31 October 2011

SEPTEMBER 2011 QUARTERLY REPORT

- **Bauxite Drilling at the North Queensland Project commenced – drilling still underway with assay results due Q4 2011**
- **1,077 metre aircore drilling program completed in South Queensland**
- **Selected drill samples from the South Queensland Project drilling program submitted to ALS Laboratories in Brisbane**
- **Exploration knowledge at the South Queensland Project advances significantly - work continues in preparation for the next drill program**
- **Drilling permits granted by Toowoomba, Cassowary Coast and North Burnett Shires**
- **QBL receives $2.4M upon conclusion of the sale of the Broads Dam Gold Project ($2M subsequent to current quarter).**

Queensland Bauxite Limited (ASX: QBL) (QBL or the Company) is focused on defining significant bauxite resources with a view to commencing direct shipping ore (DSO) bauxite mining and export operations. QBL presents the following report on activities for the three months ending 30 September 2011.

Drilling commences at North Queensland Project

At the time of writing this report QBL had completed 60 drill holes at the South Johnstone area (EPM 18453) for an advance of 465.7m and 14 holes at the Ravenshoe East area (EPM 18146) for an advance of 84m. Figure 1 shows the location of all areas within the North Queensland Project and Figure 2 shows the distribution of drill holes at South Johnstone and Ravenshoe East areas. Assay results will be included in further reports as they become available, expected in the December Quarter 2011.

In preparation for the drilling program to test the previously reported bauxite occurrences at the South Johnstone area, the Company signed access agreements with a number of key landholders. There is no Native Title over any of QBL's granted tenements.

In addition, further discussions were held with Mourilyan Port staff in relation to planning for direct shipping ore operations.

South Queensland Project - Maiden Drill Program Review

During the September Quarter, QBL completed its first stage exploratory drilling program at the Kingaroy area at the South Queensland Project. QBL completed 123 drill holes for a 1,077 metre aircore drilling program as part of a staged approach working towards a grid based drill program aimed at locating and ultimately defining quality JORC compliant bauxite resources.

To reduce the costs and time delays associated with unnecessary laboratory analysis, QBL utilized innovative Innovex XRF analyses[2] over much of the completed aircore drill holes to determine which would be tested for further

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analysis at ALS Laboratories (ALS). Innovex XRF analyses were collected at the Kingaroy Area which involved the sampling of 75 aircore drill holes (average depth of 9m) from the 123 hole drill program. The aircore samples were collected in chip trays and the Innovex XRF instrument collected readings from every half meter interval. Based on Innovex XRF analysis the maximum percentage Al_2O_3 reading was 47.2% and the minimum percentage SiO_2 reading was 10.7%. Very often the actual reactive silica content is lower than the total silica content. High quality bauxite typically requires high grades of available alumina (AL_2O_3) and low levels of reactive silica.

Of the holes drilled and Innovex XRF analysed, samples from 14 holes were submitted to ALS in Brisbane for multi element XRF analyses. From the small subset of samples sent to ALS the maximum percentage Al_2O_3 was 33.8% and the minimum percentage SiO_2 was 18.2%, with results including:

Hole Number	Total Depth	Interval From	Interval To	Intersection	AL_2O_3	SIO_2	A/S
#	(m)	(m)	(m)	(m)	%	%	
KR28	4	0	2	2	33.8	18.2	1.8
KR93	16	1.5	4	2.5	35.4	27.3	1.3
KR10	14.5	1	1.5	0.5	36.3	27.9	1.3
KR1	9	3	4	1	33.8	22.1	1.5

[2.] An orientation study of 4 holes where ALS analysis and Innovex XRF analysis had been collected indicated that for percentage SiO_2 and percentage Al_2O_3 the correlation coefficient was in excess of 0.8 (1.0 being a perfect correlation)

