Queensland Bauxite Limited

ABN 18 124 873 507

and Controlled Entities

Half-Year Report

For the half-year ended 31 December 2011

Contents

Corporate Directory

Directors

Pnina Feldman

(Executive Chairman)

Sholom Feldman

(Executive Director, CEO)

Paul Stephenson

(Non Executive Director)

Russel Williams

(Non Executive Director)

David Austin

(Alternate Director)

Company Secretary

Sholom Feldman

Chief Operations Officer

Mark Derriman

Bankers

National Australia Bank

Law Courts Branch

75 Elizabeth Street

Sydney NSW 2000

Share Registry

Computershare Investor Services Pty Limited

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Registered Office

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Telephone: (02) 8216 0777

Facsimile: (02) 8216 0788

Email: sfeldman@queenslandbauxite.com.au

Auditors

Nexia Court & Co, Chartered Accountants

Level 29, Australia Square

264-278 George Street

Sydney NSW 2000

Telephone: (02) 9251 4600

Stock Exchange Listing

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

Website

www.queenslandbauxite.com.au

Australian Securities Exchange Code:

QBL

Directors’ report

Your Directors present their report on the Queensland Bauxite Limited Group, “QBL Group”, consisting of Queensland Bauxite Limited (“the company”) and the entities it controlled at the end of or during the half-year ended 31 December 2011.

Directors

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

Pnina Feldman - Executive Chairman

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

Paul Stephenson - Non-Executive Director

Russel Williams - Non-Executive Director

David Austin - Alternate Director.

Principal Activities

The principal activities of the QBL group during the half-year ended 31 December 2011 were mineral exploration and identification of potential mining exploration assets for acquisition and development.

About Queensland Bauxite Limited

Queensland Bauxite Limited holds approximately 7,000 km^2 of bauxite prospective terrain in Queensland, Australia. The Company is focused on defining significant bauxite resources with a view to commencing direct shipping ore (DSO) bauxite mining and export operations in the near-term.

QBL believes the East Australian Bauxite Province (stretching from Far North Queensland to New South Wales) has been considerably under-explored and has the potential to become a world-class bauxite province.

QBL is one of the few companies offering exposure to the bauxite industry, currently characterised by rapidly growing international demand. QBL is targeting long-life DSO operations, and believes it has strongly positioned itself before the predicted rise in bauxite prices.

Review of Operations and Outlook

The consolidated profit for the half- year ended 31 December 2011 was $ 466,960 (2010 loss $2,605,456)

OPERATIONS REPORT

Highlights of QBL Operations July 2011 to December 2011:

- The combined area of the prospective bauxite terrain over all of the Queensland Bauxite Projects acquired to date is approximately 7000 km2.
- Drilling completed at South Johnstone and Ravenshoe East Projects
- PIMA study completed on selected drill samples from South Johnstone and Ravenshoe East
- 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
- Permits to carry out road side drilling received for all QBL projects from Shire Councils
- Results received from 14 Kingaroy drill hole samples submitted to ALS for XRF analysis
- Results received from outcrop samples submitted to ALS for %rxSi and %avlAl

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 1**). 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 discussion are being held with Ports North who operate the port at Mourilyan

