidated Entity	
	2011 \$	2010 \$
Balance as 1 July	1,075,500	948,000
Equity settled share based payments	238,807	127,500
Cost of capital share based payments	2,132,500	-
Balance as at 30 June	3,446,807	1,075,500

On 21st July 2010, the Company issued 20,790,000 ordinary shares as consideration for consulting services. The share price at the date of issue was 7 cents per share, resulting in consideration for consulting service of \$1,452,500 to Hartleys Limited.

On 15th December 2010, the Company issued 2,000,000 ordinary shares as consideration for consulting services. The share price at the date of issue of shares was 20 cents per share resulting in consideration for consulting services of \$400,000 to Cunningham Securities Pty Limited.

On 17th February 2011, the Company issued 5,000,000 options as consideration for consulting services. The options were valued at 5.6 cents per option utilising the Black-Scholes method, resulting in consideration for consulting services of \$280,000 to Hartleys Limited.

On 18th April 2011, the Company issued 700,000 options as consideration for directors' fees.

On 31st January 2011, the Company issued three tranches of 1,000,000 options as consideration for employee services to M. Derriman. Each 1,000,000 tranche of options were valued at 11.1 cents, 7.4 cents and 5 cents per option respectively, utilising the Black-Scholes method, resulting in consideration for employee services of \$235,000.

Note 19: Accumulated losses

	Consolidated Entity	
	2011 \$	2010 \$
Balance 1 July	(4,044,852)	(2,779,540)
Loss for the year	(4,500,805)	(1,265,312)
Balance 30 June	(8,545,657)	(4,044,852)

Note 20: Commitments for expenditure

	Consolidated Entity	
	2011 \$	2010 \$
Exploration and evaluation		
– not later than 1 year	2,262,400	305,120
– later than 1 year but no later than 5 years	65,000	-
	2,327,400	305,120

Note 21: Cash Flow Information

	Consolidated Entity	
	2011 \$	2010 \$
a. Reconciliation of cash flows used in operations with loss after income tax		
Loss after income tax	(4,500,805)	(1,265,312)
Non-cash flows in loss		
Liability for annual leave	3,681	-
Depreciation	35,260	128,314
Share based payments expense	2,371,307	127,500
Profit on sale of plant and equipment	(248,403)	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and other receivables	(307,138)	(2,809)
Decrease/(Increase) in prepayments	7,509	(22,767)
Increase in GST receivable	(61,872)	(2,462)
(Decrease)/Increase in trade payables and accruals	(91,833)	100,514
Increase in GST payable	24,454	-
Increase in deferred income	100,000	-
Increase in payroll liability	16,963	-
Increase in hire purchase liability	52,586	-
Increase in other loans	20,017	-
Net cash used in operating activities	(2,578,274)	(937,022)

Note 22: Share based payments

The following share-based payment arrangements existed at 30 June 2011. All options granted to directors in Queensland Bauxite Limited, which confer a right of one ordinary share for every option held.

	Consolidated and Parent Entity	
	2011 Number of options	2010 Number of options
Outstanding at the beginning of the year	13,000,000	13,000,000
Granted	700,000	-
Forfeited	-	-
Exercised	-	-
Expired	-	-
Outstanding at year-end	13,700,000	13,000,000
Exercisable at year-end	13,700,000	13,000,000

There were no options exercised during the year ended 30 June 2011 (2010: Nil)

Note 23: Related parties transactions**Identity of related parties**

The consolidated entity has related party relationships with its subsidiary and with its key management personnel

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 Company by the following executives:

- Pnina Feldman – Executive Director, Business Development;
- Dr Robert Coenraads – Principle 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 period ended 30 June 2010. 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, 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 Company at its Sydney CBD offices at Level 34, 50 Bridge Street, which includes use of office space, the board room, kitchen, access to a full time receptionist, 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 Company, such as secretarial, accounting and office management services. These services were provided to the Company by AGMPL on reasonable arm's length terms as approved by the independent director(s).

AGMPL Services	Note	Consolidated Entity	
		2011 \$	2010 \$
Rent		148,097	121,559
Management & Secretarial		96,399	130,284
Exploration & Geological		267,335	163,577
Executive & Corporate Services		389,888	321,336
Consulting Fees – Mrs P Feldman		60,000	-
Reimbursement of Expenses		28,370	45,158
Total		990,089	781,914

The Company engaged HWL Ebsworth Lawyers to provide legal, contractual and consulting services on a fee for service basis at commercial rates. Paul Stephenson, a director of QBL, is a partner in HWL Ebsworth. During the financial year ended 30 June 2011, HWL Ebsworth was paid \$62,841 (2010: \$20,932) for these services.

Note 24: Financial instruments

a. Financial risk management

The consolidated entity's financial instruments consist mainly of deposits with banks, accounts receivable and payable.

The main risk the consolidated entity is exposed to through its financial instruments is interest rate risk.

Interest rate risk

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result in changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities refer Note 24(b).