In addition to the XRF analyses 5 samples from hole KR93 (1.5-4m) were submitted to ALS for a low temperature leach to measure available Avl Al_20_3 and reactive SiO_2 (Leach conditions – 1g leached in 10ml of 90gpl NaOH at 143 degrees for 30 minutes). The results from the low temperature leach are as follows:

Hole Number	Total Depth	Interval From	Interval To	Intersection	avlAl	rxSi
#	(m)	(m)	(m)	(m)	%	%
KR93	16	1.5	4	2.5	24.4	10.5

The Company's strategy has been to systematically complete a staged approach working towards a grid based drill program aimed at targeting in on and locating the higher grade deposits, and ultimately defining JORC compliant bauxite resources. These results have demonstrated the high correlation between ALS lab results and Innovex XRF technology results which has provided QBL with confidence to use the Innovex XRF unit as an exploration tool to locate areas with high Al_2O_3 and low SiO_2 in a cost effective manner.

The knowledge gained from the Company's drilling and geochemical sampling to date will be used to fine tune target selection for future QBL drill programs. Once the results are further interpreted, the Company will assess which areas are to be prioritised for further drilling.

South Queensland Project - Kingaroy Surficial Geochemical Sampling

In addition to QBL's recently completed 123 hole aircore drill program the Company carried out preliminary Innovex XRF surface sampling at the Kingaroy Area and collected 138 individual readings during the September Quarter. In addition selected samples were

submitted to ALS for a low temperature leach to determine %avlAl and %rxSi (for leach conditions see above). The most significant results are shown below:

Sample	Tenement	%AL_2O_3	%SIO_2	A/S	%avlAl	%rxSi
Kin 13	19078	55.9	2.7	20.7	36.4	1.4
P3	18136	46.8	5.7	8.2		
HB8	18142	61.2	13.3	4.6	16.6	7.6

The combination of these XRF surface sampling results and historic exploration commissioned by the Queensland government some time ago provides QBL with a high level of confidence for future drill programs.

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_2O_3	46.9	7.4
SiO_2	63.1	5.7
Fe_2O_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 4 & 5**) set in a red ferruginous matrix. Evaluation of the Kingaroy area 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% Al_2O_3 and 1.6% SiO_2
- Sample from 10km north of Kingaroy returned 23.8% Al_2O_3 and 5.7% SiO_2
- Sample from 20km south of Kingaroy returned 46.8% Al_2O_3 and 5.7% SiO_2

At Ban Ban Springs, QBL has carried out preliminary Innovex XRF sampling (**Figure 6**) of a bauxite/laterite ridge located 10km south east of the town of Gayndah within EPM 19078 and part of broader Kingaroy area (**Figure 3**). 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_2O_3	43.2	45.3	40.1
%Total Silica as Si_2O_3	9	2.4	1.6
% Total Iron as Fe_2O_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 if 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 the Kingaroy area with the potential to host bauxite of similar grades to that which occurs at Kinellan.

North Queensland Project – Innovex Sampling

During the September Quarter, thirty Innovex readings were taken at various key localities within the South Johnstone, Ravenshoe East and Atherton areas. 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 (27% Al_2O_3 & 6% SiO_2) in the South Johnstone Tenement
2. West EPM 18463 (25% Al_2O_3 & 8% SiO_2) in the South Johnstone tenement
3. West EPM 18463 (25% Al_2O_3 & 10% SiO_2) in South Johnstone tenement
4. Road cut on the Palmerston Hwy (30% Al_2O_3 & 6% SiO_2) 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.

QBL Granted Roadside Drilling Permits for most Qld Projects

QBL made applications to most Shire Councils for permission to drill within the shires road corridors as a first pass test for bauxite mineralisation. Verge drilling permits have been received from the Cassowary Coast, North Burnett and Toowoomba Shire Councils

Occupational Health & Safety

There were no incidents or accidents during the Quarter.