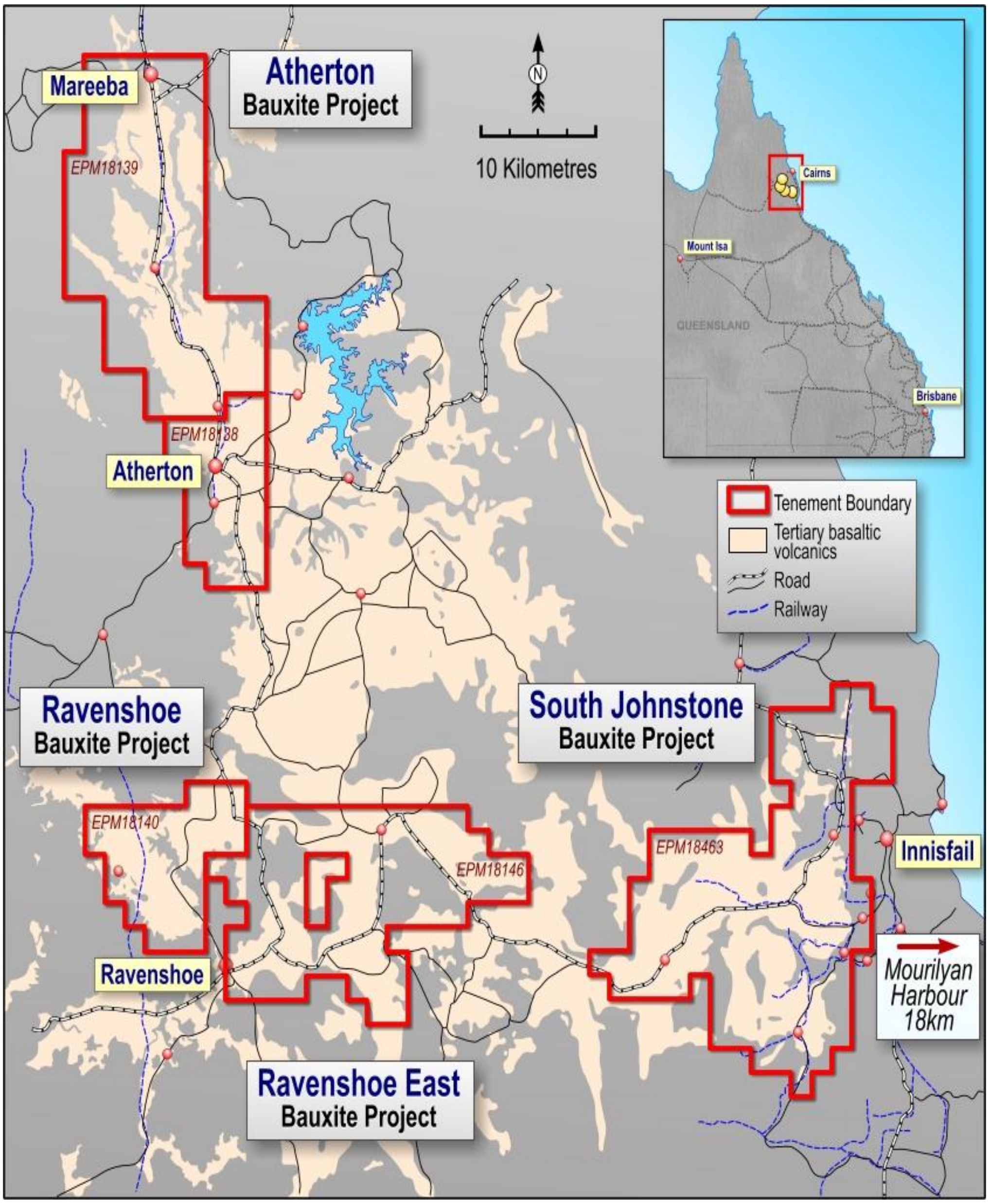

Figure 1 *Queensland Bauxite North Queensland Projects*

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.

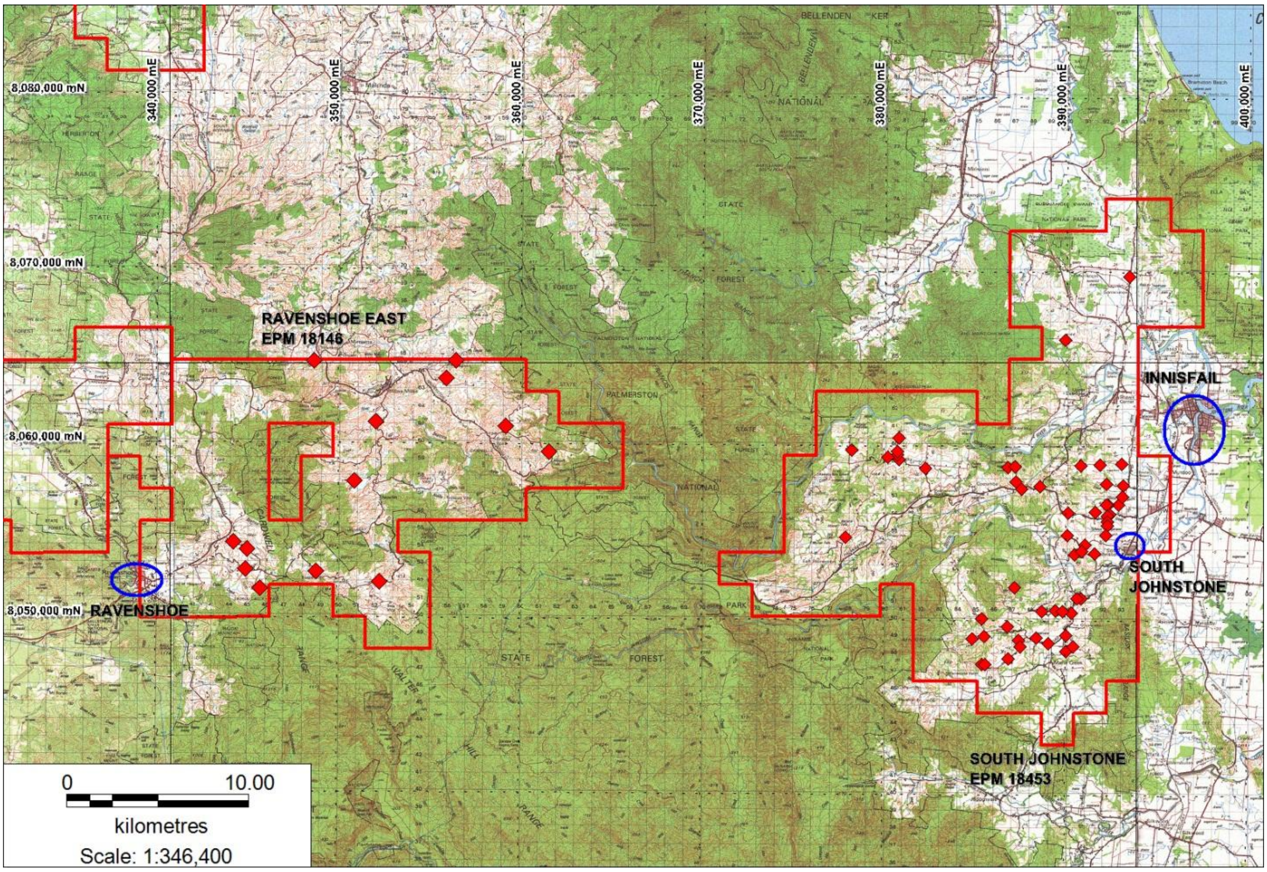

Figure 2 *South Johnstone and Ravenshoe East Drill Collars*

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

During the half year 14 holes (RAAC001 to 014) were drilled within the Ravenshoe East Project for 84m advance and 60 holes (SJAC001 to SJAC061) were drilled with the South Johnstone Project for an advance of 455.7m. Drill collars for the South Johnstone and Ravenshoe projects are shown in **Figures 2 to 4** and drilling in progress as **Figures 5 & 6.**

Selected samples from the Ravenshoe East and South Johnstone Projects have been sent to ALS in Brisbane for %rxSi and %avlAl using pressurized microwave digestion in NaOH, chemical separation and ICPAES analyses. Results are expected in the current Quarter.