Foreign currency risk

The consolidated entity is not exposed to fluctuations in foreign currencies.

Credit risk

Neither the consolidated or parent entities have any material credit or other risk exposure to any single receivable or Group of receivables or payables under financial instruments entered into by the consolidated entity.

Liquidity risk

The consolidated entity manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash reserves or unutilised borrowings are maintained.

Price risk

The consolidated entity is not exposed to any material commodity price risk.

b. Financial Instrument composition and maturity analysis

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the balance sheet

	Weighted average effective interest rate		Floating interest rate		Within one year		1 to 5 years		Non-interest bearing		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Consolidated Entity	%	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

Financial assets:

Cash and cash equivalents	4.1%	2.5%	4,460,053	176,164	-	-	-	-	-	-	4,460,053	176,164
Trade and other receivables	-	-	-	-	-	-	-	-	445,026	55,700	445,026	55,700
Other non-current assets	-	-	-	-	-	-	-	-	1,317,047	4,590	1,317,047	4,590

Financial liabilities:

Trade and other payables	-	-	-	-	-	-	-	-	378,867	327,825	378,867	327,825
Other financial liabilities	-	-	-	-	-	-	-	-	31,016	-	31,016	-
Hire purchase liabilities	7.5%	-	-	-	40,900	-	11,686	-	-	-	52,586	-

Note 25: Parent Entity Disclosures

	Note	2011	2010
		\$	\$
Financial Position			
Assets			
Current assets		4,592,914	259,689
Non-current assets		<u>4,136,228</u>	<u>2,075,543</u>
Total assets		<u>8,729,142</u>	<u>2,335,232</u>
Liabilities			
Current liabilities		398,693	327,825
Non-current liabilities		<u>49,286</u>	<u>37,600</u>
Total liabilities		<u>447,979</u>	<u>365,425</u>
Equity			
Issued capital		13,559,013	4,939,159
Share based payment reserve		3,446,807	1,075,500
Accumulated losses		<u>(8,724,657)</u>	<u>(4,044,852)</u>
Total Equity		<u>8,281,163</u>	<u>1,969,807</u>
Financial Performance			
Profit for the year		(4,679,805)	(1,265,312)
Other comprehensive income		-	-
Total comprehensive income		<u>(4,679,805)</u>	<u>(1,265,312)</u>

Note 26: Company details

The registered office of the Company and principal place of business is:

Queensland Bauxite Limited
Level 34, 50 Bridge Street
Sydney, NSW 2000

Note 27: Contingent liabilities

The Company may be liable for bank guarantees of \$20,000 in relation to mining tenements exploration commitments.

Note 28: Segment reporting

The consolidated entity consists of one business segment operating predominately in Australia and investing in mineral exploration and identification of potential mining assets for acquisition and development.

Note 29: Subsequent events

During the reporting period, QBL signed an agreement with ASX-listed Phoenix Gold Limited (**PXG** or **Phoenix**) for PXG to purchase a 100% interest in QBL's Broads Dam Gold Project.

QBL agreed to sell the Broads Dam Gold Project for the following consideration:

- non-refundable deposit on signing formal agreement \$100,000;
- cash payable at settlement \$400,000;
- 10 million Phoenix fully paid ordinary shares; and
- a \$10/oz production royalty on gold mined from the Broads Dam Gold Project.

Subsequent to the reporting period, on the 27th September 2011, Phoenix Gold Limited (PXG) paid to QBL the full consideration for settlement and transfer of the Broads Dam Gold Project to PXG, being \$400,000 in cash plus 10 million Phoenix fully paid ordinary shares. Phoenix has also agreed to replace the environmental bonds in respect of the tenements contained in the Broad Dams Gold Project immediately following settlement. The royalty is a project royalty and to also include production on associated Broads Dam tenements owned by Phoenix.

Directors' Declaration

The directors of the company declare that:

1. in the directors' opinion, the financial statements and accompanying notes set out on pages 36 to 65 are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards and the *Corporations Regulations 2001*; and
 - b. give a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date;
2. note 1 confirms that the financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
3. in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
4. the remuneration disclosures included in pages 24 to 28 of the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2010, comply with section 300A of the *Corporations Act 2001*; and
5. the directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Pnina Feldman
Chairperson
Dated this 28th day of September 2011

Auditor's Report

Follows.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF QUEENSLAND BAUXITE LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Queensland Bauxite Limited, which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.



Auditor's Opinion

In our opinion:

- (a) the financial report of Queensland Bauxite Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Queensland Bauxite Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.