Plans for December 2011 Quarter

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During the December Quarter the following work is planned

- Further aircore drilling at the South Johnstone area in North Queensland
- Follow up aircore drilling at the Kingaroy area and Phase 1 drilling at the Pittsworth area in South Queensland.
- Review of infrastructure scenarios for taking product to port and shipping to overseas markets.

Broads Dam Gold Project

During the September Quarter, QBL has concluded the sale of the Broads Dam Gold Project to Phoenix Gold Limited (PXG) for the following consideration received:

- 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 following settlement. The royalty is a project royalty and to also include production on associated Broads Dam tenements owned by Phoenix.

Subsequent to the end of the quarter, QBL sold its 10M shares held in PXG for approximately $2 million in cash.

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

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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.

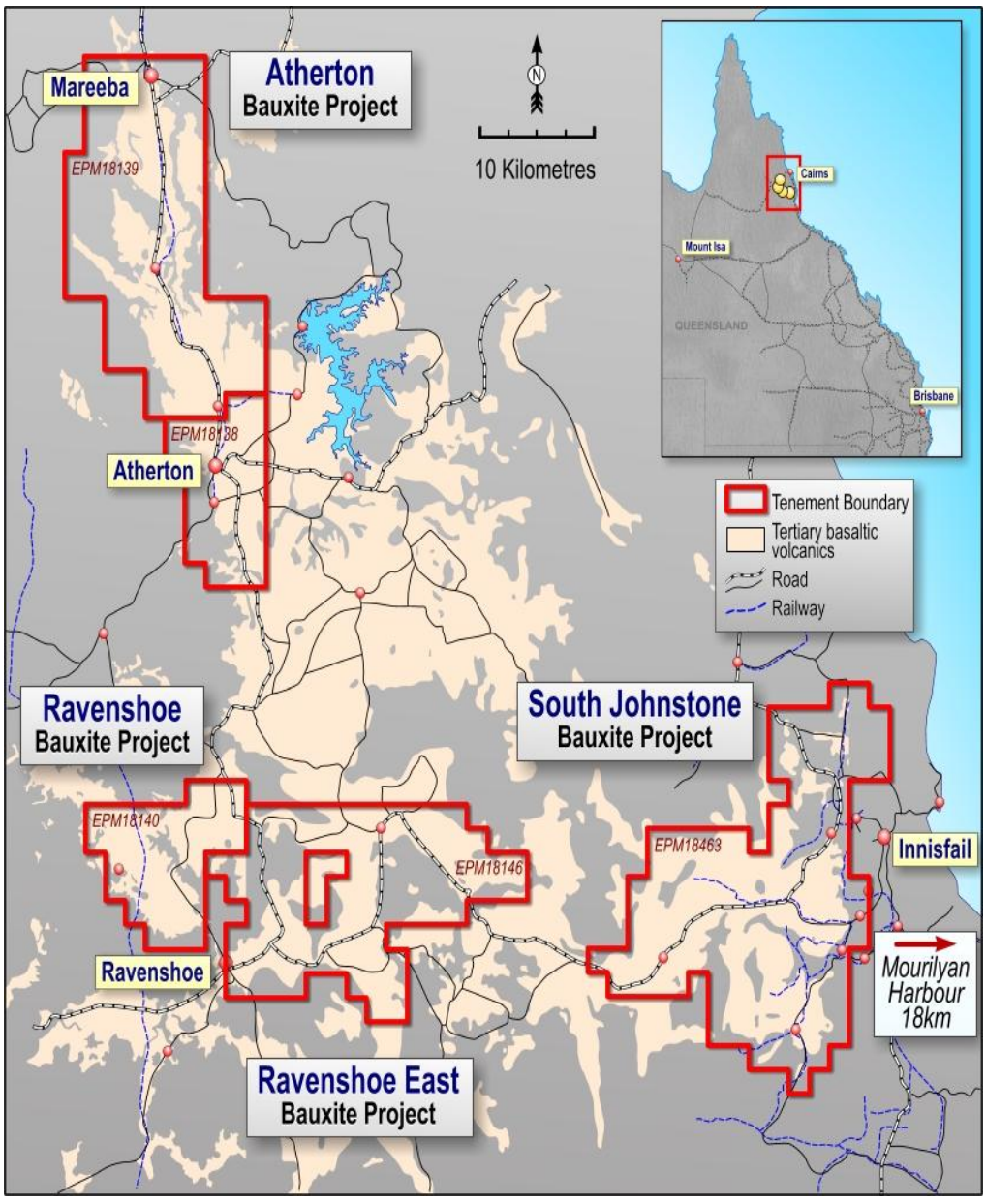

Figure 1 North Queensland Project

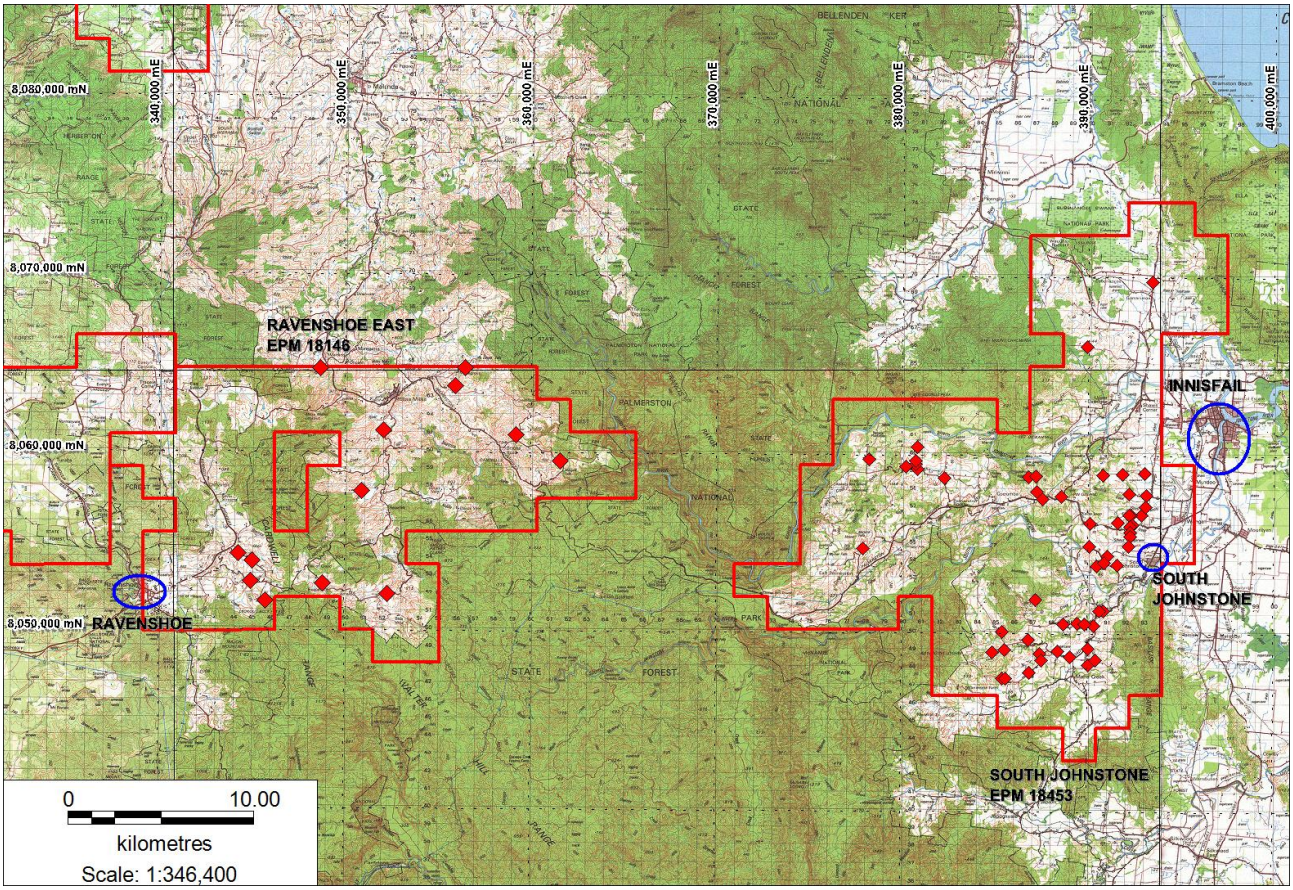

Figure 2 North Queensland Drill Collar Locations

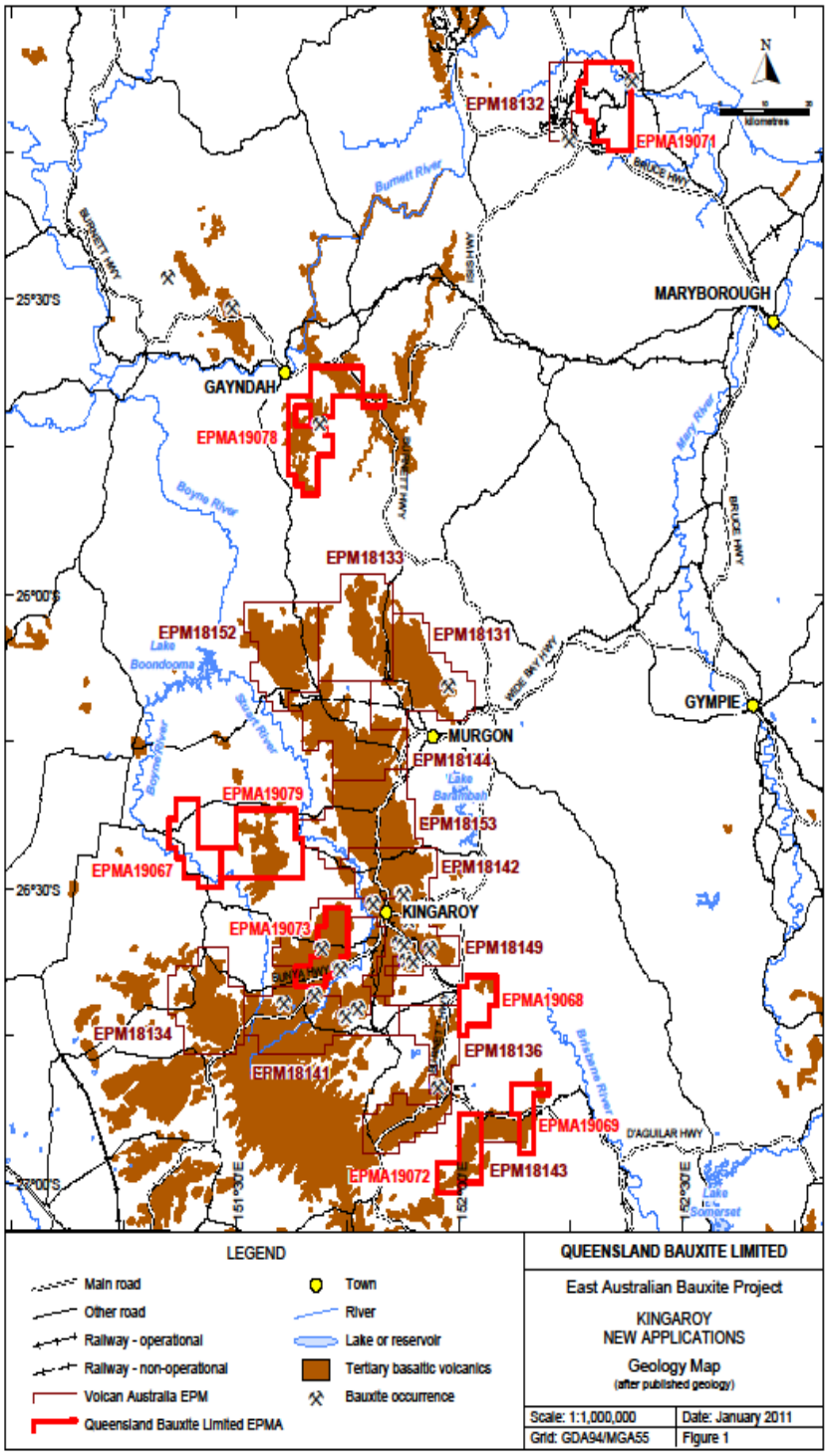

Figure 3 South East Queensland Project (EPMA's 19078, 19079 and 19071 have been granted)

Figure 4: Nodules of yellow brown gibbsite set in a red brown ferruginous matrix as site Yarraman