Negotiations are currently underway for drilling access to some of the key prospective targets within the project area, to enable the next round of drilling.

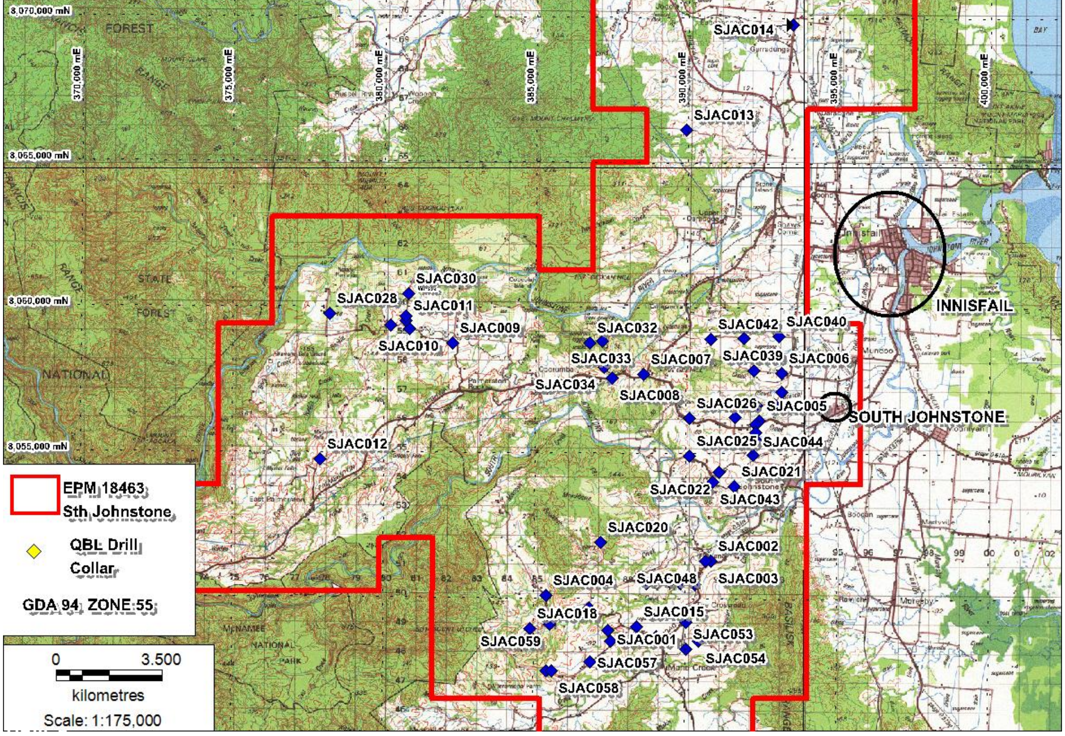

***Figure 3** South Johnstone Drill Collars*

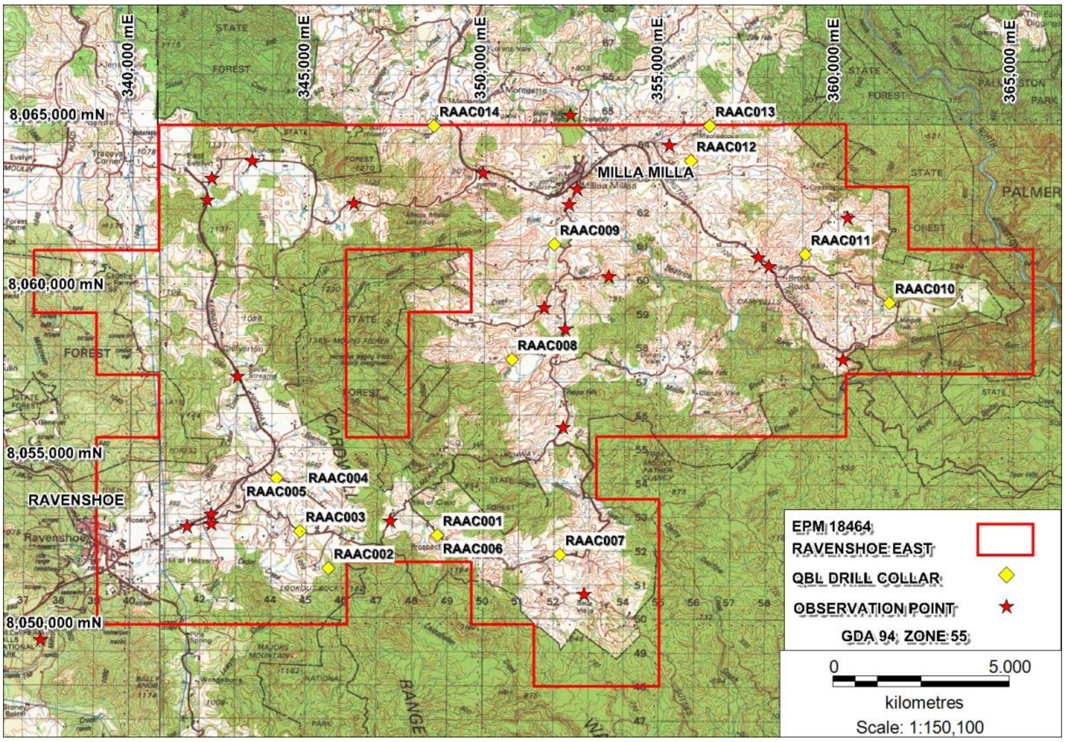

***Figure 4** Ravenshoe East Drill Collars*

Figure 5 – South Johnstone Drilling

Figure 6 Ravenshoe East Drilling

PIMA Spectral Analyses – South Johnstone and Ravenshoe east

The mineral composition of 266 bauxite samples (27 drill holes) was determined by shortwave infrared analysis (an upgraded PIMA II). The spectra are dominated by absorption bands attributable Kaolinite and / or Gibbsite. This mineralogy was visually derived and along with the Kaolinite Crystallinity (KX) presented as logs.