David Gallery
Partner



Nexia Court & Co
Chartered Accountants

Sydney, 29 September 2011

Additional Information – as at 26 September 2011

Distribution schedule and number of holders of equity securities as at 26 September 2011

	1 – 1,000	1,001 – 5,000	5,001 – 10,000	10,001 – 100,000	100,001 and over	Total
Fully Paid Ordinary Shares (QBL)	7	27	73	207	137	451
Unlisted Options – 20c 31/12/12	-	-	-	-	1	1
Unlisted Options – 30c 31/12/12	-	-	-	-	1	1
Unlisted Options – 20c 31/12/12	-	-	-	3	6	9
Unlisted Options – 20c 31/12/12	-	-	-	2	11	13
Unlisted Options – 25c 30/06/14	-	-	-	-	1	1
Unlisted Options – 20c 31/12/14	-	-	-	-	1	1
Unlisted Options – 30c 31/12/15	-	-	-	-	1	1

The number of holders holding less than a marketable parcel of fully paid ordinary shares as at 26 September 2011 is 26.

20 largest holders of quoted equity securities as at 26 September 2011

The names of the twenty largest holders of fully paid ordinary shares (ASX code: QBL) as at 26 September 2011 are:

RANK	NAME	NUMBER	PERCENTAGE
1	Volcan Australia Corporation Pty Ltd	105,000,000	38.69%
2	ZENIX NOMINEES PTY LTD	22,400,000	8.25%
3	KLIP PTY LTD A/C BEIRNE SUPER FUND	12,298,416	4.53%
4	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	8,058,893	2.97%
5	CREDIT SUISSE SECURITIES LTD	7,170,000	2.64%
6	RENYLL BELL INVESTMENTS PTY LTD	6,060,000	2.23%
7	DR SALIM CASSIM	5,923,000	2.18%
8	JP MORGAN NIMINEES AUSTRALIA LIMITED	5,772,143	2.13%
9	SPRINGTIDE CAPITAL PTY LTD	5,255,236	1.94%
10	SURFBOARD PTY LTD	4,415,000	1.63%
11	L'HAYYIM PTY LTD	4,252,166	1.57%
12	BEIRNE TRADING PTY LTD	3,942,085	1.45%
13	BRISPOD NOMINEES PTY LTD	3,718,560	1.37%
14	KLIP PTY LTD	3,403,200	1.25%
15	NORONEKE MASTER FUND LTF	2,972,385	1.10%
16	PLATEAU BAUXITE LIMITED	2,450,000	0.90%
17	LUPA AND COMPANY PTY LTD	2,219,780	0.82%
18	C W JOHNSTON PTY LTD	2,091,095	0.77%
19	MND AUSTRALIA PTY LTD	1,883,333	0.69%
20	MR ROBERT ARCHER BLACK 7 DR ANN CAROLYN BLACKI	1,430,000	0.53%
	TOTAL	210,715,292	77.65%
	REMAINDER	60,647,900	22.35%
	GRAND TOTAL	271,363,192	100.00%

Stock Exchange Listing – Listing has been granted for all ordinary fully paid shares of the Company on issue on ASX Limited.

Substantial shareholders

Substantial shareholders in Queensland Bauxite Limited and the number of equity securities over which the substantial shareholder has a relevant interest as disclosed in substantial holding notices given to the Company are listed below:

	No. Shares Held	% of Issued Capital
Volcan Australia Corporation Pty Ltd	105,000,000	38.69
Zenix Nominees Pty Ltd	22,400,000	8.25
Greg & Jo Anne Beirne	15,562,832	5.74

Unquoted Securities

The number of unquoted securities on issue as at 26 September 2011:

Unquoted Securities	Number on Issue	Exercise Price	Expiry Date
Unquoted Options	5,000,000	20c	31/12/12
Unquoted Options	5,000,000	30c	31/12/12
Unquoted Options	9,291,663	20c	31/12/12
Unquoted Options	36,000,000	20c	31/12/12
Unquoted Options	65,000,000	5c	31/12/15
Unquoted options	5,000,000	25c	30/06/14
Unquoted Options	350,000	20c	31/12/14
Unquoted Options	350,000	30c	31/12/15
Unquoted Options	1,000,000	25c	31/12/15
Unquoted Options	1,000,000	35c	31/12/15
Unquoted Options	1,000,000	45c	31/12/15

Names of persons holding more than 20% of a given class of unquoted securities (other than employee options) as at 26 September 2011

Security	Name	Number of Securities
Unlisted Options – 20c 31/12/12	Pnina Feldman	5,000,000
Unlisted Options – 30c 31/12/12	Pnina Feldman	5,000,000
Unlisted Options – 20c 31/12/12	Renlyn Bell Investments	6,250,000
Unlisted Options – 20c 31/12/12	Zenix Nominees Pty Ltd	17,500,000
Unlisted Options – 25c 30/06/14	Zenix Nominees Pty Ltd	5,000,000
Unlisted Options - 30c 31/12/15 -	Volcan Australia Corp. Pty Ltd	65,000,000
Unlisted Options - 20c 31/12/14	Russell Williams	350,000
Unlisted Options - 30c 31/12/15	Russell Williams	350,000

Restricted Securities as at 29 September 2011

There are 105,000,000 FPO restricted shares and 65,000,000 5c options under ASX imposed escrow until 14th December 2011.

Voting Rights

All fully paid ordinary shares carry one vote per ordinary share without restriction.

Unlisted options have no voting rights.