

Queensland Bauxite Limited

ABN 18 124 873 507

and Controlled Entities

Annual Financial Report

For the year ended 30 June 2012



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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

Level 34, 50 Bridge Street
Sydney NSW 2000

Telephone: (02) 8216 0777

Facsimile: (02) 8216 0788

Email: mlesaffre@queenslandbauxite.com.au

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 2012

Project Name		Interest Held %	
Pilbara Gold Project			
Pilbara	E47/1153	Granted	100%
Tia River Project			
Tia River	EL 7224	Granted	100%
Lost River Project			
Lost River	EL 7409	Granted	100%
South Queensland Project			
Kingaroy 1	EPM 18136	Granted	80%
Kingaroy 5	EPM 18152	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	Application	80%
Nanango	EPM 19068	Application	80%
Boondooma	EPM 19233	Granted	80%
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%
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%
Pittsworth 5	EPM 18146	Granted	80%
Kingaroy 4	EPM 18149	Granted	80%
Kingaroy 9	EPM 18153	Granted	80%
Pittsworth 2	EPM 18155	Granted	80%
Pittsworth 3	EPM 18156	Granted	80%
South Johnstone Project			
Atherton 2	EPM 18138	Application	100%
Atherton 1	EPM 18139	Granted	100%
Ravenshoe	EPM 18140	Granted	100%
South Johnstone	EPM 18463	Granted	100%

Directors' Report

The Directors present their report together with the consolidated financial statements of the Group comprising Queensland Bauxite Limited ("the Company") and its subsidiaries, for the financial year ended 30 June 2012 and the independent auditors report thereon.

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
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 tones. 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	-
David Austin	-	-	-
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 shares
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	0.05	65,000,000
		126,991,763

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	(0.61)

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.

Directors' 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	5	5
Sholom Feldman	5	5
Paul Stephenson	5	5
David Austin	0	5
Russell Williams	5	5

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 board.

Principal activities

The principal activities of the Group 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 Group's principal activities during the year.

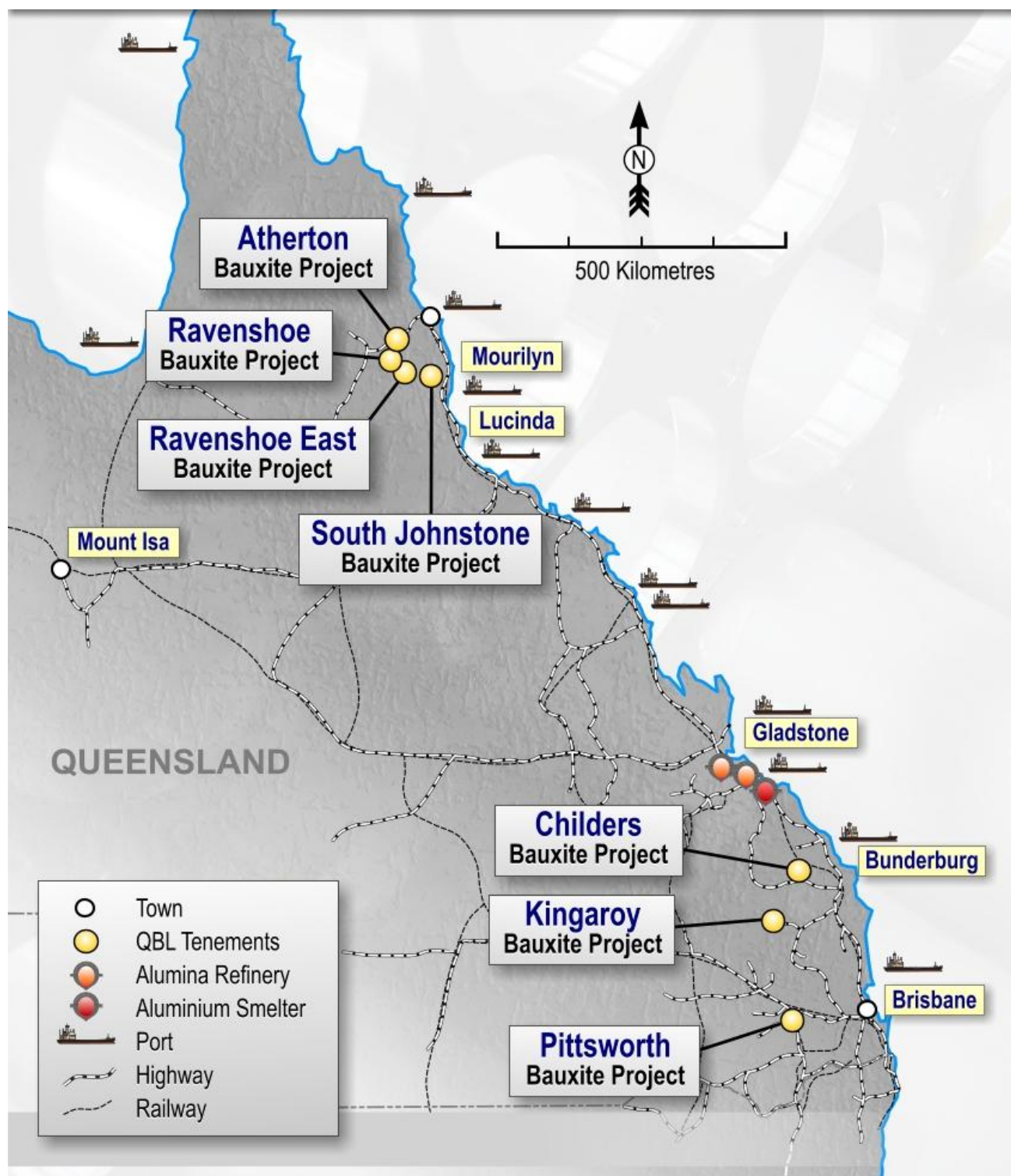
Operating and financial review

Queensland Bauxite Ltd (ASX: QBL) ("QBL" or "the Company") presents the following report on activities for the year ending 30 June 2012.

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. During the year QBL has concentrated on exploring its portfolio of bauxite projects, and reviewing a range of new significant bauxite project opportunities. QBL is also assessing options to divest or pursue partners for its secondary gold assets.

Highlights of QBL Operations July 2011 to June 2012

- The combined area of the prospective bauxite terrain over all of the Queensland Bauxite Projects granted to date is approximately 7000 km².
- Drilling completed at Kingaroy, 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 in all QBL Queensland tenements.
- Results received from drill hole samples from InnovX and selected samples submitted to ALS for XRF analysis.
- Results received from outcrop samples submitted to ALS for %rxSi and %avlAl.
- Further review of bauxite drilling results to determine future exploration programmes.
- QBL is continuing to negotiate access agreements surrounding environmental constraints to determine future exploration programmes.
- Bauxite infrastructure studies ongoing.
- QBL is continuing to assess new project opportunities.

BAUXITE PROJECTS**Figure 1** QBL Queensland Projects

The North Queensland Projects

The North Queensland Projects are situated west and north-west of the town of Innisfail and located around South Johnstone in Northern Queensland and consist of Exploration Licenses EPM 18138, EPM18139, EPM18140, EPM18463 and EPM18464 (**Figure 2 and 3**).

The South Johnstone Project is located as close as 18 km from the Mourilyan Port in a region of excellent infrastructure and power availability, with direct rail link to the main project area. Positive discussions were held with Ports North who operate the port at Mourilyan for potential future access.