Gibbsite tended to occur in the top 3-5 meters of most holes. Gibbsite abundance tended to decrease with increasing depth down hole.

Kaolinite (Fe rich) was observed throughout the profile of each drill hole. Spectral parameters were used to simplify complex spectra. Kaolinite Crystallinity (Kaolinite_KX) was determined by a scheme that uses the curve slope parameters near 2160nm and 2180nm which characterised the diagnostic kaolinite doublet.

The Kaolinite indicates predominantly transported material. Almost all observed Gibbsite is associated with K3 Kaolinites.

Further analyses will be taking place in the further prospective areas following the upcoming drilling programme, once access has been secured for the further drilling.

Kingaroy Community Consultation

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

Queensland Bauxite has received permission to drill within the shires road corridors as a first pass test for bauxite mineralisation. Prior to any drilling being carried out QBL provided Telstra and the Shire Councils with drill hole locations to ascertain the location of any buried utilities. Verge drilling permits have been received from the Cassowary Coast, North and South Burnett and Toowoomba Shire Councils.

The South Queensland Projects

The South Queensland Projects (**Figure 7**) 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).

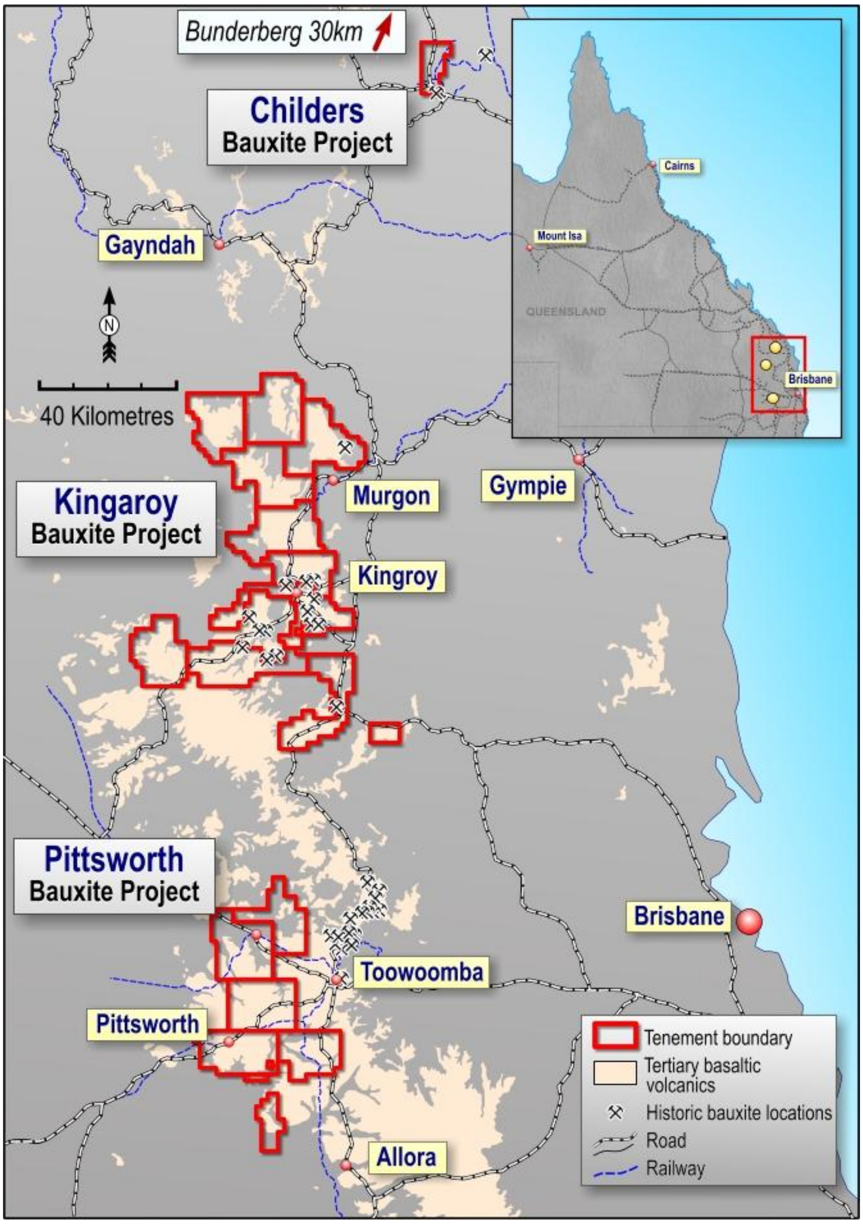

***Figure 7** – Queensland Bauxite SE Queensland Projects*

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 2**). 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 half yearly reporting period EPM's 19071, 19078, 19233, 19067, 19073 and 19079 were granted.