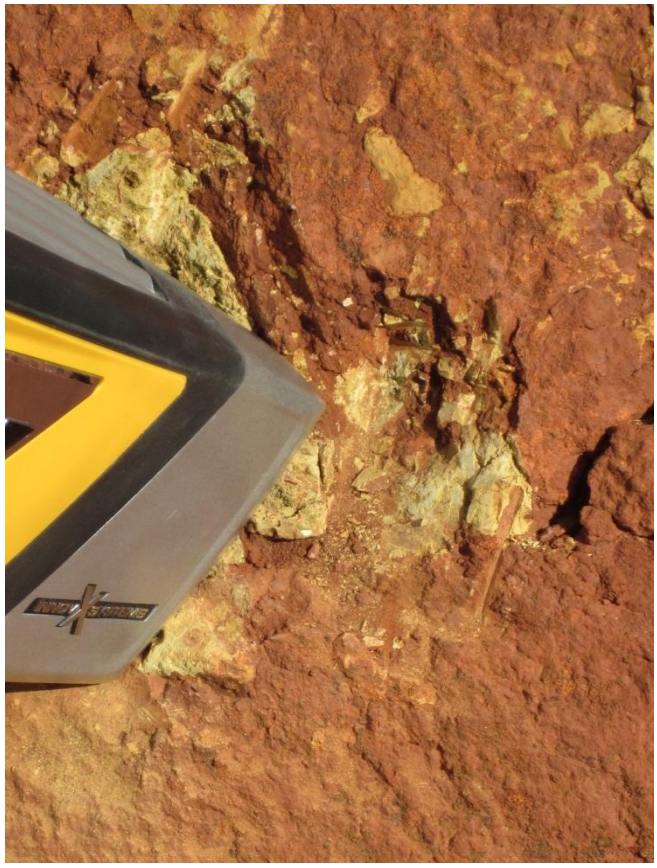

Figure 5: Innovex sampling of gibbsite (yellow brown) at Site HB8a

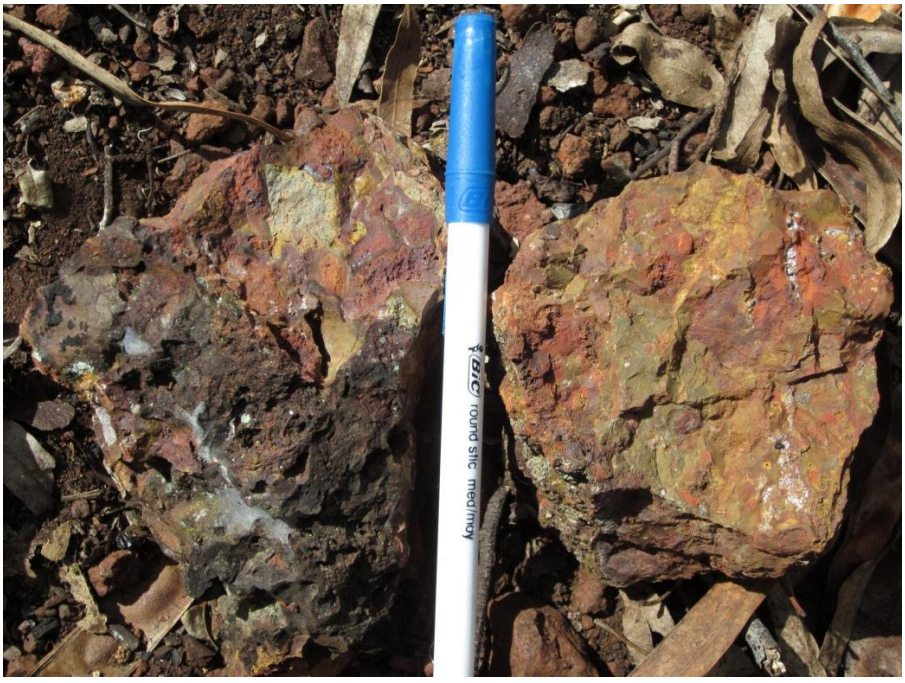

Figure 6: *Bauxite from historic Kinellan bauxite location – SE of Gayndah*

Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

Queensland Bauxite Limited

ABN	Quarter ended ("current quarter")
18 124 873 507	30 September 2011

Consolidated statement of cash flows

		Current quarter $A'000	Year to date (3 months) $A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	155	155
1.2	Payments for (a) exploration & evaluation	-538	-538
	(b) development		
	(c) production		
	(d) administration	-341	-341
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	77	77
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (provide details if material) Reimbursement of Exploration Expense		
	Net Operating Cash Flows	-647	-647
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a) prospects		
	(b) equity investments	400	400
	(c) other fixed assets		
1.9	Proceeds from sale of: (a) prospects		
	(b) equity investments		
	(c) other fixed assets		
1.10	Loans from other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
	Net investing cash flows	400	400
1.13	Total operating and investing cash flows (carried forward)	-247	-247

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	-247	-247
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows		
	Net increase (decrease) in cash held	-247	-247
1.20	Cash at beginning of quarter/year to date	4454	4454
1.21	Exchange rate adjustments to item 1.20		
1.22	**Cash at end of quarter**	4207	4207

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

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	71
1.24	Aggregate amount of loans from the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

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

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

N/A