Figure 2 Atherton, Ravenshoe and South Johnstone Projects

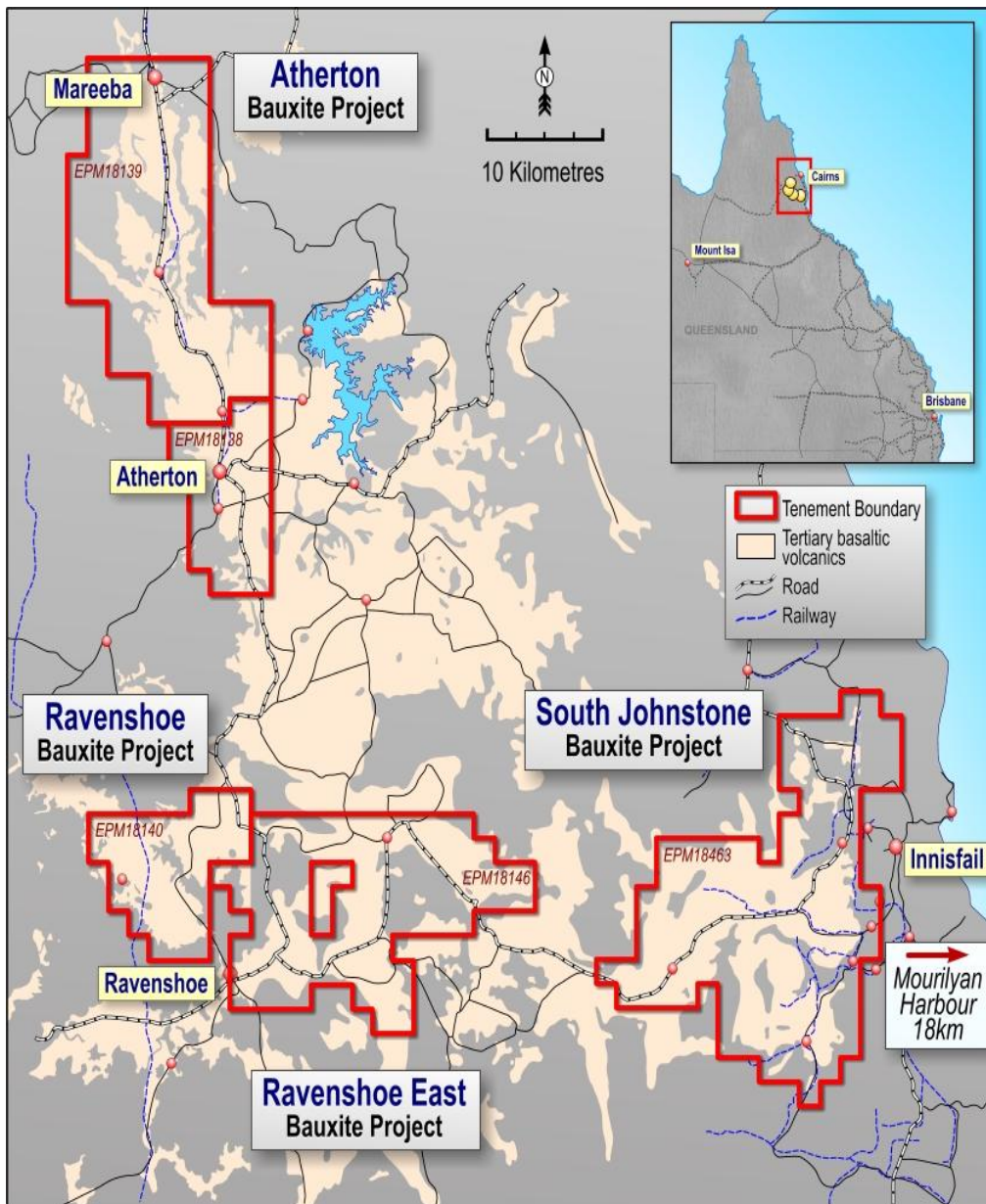


Figure 3 Queensland Bauxite North Queensland Projects

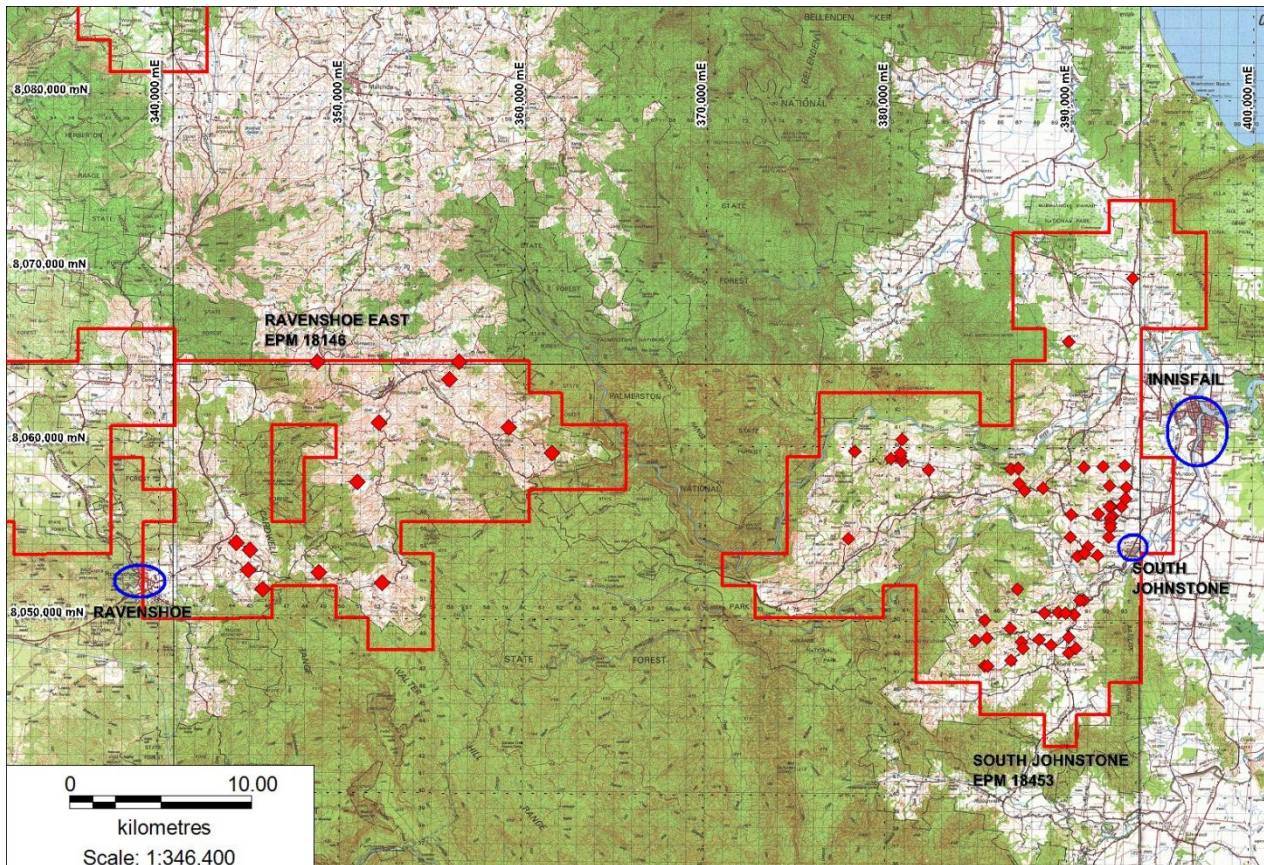


Figure 4 South Johnstone and Ravenshoe East Drill Collars

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

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 an initial drilling programme was undertaken.