New Tenements

The eight new tenements were selected based on field mapping which noted surface expressions of potential bauxite mineralisation and areas of significant ASTER “iron” signatures. QBL has commenced studies to determine the extent of possible bauxite mineralisation over these tenements

Upon granting of the remainder of the eight tenements QBL will hold 31 exploration licenses in Queensland for a combined bauxite prospective landholding of approximately 7000km2

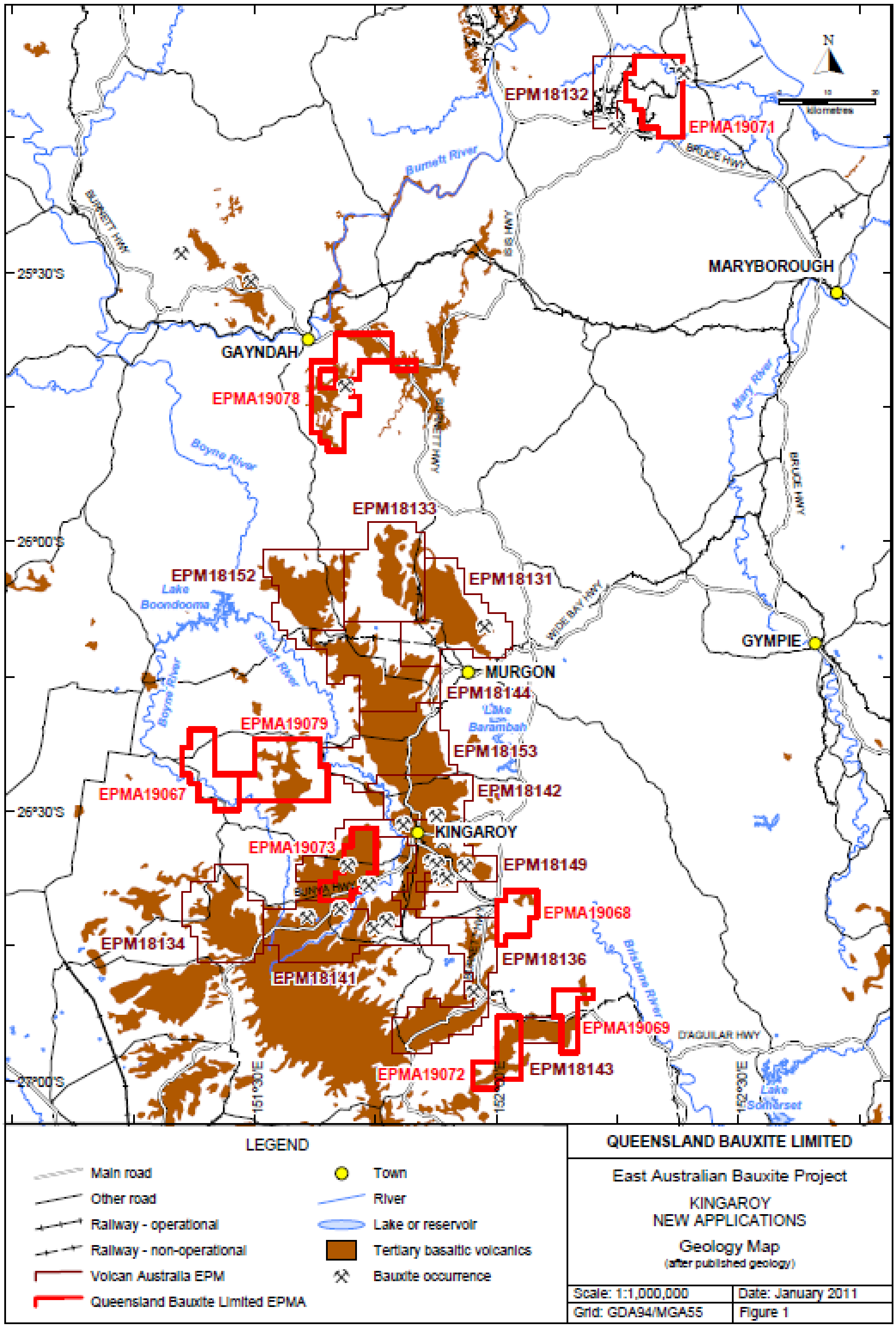

__Figure 8__: The 8 new applications in the Northern Area of QBL’s South Queensland Project

As reported previously, in addition to QBL's recently completed 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 results of these field sampling programmes clearly identified 3 distinct areas of high grade gibbsite mineralization, and particularly the Kinellan and Ban Ban Springs project areas. QBL has been negotiating drilling access to both the Kinellan and Ban Ban Springs project areas to further evaluate the full bauxite/laterite ridge. Due to minor environmental impact issues, access has been delayed, but it is anticipated that access will be secured for drilling in the upcoming quarter.

The most significant results from these sampling programmes are shown below:

Sample	Tenement	%AL2O3	%SIO2	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

These results are in addition to the "bauxite search" commissioned by the Queensland Government during the 1940's aimed at locating potential bauxite mineralisation for future development. At the historical (1946) bauxite locations in and around Kingaroy a total of 35 sites were visited and sampled with the Innovex XRF unit.

Two sites had visible gibbsite mineralisation set in a red ferruginous matrix. 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, the sampling targeted a historic bauxite location sampled by Queensland geologists in 1946. 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 Al2O3	43.2	45.3	40.1
%Total Silica as Si2O3	9	2.4	1.6
% Total Iron as Fe2O3	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% Al2O3 and 5.2% SiO2 for sample KN14 and 29.1% Al2O3 and 4.8% SiO2 for sample BS2B.

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 its planned drill programs.