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities		
3.2	Credit standby arrangements		

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	500
4.2	Development	
4.3	Production	
4.4	Administration	340
	Total	

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	4067	4314
5.2	Deposits at call	140	140
5.3	Bank overdraft		
5.4	Other (provide details)		
	Total: cash at end of quarter (item 1.22)	4207	4454

+ See chapter 19 for defined terms.

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	P16/2375 P16/2376 P16/2377 P16/2378 P16/2379 P16/2380 P16/2381 P16/2382 P16/2383 P16/2384 P16/2385 P16/2386 P16/2387 P16/2388	**Broads Dam Gold Holdings**	100%	0%
6.2	Interests in mining tenements acquired or increased	As above,	Royalty in PXG's Broads Dam Project		$10/0z Production royalty

Issued and quoted securities at end of current quarter

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

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	271,363,192	271,363,192		

+ See chapter 19 for defined terms.

7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	+**Convertible debt securities** (*description)*				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*	45,291,763 5,000,000 Performance Options 5,000,000 Performance Options 65,000,000 Performance Options 1,000,000 Performance Options 1,000,000 Performance Options 1,000,000 Performance Options 5,000,000 Options	Nil Nil Nil Nil Nil Nil Nil Nil	*Exercise price* *$0.20* *$0.20* *$0.30* *$0.05* *$0.25* *$0.35* *$0.45* *$0.25*	*Expiry date* *31/12/2012* *31/12/2012* *31/12/2012* *31/12/2015* *31/12/2015* *31/12/2015* *31/12/2015* *30/06/2014*
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				

+ See chapter 19 for defined terms.

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here: ..... Date: 31 October 2011
(Company secretary)
Print name: Sholom Feldman

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.