Access to what is historically reported as the main area of interest at South Johnstone is currently restricted due to environmental restraints. 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. However, the initial drilling programme focused on locating bauxite in the large unrestrained areas of the project. All planned initial aircore drilling was completed in EPM 18463 and 18464 during the year. Sampling of the drill intervals has been by the use of the Innovex Mineral Analyser. As reported in more detail later in this report, results of the PIMA study indicate the presence of sporadic gibbsite in the upper few metres of several drill holes mixed with a high % of kaolinitic ferruginous clay which is masking the gibbsite response.

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 4 to 6** and drilling in progress as **Figures 7 and 8**.

Selected samples from the Ravenshoe East and South Johnstone Projects were sent to ALS in Brisbane for available alumina and reactive silica content using pressurized microwave digestion in NaOH, chemical separation and ICPAES analyses.

Results of the areas drilled showed a very high silica content in excess of 20%.

Further work involving sieving of selected drill intervals is being considered as well as further focused air core drilling.

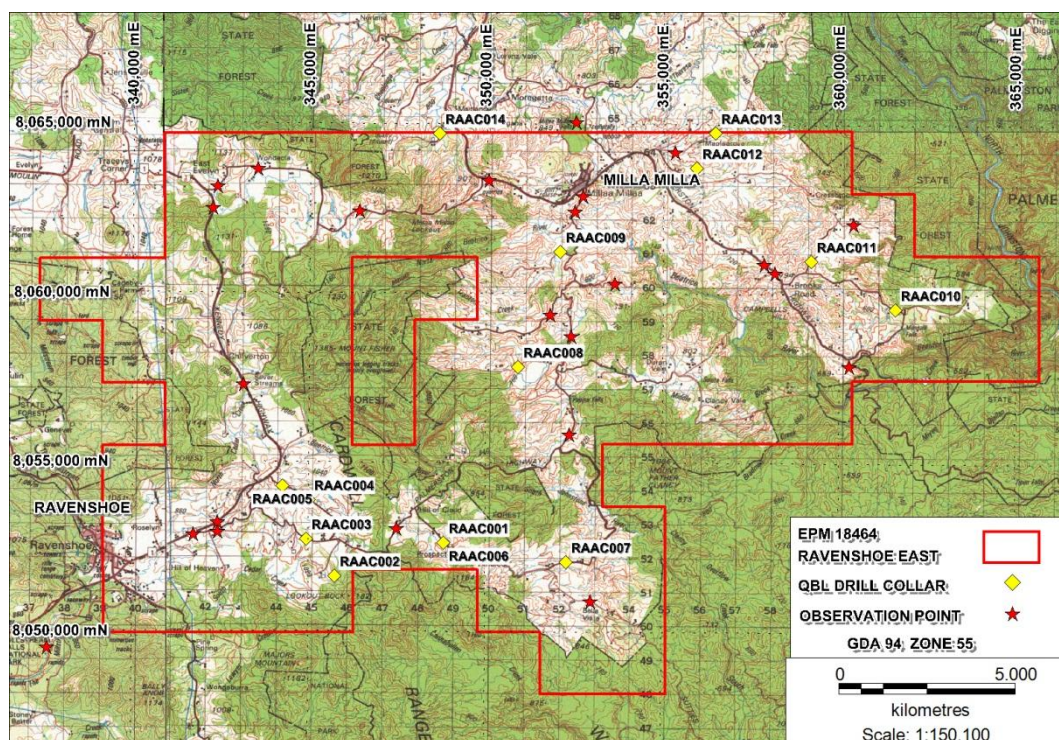
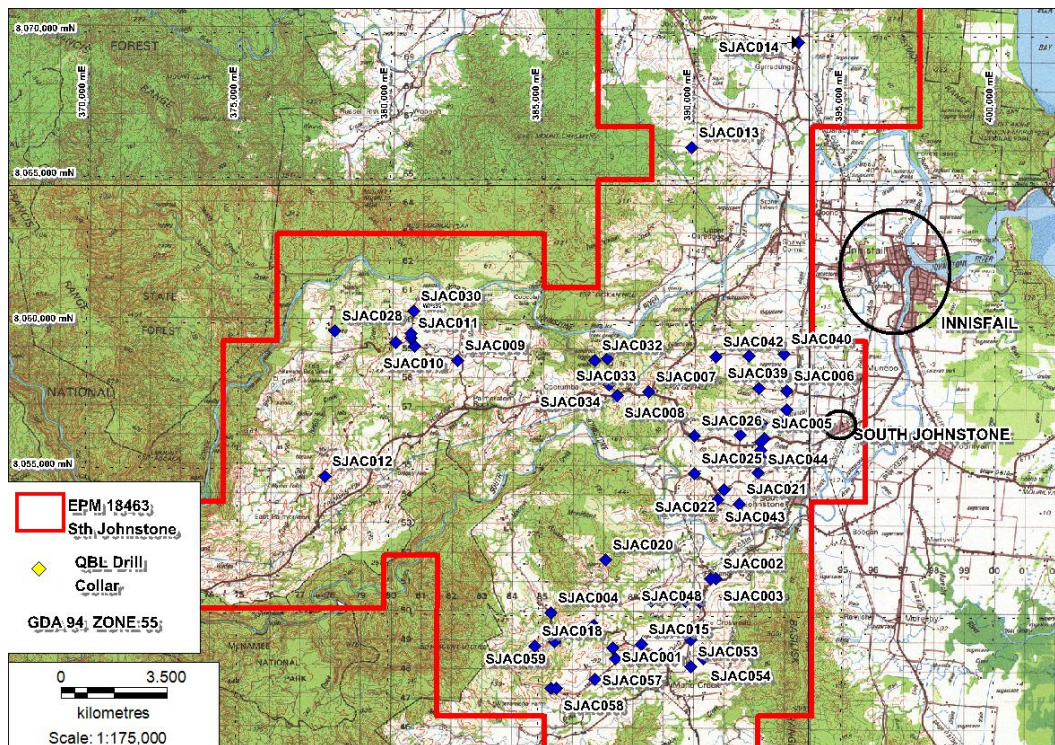




Figure 7 South Johnstone Drilling



Figure 8 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 to 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 once access has been secured for the further drilling.

The decision was made to relinquish EPM 18464 (Ravenshoe East) due to the rugged nature of the topography and lack of “gibbsite” signatures from the PIMA study.

The South Queensland Projects

The South Queensland Projects (**Figure 9**) 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, EPM18155, EPM18156, EPM18794, EPM19067, EPM19068, EPM19069, EPM19071, EPM19072, EPM19073, EPM 19078, EPM19079 (the South Queensland Projects).