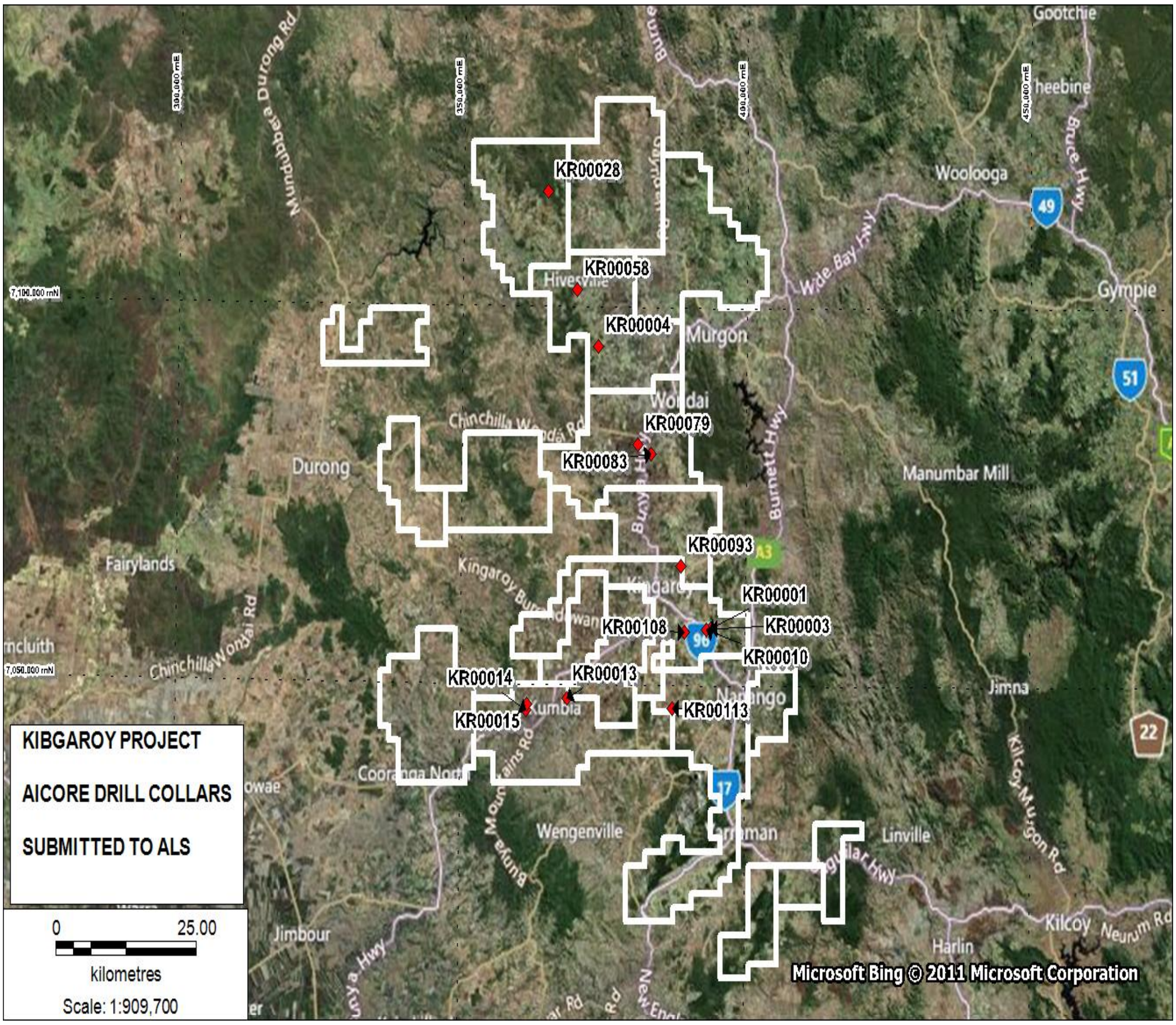

Figure 9 Kingaroy Project – Drill holes selected for ALS XRF analyses

The following work is currently being undertaken:

- Negotiate and finalise access agreements for the identified high priority drilling targets;
- Follow up aircore drilling at the now identified high priority target areas on the Kingaroy and South Johnstone Projects;
- Commence initial drilling programme at the Pittsworth Project in South East Queensland;
- Ongoing infrastructure studies with a view to securing access to infrastructure and ports;
- Ongoing geological mapping and surficial sampling at all projects; and
- Ongoing negotiations with major international bauxite consumers with a view to securing off take agreements and development partnerships.

GOLD PROJECTS

The Company currently has three gold projects in Australia, comprising a gold exploration project in Western Australia - 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.

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", stockworks and gossanous ironstones located along well developed east-west shear zones near the boundary between structurally emplaced quartzofeldspathic schist and the overlying Hardey Formation pelites and metasandstones are considered prospective for the discovery of gold.

All historical exploration data is currently being compiled with geophysical and geological data sets with a view to defining drill targets for an upcoming drilling programme. The WA Geological Survey recent made available state wide ASTER (Satellite Data) images which highlight concentrations of clays, iron oxides and carbonates and as such could indicate areas of "alteration" within the Pilbara Gild Project. Areas of significant "alteration" associated with surficial elevated gold geochemistry and possible structural emplacement would result in a high priority drill target. The Company is in negotiations with a view to bringing in a joint venture partner in this highly prospective project.

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 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.

As a first step in evaluating the Lost River Project geological mapping and sampling will be carried out along the basal contact of the Cainozoic basalt with the underlying sediments to determine the extent of gold mineralisation shed at the contact.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based" on information compiled by Mr Mark Derriman (BAppSC Hons, MAppSc, MBA). Mr Derriman is a member of the Australian Institute of Geoscientists.

Mr Mark Derriman is a full time employee of QBL.

Mr Mark Derriman have 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".

Mr Mark Derriman consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

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

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Auditor's independence declaration

The lead auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 29 and forms part of the directors' report for the half-year ended 31 December 2011.

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

P. Feldman

Pnina Feldman

Chairperson

Sydney

15 March 2012

Financial statements

Condensed consolidated statement of comprehensive income

for the half-year ended 31 December 2011

Continuing Operations	Consolidated Entity 31 Dec 2011 $	Consolidated Entity 31 Dec 2010 $
Interest received	168,656	10,578
Profit on sale of plant and equipment	-	248,403
Profit on sale of tenements	2,193,419	-
Other income	128,895	698
General and administrative expenses	(265,289)	(57,039)
Depreciation	(23,033)	(13,594)
Management services	(658,736)	(616,107)
Directors Fees	(91,591)	(25,000)
Legal expenses	(34,883)	(151,688)
Marketing expenses	(65,225)	(22,541)
Finance expenses	(1,357)	(522)
Occupancy expenses	(81,056)	(62,567)
Exploration written off	(471,406)	(16,026)
Other expenses	(35,767)	(15,058)
Travelling expenses	(175,667)	(32,493)
Brokerage fee	(120,000)	(-)
Share based payments expense (Note 5)	-	(1,852,500)
Profit/(Loss) before income tax	466,960	(2,605,456)
Income tax expense	-	-
Profit/(Loss) after tax from continuing operations	466,960	(2,605,456)
Other comprehensive income, net of tax	-	-
Total comprehensive income	466,960	(2,605,456)
Profit/(Loss) attributable to members of Queensland Bauxite Limited	466,960	(2,605,456)
Total comprehensive income attributable to members of Queensland Bauxite Limited	466,960	(2,605,456)

Basic earnings per share (cents per share)	0.17	(2.87)
Basic earnings per share from continuing operations (cents per share)	0.17	(2.87)
Diluted earnings per share (cents per share)	0.17	(2.87)
Diluted earnings per share from continuing operations (cents per share)	0.17	(2.87)

The accompanying notes form part of these financial statements

Condensed consolidated statement of financial position

as at 31 December 2011

	Consolidated Entity	
	31 Dec 2011 $	30 Jun 2011 $
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	4,826,345	4,460,053
Trade and other receivables	259,813	445,026
TOTAL CURRENT ASSETS	5,086,158	4,905,079
NON-CURRENT ASSETS		
Trade and other receivables (Note 6)	1,302,594	1,300,572
Other non-current assets	1,895	16,475
Exploration and evaluation	2,728,587	2,566,610
Property, plant and equipment	141,239	137,577
TOTAL NON-CURRENT ASSETS	4,174,315	4,021,234
TOTAL ASSETS	9,260,473	8,926,313
LIABILITIES		
CURRENT LIABILITIES		
Employee Liabilities	12,622	3,681
Trade and other payables	272,427	378,867
Other financial liabilities	5,843	42,702
Other loans	1,558	-
TOTAL CURRENT LIABILITIES	292,450	425,250
NON-CURRENT LIABILITIES		
Other financial liabilities	40,900	40,900
TOTAL NON-CURRENT LIABILITIES	40,900	40,900
TOTAL LIABILITIES	333,350	466,150
NET ASSETS	8,927,123	8,460,163
EQUITY		
Issued capital (Note 7)	13,559,013	13,559,013
Share based payments reserve	3,446,807	3,446,807
Accumulated losses	(8,078,697)	(8,545,657)
TOTAL EQUITY	8,927,123	8,460,163

The accompanying notes form part of these financial statements.

Condensed consolidated statement of changes in equity

for the half-year ended 31 December 2011

	Consolidated Entity			
	Issued Capital	Accumulated Losses	Share Based Payments Reserve	Total Equity
	$	$	$	$
Balance at 1 July 2010	4,939,159	(4,044,852)	1,075,500	1,969,807
Loss for the half-year	-	(2,605,456)	-	(2,605,456)
Total comprehensive income for the half-year	-	(2,605,456)	-	(2,605,456)
Transactions with owners in their capacity as owners				
Shares issued during the period	2,619,854	-	-	2,619,854
Share based payments	-	-	1,852,500	1,852,500
Balance at 31 December 2010	7,559,013	(6,650,308)	2,928,000	3,836,705
Balance at 1 July 2011	13,559,013	(8,545,657)	3,446,807	8,460,163
Profit for the half-year	-	466,960	-	466,960
Total comprehensive income for the half-year	-	466,960	-	466,960
Transactions with owners in their capacity as owners				
Shares issued during the period	-	-	-	-
Balance at 31 December 2011	13,559,013	(8,078,697)	3,446,807	8,927,123

The accompanying notes form part of these financial statements.

Condensed consolidated statement of cash flows

for the half-year ended 31 December 2011

	Consolidated Entity	
	31 Dec 2011 $	31 Dec 2010 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	128,895	698
Payments to suppliers and employees	(2,141,230)	(1,207,676)
Interest received	168,656	9,669
Interest paid	(1,357)	-
Net cash outflow from operating activities	(1,845,036)	(1,197,309)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of exploration assets	2,400,000	-
Purchase of property, plant and equipment	(26,695)	(17,237)
Exploration and evaluation expenditure	(161,977)	(385,448)
Net cash inflow/(outflow) from investing activities	2,211,328	(402,685)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	2,030,000
Net cash inflow from financing activities	-	2,030,000
Net increase in cash held	366,292	430,006
Cash and cash equivalents at the beginning of half - year	4,460,053	176,164
Cash and cash equivalents at the end of the half – year	4,826,345	606,170

The accompanying notes form part of these financial statements.