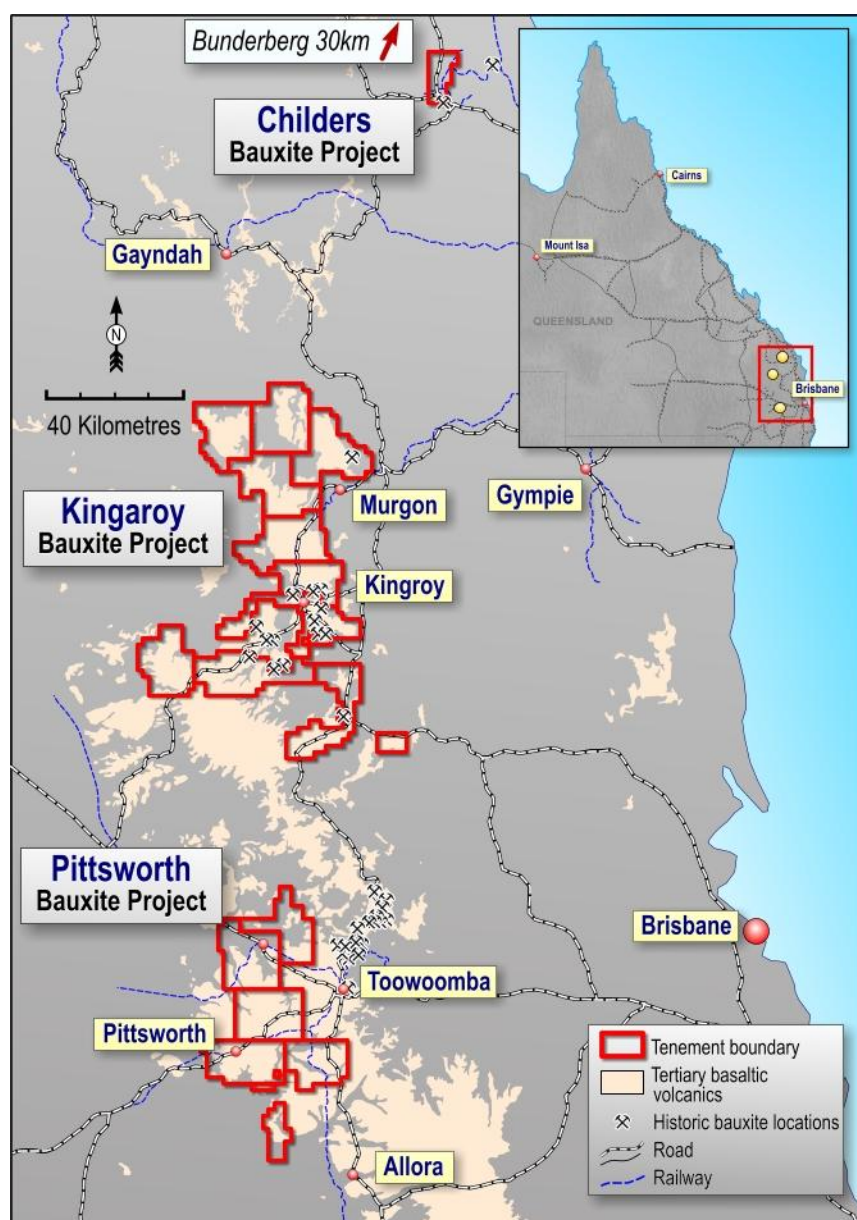


Figure 9 Queensland Bauxite SE Queensland Projects

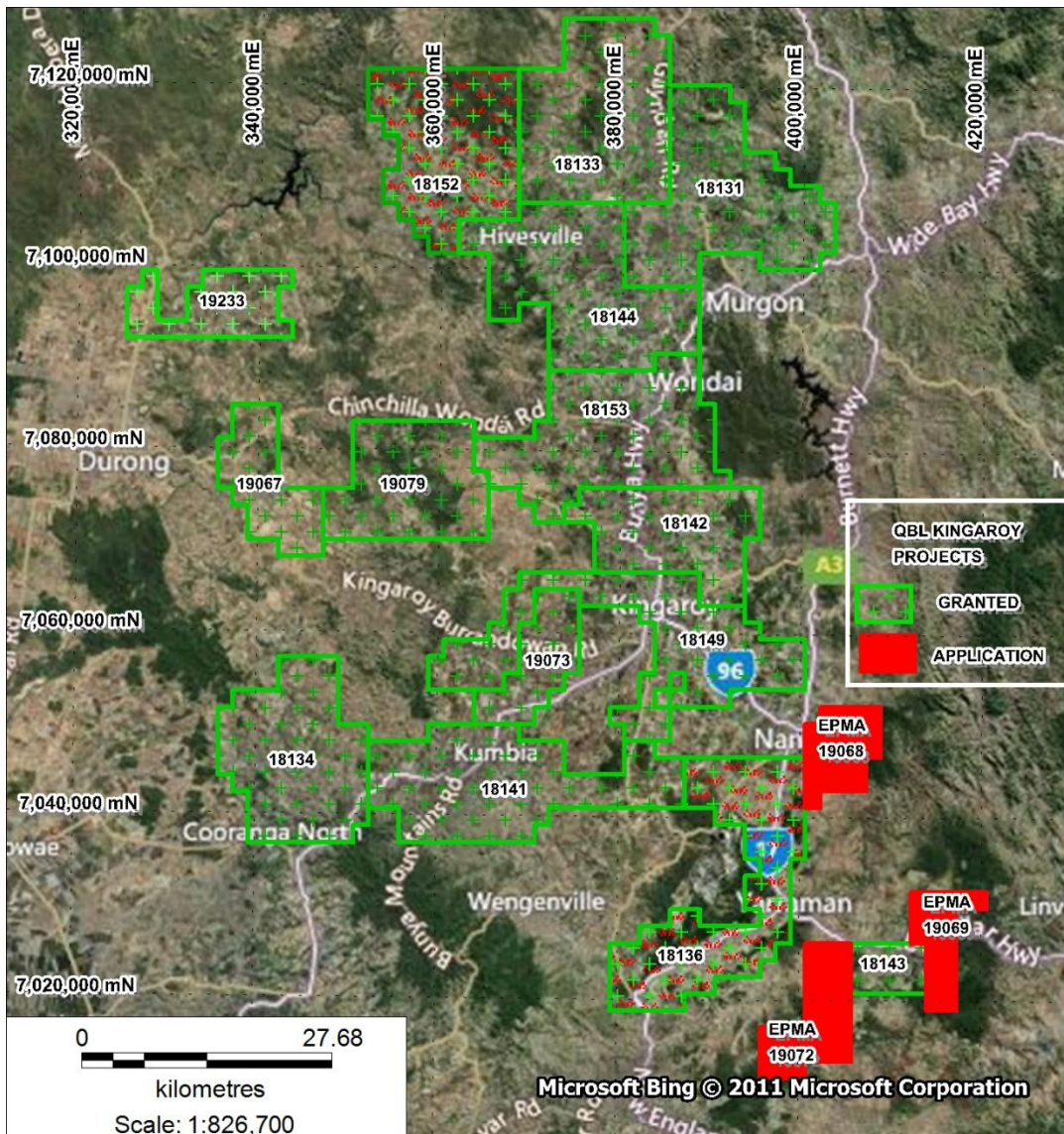


Figure 10 Kingaroy Projects

Ban Ban Springs/Childers Bauxite Projects

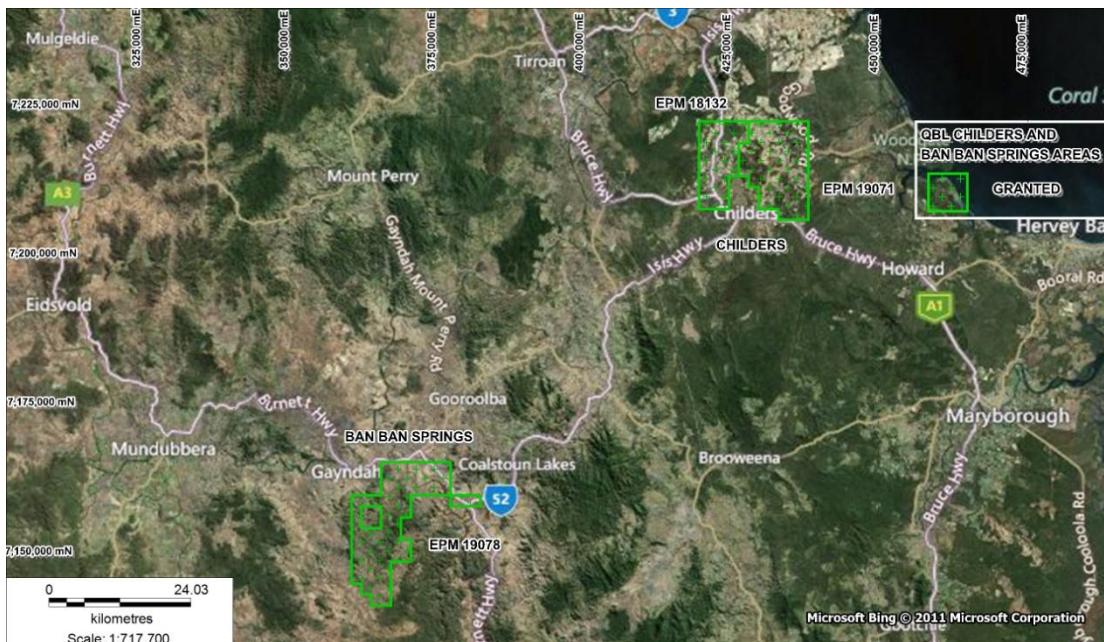


Figure 11 Ban Ban Springs and Childers Projects

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 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.

In addition to QBL's completed aircore drill program at Kingaroy, the Company carried out preliminary Innovex XRF surface sampling at the Kingaroy Area and collected 138 individual readings. In addition selected samples were submitted to ALS for a low temperature leach to determine available alumina and reactive silica content (for leach conditions see above) (**Figure 12**).

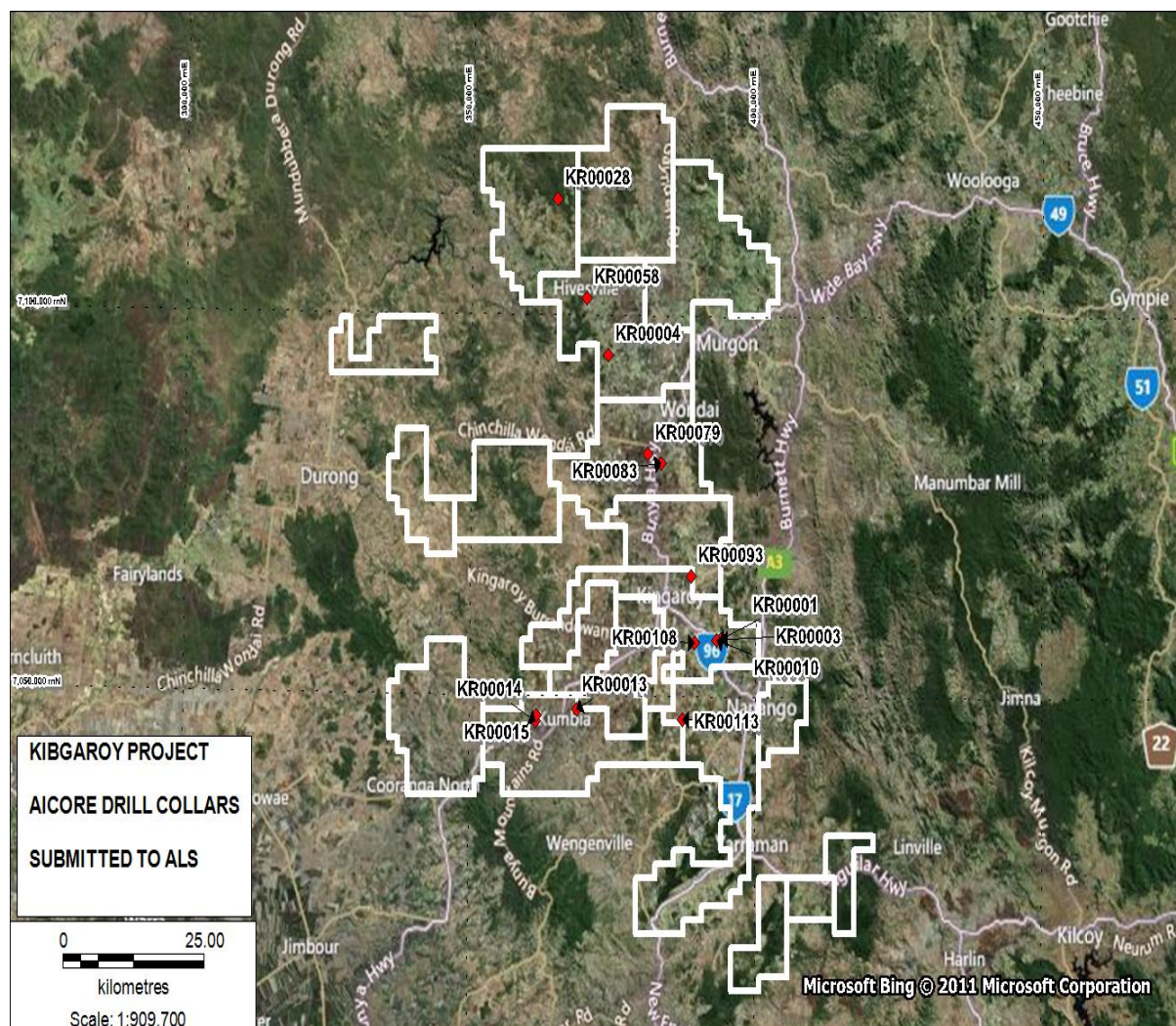


Figure 12 Kingaroy Project – Drill holes selected for ALS XRF analyses

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 environmental impact issues, access has been delayed, but it is hoped that access will be secured for drilling.

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

Sample	Tenement	%AL ₂ O ₃	%SiO ₂	A/S	%avAI low temp	%rxSi
Kin 13	19078	55.9	2.7	20.7	36.4	1.4
P3	18136	46.8	5.7	8.2		

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% Al₂O₃ and 1.6% SiO₂;
- Sample from 10km north of Kingaroy returned 23.8% Al₂O₃ and 5.7% SiO₂; and
- Sample from 20km south of Kingaroy returned 46.8% Al₂O₃ and 5.7% SiO₂.

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 Al ₂ O ₃	43.2	45.3	40.1
%Total Silica as SiO ₂	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 where this sampling took place is approximately 2.5km in length at elevations between 400 and 450m ASL and QBL has carried out Innovex sampling and has done lab analysis along a central 750m portion.

The Innovex sample returned 56.7% Al₂O₃ and 5.2% SiO₂ for sample KN14 and 29.1% Al₂O₃ and 4.8% SiO₂ for sample BS2B.

Results returned from ALS laboratories processed at low temperature 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

Although samples were taken from outside the exclusion zone, the main bauxite horizon appears to be situated primarily within an environmental sensitive zone and we are in discussions with Queensland Departments of Environmental Management (DERM) as to how best to explore this area.