Notes to the consolidated financial statements for the half-year ended 31 December 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report for the interim half year reporting period ended 31 December 2011 has been prepared in accordance with applicable accounting standards including Accounting Standard AASB 134 *Interim Financial Reporting,* Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by Queensland Bauxite Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

NOTE 2: USE OF ESTIMATES AND JUDGEMENTS

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

NOTE 3: SEGMENT INFORMATION

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

NOTE 4: PROFIT FOR THE HALF-YEAR

The consolidated profit for the half- year ended 31 December 2011 was $466,960.

NOTE 5: SHARE BASED PAYMENTS EXPENSE

The share based payments expense for the half-year ended 31 December 2010 relates to share issues for consultancy services rendered. Share issues and related expense are as follows:

	Half-Year Ended 31.12.2011 $	**Half-year ended 31.12.2010 $**
On 21 July 2010, the company issued 20,750,000 ordinary shares to Hartleys Limited. The share price at the date of issue was 7 cents per share.	-	1,452,500
On 15 December 2010, the company issued 2,000,000 ordinary shares to Cunningham Peterson Sharbanee Securities Pty Limited. The share price at the date of issue was 20 cents per share.	-	400,000
	-	1,852,500

NOTE 6 – LOAN TO VOLCAN HOLDINGS INC

The loan to Volcan Holdings Inc. is the amount that is in consideration for the purchase by Volcan Holdings of ML1492 from the company pursuant to the transactions completed on 14th December 2010, this amount is unsecured, payable in cash within 24 months, and there is no interest payable on the loan.

NOTE 7: ISSUED CAPITAL

	01.07.2011 31.12.2011 No.	01.07.2011 31.12.2011 $.	01.07.2010 31.12.2010 No.	01.07.2010 31.12.2010 $
a. Ordinary shares				
At the beginning of reporting period	271,363,192	13,559,013	71,041,763	4,939,159
Shares issued during the year				
Shares issued for cash				
- 01 September 2010	-	-	29,000,000	2,030,000
- 16 February 2011	-	-	28,571,429	6,000,000
Share based payments (refer note 18)				
- 21 July 2010	-	-	20,750,000	-
- 15 December	-	-	2,000,000	-
Shares issued to acquire subsidiaries				
- 14 December 2010	-		120,000,000	589,854
At reporting date	271,363,192	13,559,013	271,363,192	13,559,013

NOTE 8: RELATED PARTY TRANSACTIONS

Identity of related parties

The Group has related party relationships 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 QBL Group by the following executives:

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

In respect of each of these executives (**Key Management Personnel**), AGMPL was paid a retainer for the half-year ended 31 December 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 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 QBL Group 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 QBL Group, such as secretarial, accounting and office management services. These services were provided to the QBL Group by AGMPL on reasonable arm's length terms as approved by the independent director(s).

	Half-year ended 31.12.2011 $	**Half-year ended 31.12.2010 $**
Directors Fees	175,949	-
Consulting services	53,208	30,000
Rent	78,220	62,567
Management and secretarial	41,288	48,200
Exploration and geological	140,894	67,480
Executive and corporate Services	166,290	160,668
Reimbursement of expenses	10,580	18,003
Total	666,429	386,918

The Company paid directors' fees of $35,000 (2010: $25,000) for the non-executive director, Paul Stephenson, during the half-year ended 31 December 2011.

The Company paid directors' fees of $35,000 (2010: NIL) for the non-executive director, Russell Williams, during the half-year ended 31 December 2011.

The Company paid directors' fees of $21,591 (2010: NIL) for the non-executive director, David Austin, during the half-year ended 31 December 2011.

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 the Company, is a partner in HWL Ebsworth. During the half-year ended 31 December 2011, HWL Ebsworth was paid $30,957 (2010: $40,068) for these services. Paul Stephenson does not personally provide legal services to the Company through HWL Ebsworth.

NOTE 9: EVENTS SUBSEQUENT TO BALANCE DATE

Since 31 December 2011 there have been no other transactions or events of a material and unusual nature likely, in the opinion of the Directors of the company to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Directors' Declaration

In the opinion of the directors of Queensland Bauxite Limited ("the Company")

(a) the financial statements and notes set out on pages 19 to 24 are in accordance with the Corporations Act 2001, including:

   (i) complying with the Accounting standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   (ii) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance for the half-year then ended.

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

P. Feldman

Pnina Feldman
Chairperson

Sydney
15 March 2012

NEXIA COURT & CO
CHARTERED ACCOUNTANTS

NEXIA INTERNATIONAL

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 review of the financial statements of Queensland Bauxite Limited for the half-year ended 31 December 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 review; and

(b) any applicable code of professional conduct in relation to the review.

This declaration is in respect of Queensland Bauxite Limited and the entities it controlled during the half-year.

Yours sincerely

Nexia Court & Co.

Nexia Court & Co

Chartered Accountants

Sydney

D Gallery

David Gallery

Partner

Dated: 15 March 2012

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NEXIA COURT & CO
CHARTERED ACCOUNTANTS

NEXIA INTERNATIONAL

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Queensland Bauxite Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2011, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Queensland Bauxite Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Statement of Independence

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

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

Conclusion

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

a giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

b complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Nexia Court & Co.

Nexia Court & Co

Chartered Accountants

David Gallery

Partner

Sydney

Dated: 15 March 2012

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