As a result of the results of the recent drilling and sampling programmes on the Company's tenements, the Company and its representatives have been negotiating with relevant stakeholders to allow access for further drilling and work on the areas that have been determined to focus further exploration. This includes landowners and other potential government bodies and companies. There are also some sites that the company wishes to progress which are currently affected by Environmentally Sensitive areas.

Pittsworth Bauxite Project

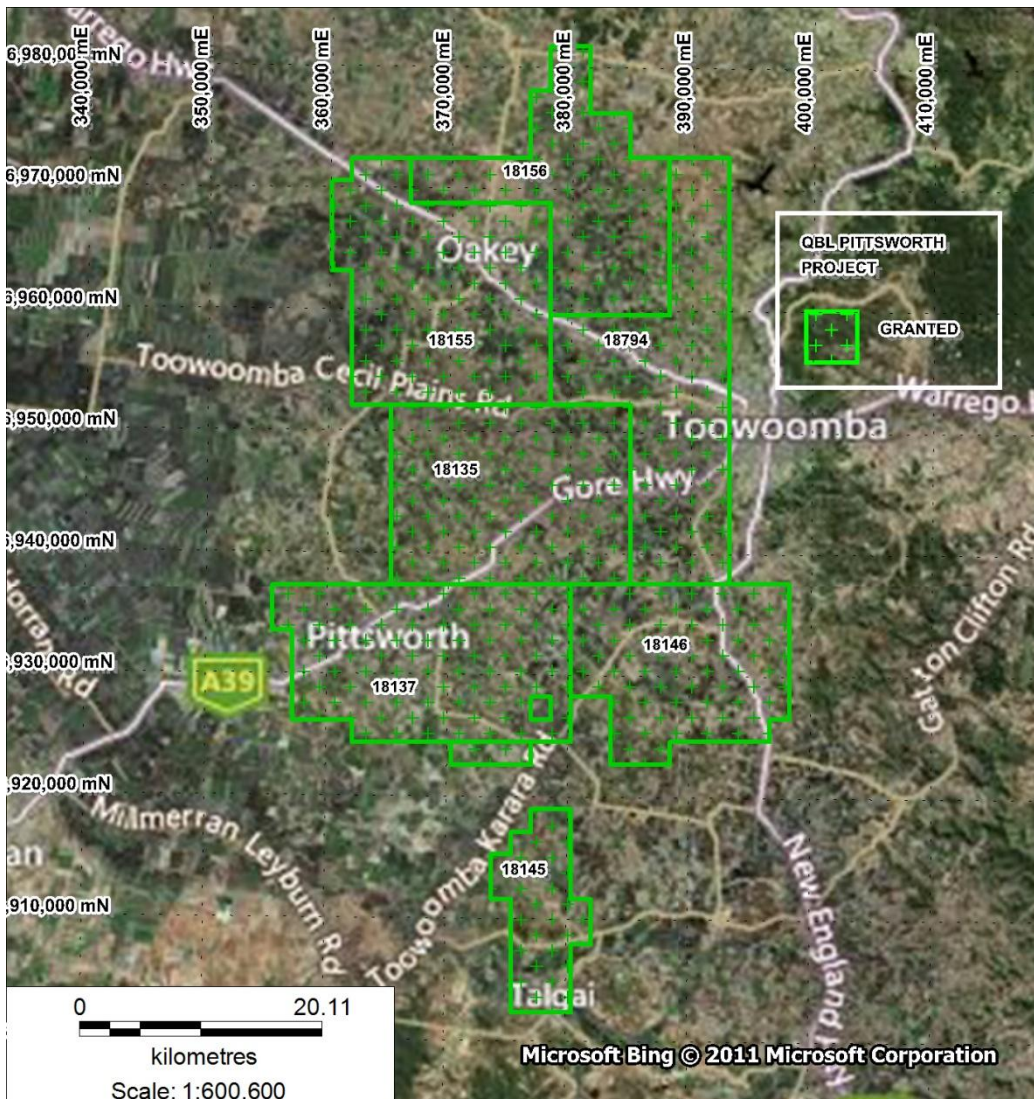


Figure 13 Pittsworth Projects

The Pittsworth Bauxite Project is situated west of the city of Toowoomba in South East Queensland. Exploration to date has shown bauxite to be developed in small restricted areas to the west and south west of Toowoomba. This project is currently being reviewed for the extent of its bauxite potential.

The Company is working towards securing the necessary approvals to progress drilling in the areas identified as high priority yet affected by any restrictions. The Company is hopeful of securing the required approvals in due course.

QBL assessing new significant project acquisition opportunities

As a result of QBL's strong shareholder base and technical expertise, QBL has been approached in relation to substantial project opportunities. QBL's directors and management, together with its technical and corporate advisors, are currently reviewing these opportunities, and the Company will inform the market should any opportunity be progressed.

Bauxite Infrastructure Study

QBL has a significant tenement package in Queensland with the projects being close to rail/road and existing ports such as the Nth Qld Projects which are 18km from deep water Mourilyan Port and SE Qld Projects being linked by rail/road to Ports of Brisbane, Bundaberg and Gladstone. Negotiations have commenced with several infrastructure providers who are keen to participate in upgrades as required as well as planned expansion of port/rail facilities to meet future export requirements should the need arise.

The following work has been undertaken during the period:

- Continued negotiating access agreements for the identified high priority drilling targets for follow up drilling;
- Ongoing infrastructure studies with a view to securing access to infrastructure and ports;
- Geological mapping and surficial sampling at all projects; and
- 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.

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 recently 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.

CURRENT TENEMENT OWNERSHIP AND STATUS

As a result of the exploration programmes undertaken to date, the Company is considering not renewing some of its tenements. The following is a table of all of QBL's tenements. The tenements in the first column are those tenements which are current. The tenements in the second column are those tenements which are up for renewal and which may not be renewed. Due to the current level of uncertainty, the value of the exploration assets related to the tenements in the second column, have been impaired, and the value on the Company's "Consolidated Statement of Financial Position" has been written down to recognise this impairment. The write-down during the year ended 30 June 2012, relating to the impairment of exploration assets was \$1,567,018.

Current	Impaired
EL7409	EPM18131
E47/1153	EPM18132
EL7224	EPM18133
EPM18136	EPM18134
EPM18152	EPM18135
EPM18794	EPM18137
EPM19067	EPM18138
EPM19068	EPM18139
EPM19069	EPM18140
EPM19071	EPM18141
EPM19072	EPM18142
EPM19073	EPM18143
EPM19078	EPM18144
EPM19079	EPM18145
EPM19233	EPM18146
	EPM18149
	EPM18153
	EPM18155
	EPM18156
	EPM18463
	EPM18464
	EPM19068
	EPM19069
	EPM19072

**References to targets of Bauxite “tonnage”, “reserves”, “resources”, “ore” and “grades” are only conceptual in nature as, where these targets are mentioned there has been insufficient or unverified exploration data to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.*

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). Dr Coenraads is a fellow of the Australasian Institute of Mining and Metallurgy.

Dr Coenraads is a full time employee of Australian Gemstone Mining Pty Ltd which contracts services to QBL. Dr Coenraads 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”. Dr Coenraads consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Operating results

The operating loss after tax for the year ended 30 June 2012 for the Group was \$1,644,900 (2011: loss \$4,500,805).

Dividends

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

Environmental regulation

The Group 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 Group other than those referred to elsewhere in this report, or the financial statements or notes thereto.

Events subsequent to balance date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations or the state of affairs of the Group, in future financial years.

Likely developments

Further information about likely developments in the operations of the Group in future years, the expected results of those operations, the strategies of the Group and its prospects for future financial years has not been included in this report, because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

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.

Insurance

During the year the Company paid a premium of \$39,265 to insure the directors and officers of the Company. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

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 auditor's 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	\$64,643
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Services other than statutory audit

- taxation services and advice	\$8,302
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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 33 to 39 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	Consolidated Entity	
	2012	2011
	\$	\$
Rent	139,476	148,097
Management & Secretarial	133,020	96,399
Exploration & Geological	326,964	267,335
Executive & Corporate Services	332,580	389,888
Consulting fees – Mrs Feldman	50,000	60,000
Reimbursement of Expenses	23,498	28,370
Total	1,005,538	990,089

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	Salary & fees \$	Short term	Non-monetary benefits \$	Post employment	Termination Benefits \$	Share based payments	Other	Total \$	Proportion of remuneration performance Related %	Value of options as a proportion of remuneration %
		Cash bonus \$		Super- annuation \$		Options \$	Bonuses \$			
Pnina Feldman										
2012	150,000	-	-	-	-	-	-	150,000	-	-
2011	160,000	-	-	-	-	-	-	160,000	-	-
Sholom Feldman										
2012	100,000	-	-	-	-	-	-	100,000	-	-
2011	100,000	-	-	-	-	-	-	100,000	-	-
Paul Stephenson										
2012	70,000	-	-	-	-	-	-	70,000	-	-
2012 – relates to prior year	2,500	-	-	-	-	-	-	2,500	-	-
2011	60,000	-	-	-	-	-	-	60,000	-	-
David Austin										
2012	19,091	-	-	-	-	-	-	19,091	-	-
2011	17,500	-	-	-	-	-	-	17,500	-	-
Russell Williams										
2012	70,000	-	-	-	-	16,711	-	86,711	-	19.27%
2011	-	-	-	-	-	-	-	-	-	-
Total Compensation:										
Directors including Key Management Personnel										
(Company an Group)										
2012	411,591	-	-	-	-	16,711	-	428,302	-	-
2011	337,500	-	-	-	-	-	-	337,500	-	-
Total Compensation:										
Executive Officers (Company an Group)										
2012		-	-	-	-	-	-	-	-	-
2011		-	-	-	-	-	-	-	-	-

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.

2011 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
Total	350,000	-					

2010 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

2011

There were no share-based payments granted as compensation.

2010

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 40 and forms part of the directors' report for the year ended 30 June 2012.

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



Pnina Feldman, Chairperson

Dated this 28th day of September 2012

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 are continually updated, as a result of updates in the ASX corporate 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 statement of financial position item is material if it has a value of more than 5% of pro-forma net assets or \$50,000, whichever is greater.
- A statement of incomprehensive income 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 statement of financial position or statement of incomprehensive income 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 statement of financial position or statement of incomprehensive income 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 3 and 4 of the directors' report and are also available on the Company's website.

Board diversity

At this time, the Company has not established a policy concerning diversity. This is due to the size of the Board and the stage of the Company's development.

The proportion of women in the whole organisation is as follows:

	30 June 2012		30 June 2011	
Gender representation	Female (%)	(Male %)	Female (%)	Male (%)
Board representation	25%	75%	25%	75%
Senior executive positions	-	-	-	-
All employees	-	100%	-	100%

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 and 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 the 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.
3.2	Companies should establish a policy of diversity.	Currently, the Company has 25% female representation of the Board.	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.
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 larger 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.

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 2012, 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 2012

Nexia Court & Co

Level 29, 264 George Street, Sydney NSW 2000
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Queensland Bauxite Limited ABN 18 124 873 507 and Controlled Entities
Independent member of Nexia International



Financial Statements

Consolidated statement of comprehensive income

For the year ended 30 June 2012

	Note	2012 \$	2011 \$
Profit on sale of mining tenement assets	7	2,193,419	-
Profit on sale of plant and equipment	7	-	248,403
Interest received	7	333,127	95,389
Other income	7	201,898	190,748
General and administrative expenses		(273,539)	(220,209)
Depreciation		(49,447)	(35,260)
Management services		(539,013)	(894,043)
Legal expenses		(57,789)	(162,875)
Directors fees		(411,591)	(337,500)
Finance expenses		(5,784)	(1,489)
Occupancy expenses		(142,312)	(161,578)
Exploration written off	17	(632,455)	(488,399)
Impairment of exploration assets	17	(1,567,018)	-
Impairment of other receivables		(106,773)	-
Travelling expenses – directors travel		(226,826)	(203,407)
Other expenses		(224,086)	(159,278)
Share based payments expense		(16,711)	(2,371,307)
Brokerage fees		(120,000)	-
Loss before income tax		(1,644,900)	(4,500,805)
Income tax benefit	9	-	-
Loss after tax from continuing operations		(1,644,900)	(4,500,805)
Other comprehensive income, net of tax		-	-
Total comprehensive loss		(1,644,900)	(4,500,805)
Loss attributable to members of Queensland Bauxite Limited		(1,644,900)	(4,500,805)
Total comprehensive income attributable to members of Queensland Bauxite Limited		(1,644,900)	(4,500,805)
Basic earnings per share (cents per share)	12	(0.61)	(2.31)
Basic earnings per share from continuing operations (cents per share)	12	(0.61)	(2.31)
Diluted earnings per share (cents per share)	12	(0.61)	(2.31)
Diluted earnings per share from continuing operations (cents per share)	12	(0.61)	(2.31)

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

As at 30 June 2012

	Note	2012 \$	2011 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	13	4,408,115	4,460,053
Trade and other receivables	14	94,566	445,026
Other current assets	15	1,200,000	-
Available for sale assets		-	288,151
TOTAL CURRENT ASSETS		5,702,681	5,193,230
NON-CURRENT ASSETS			
Other non-current assets	15	69,715	1,317,047
Exploration and evaluation	17	1,287,546	2,278,459
Property, plant and equipment	18	122,134	137,577
TOTAL NON-CURRENT ASSETS		1,479,395	3,733,083
TOTAL ASSETS		7,182,076	8,926,313
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	19	309,102	409,883
Employee benefits	20	-	3,681
Other financial liabilities	21	11,686	11,686
TOTAL CURRENT LIABILITIES		320,788	425,250
NON-CURRENT LIABILITIES			
Other financial liabilities	21	29,314	40,900
TOTAL NON-CURRENT LIABILITIES		29,314	40,900
TOTAL LIABILITIES		350,102	466,150
NET ASSETS		6,831,974	8,460,163
EQUITY			
Share capital	22	13,559,013	13,559,013
Share based payments reserve	23	3,463,518	3,446,807
Accumulated losses	24	(10,190,557)	(8,545,657)
TOTAL EQUITY		6,831,974	8,460,163

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 30 June 2012

		Share Capital Ordinary	Accumulated Losses	Share Based Payments Reserve	Total
	Note	\$	\$	\$	\$
Balance at 30 June 2010		4,939,159	(4,044,852)	1,075,500	1,969,807
Loss attributable to members of consolidated entity	24	-	(4,500,805)	-	(4,500,805)
Share based payment	23	-	-	2,371,307	2,371,307
Shares issued during the year	22	8,619,854	-	-	8,619,854
Balance at 30 June 2011		13,559,013	(8,545,657)	3,446,807	8,460,163
Loss attributable to members of consolidated entity	24	-	(1,644,900)	-	(1,644,900)
Share based payment	23	-	-	16,711	16,711
Shares issued during the year		-	-	-	-
Balance at 30 June 2012		13,559,013	(10,190,557)	3,463,518	6,831,974

The accompanying notes form part of these financial statements.

Statement of cash flows

For the year ended 30 June 2012

	Note	Consolidated Entity	
		2012 \$	2011 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		-	-
Payments to suppliers and employees		(2,539,713)	(2,864,411)
Interest received		333,127	95,389
Other receipts		270,541	190,748
Interest paid		(5,784))	-
Net cash (from) operating activities	26	(1,941,829)	(2,578,274)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of mining tenements		2,500,000	-
Purchase of property, plant and equipment		(34,004)	(104,865)
Exploration and evaluation expenditure		(576,105)	(1,062,972)
Net cash from investing activities		1,889,891	(1,167,837)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	8,030,000
Net cash from financing activities		-	8,030,000
Net (decrease)/increase in cash held		(51,938)	4,283,889
Cash at beginning of financial year		4,460,053	176,164
Cash at end of financial year	26	4,408,115	4,460,053

The accompanying notes form part of these financial statements.

Notes to the financial statements for the year ended 30 June 2012

1 REPORTING ENTITY

Queensland Bauxite Limited (the 'Company') is a company domiciled in Australia. The address of the company's registered office is Level 34, 50 Bridge Street, Sydney NSW 2000. The consolidated financial statements of the Company as at and for the year ended 30 June 2012 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

The Group is a for-profit entity and is primarily involved in the exploration for mineral deposits.

2 BASIS OF PREPARATION

a Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards ('IFRSs') adopted by the International Accounting Standards Board ('IASB').

The consolidated financial statements were authorized for issue by the Board of Directors on 28 September 2012.

b Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Trade and other receivables

The methods used to measure fair values are discussed further in note 5.

c Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the Group.

d Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

a Basis of consolidation

i Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the group takes into consideration potential voting rights that currently are exercisable.

ii Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

iii Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

b Financial instruments

i Non-derivative financial assets

The Group initially recognizes loans and receivables on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group has the following non-derivative financial assets: loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

ii Non-derivative financial liabilities

The Group initially recognizes debt securities issued on the date that they are originated. All other financial liabilities are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group classifies the non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost.

Other financial liabilities comprise loans and borrowings and trade and other payables.

iii Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

c Property, plant and equipment

i Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

ii Subsequent costs

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

Depreciation and amortisation

Items of property, plant and equipment are depreciated/amortized on a straight-line basis in profit and loss over the estimated useful lives of each component. Leased assets are depreciated over the shorter of the lease term and their useful lives.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

. plant and equipment	14 years
. office equipment	7 years
. motor vehicles	7 years

Depreciation and amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

d Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

e 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:

the expenditures are expected to be recouped through successful development and exploitation or from sale of the area of interest; or

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 (f)). 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.

f Impairment

i Non-derivative financial assets

A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor.

The Group considers evidence of impairment for financial assets at a specific asset level.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognized in profit and loss and reflected in an allowance account against loans and receivables.

ii Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognized in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

g Employee benefits

i Accumulation plans

An accumulation superannuation plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to accumulation superannuation funds are recognised as an employment benefit expense in profit or loss in the periods during which services are rendered by employees.

ii Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. 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 group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

h Revenue

Revenue is recognized at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

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.

i Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

j Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest method.

Finance costs comprise interest expense on borrowings. All borrowing costs are recognised in profit or loss using the effective interest method.

k Tax

Tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Queensland Bauxite Limited.

l Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

m 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.

4 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2012, and have not been applied in preparing these consolidated financial statements of the Group. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

5 DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

i Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

6 FINANCIAL RISK MANAGEMENT

Overview

The Company and Group have exposure to the following risks from their use of financial instruments:

liquidity risk; and

market risk.

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Company and Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's and Group's activities. The Company and Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses.

Market risk

Market risk is the risk that changes in market prices will affect the Group, for example changes in interest rates.

Note 7: Income

	2012 \$	2011 \$
Profit on sale of mining tenement assets	2,193,419	-
Profit on sale of plant and equipment	-	248,403
Interest received	333,127	95,389
Other revenue	201,898	190,748
	<u>2,728,444</u>	<u>534,540</u>

Note 8: Expenses

	2012 \$	2011 \$
Employee benefits expense:		
Salaries and wages expense	132,789	79,615
Share based payments expense	16,711	235,000
Contributions to accumulation superannuation funds	14,311	7,165
Provision for employee benefits annual leave	-	3,681
	<u>163,811</u>	<u>325,461</u>

Note 9: Income tax

	2012 \$	2011 \$
Major components of income tax expense		
a. Income tax benefit		
Accounting loss	(1,644,900)	(4,500,805)
Prima facie tax benefit on the loss from ordinary activities before income tax at 30% (2011: 30%) differs from the income tax provided in the financial statements as follows:		
Tax benefit at 30%	(493,470)	(1,350,242)
Tax effect of non-deductible expenses	5,013	711,392
Business related capital costs amortised	(53,585)	(53,585)
Exploration expenditure capitalised	(173,432)	(199,868)
Deferred tax asset not brought to account	715,474	892,303
Income tax benefit attributable to operating loss	<u>-</u>	<u>-</u>

	2012	2011
b. Unrecognised deferred tax assets	\$	\$
Deferred tax assets have not been recognised In respect of the following item:		
Tax losses	2,882,716	2,169,773

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 10: 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:

2012

	Held at 1 July 2011	Granted as compensation	Lapsed	Held at 30 June 2012	Vested during the year	Vested and exercisable at 30 June 2012
Directors						
Pnina Feldman ⁽¹⁾	11,000,000	-	-	11,000,000	-	11,000,000
Sholom Feldman	1,000,000	-	-	1,000,000	-	1,000,000
Paul Stephenson	1,000,000	-	-	1,000,000	-	1,000,000
David Austin	-	-	-	-	-	-
Russell Williams	700,000	-	-	700,000	350,000	350,000

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	-	11,000,000
Sholom Feldman	1,000,000	-	-	1,000,000	-	1,000,000
Paul Stephenson	1,000,000	-	-	1,000,000	-	1,000,000
David Austin	-	-	-	-	-	-
Russell Williams	-	700,000	-	700,000	-	-

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:

2012

	Held at 1 July 2011	Acquired	Disposed	Held at 30 June 2012
Directors				
Pnina Feldman (1)(2)	109,252,166	-	-	109,252,166
Sholom Feldman (1)(2)	109,252,166	-	-	109,252,166
Paul Stephenson	1,000,000	-	-	1,000,000
David Austin	-	-	-	-
Russel Williams	-	-	-	-

2011

	Held at 1 July 2010	Acquired	Disposed	Held 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	-	-	-	-
Russel Williams	-	-	-	-

(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) Prina 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 11: Auditor's remuneration

	2012 \$	2011 \$
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	34,000	28,001
- Half-year review	30,643	21,973
Other services		
- Taxation services and advice	8,302	12,285
	72,945	62,259

Note 12: Earnings per share

	2012	2011
Basic Earnings per Share		
a. Basic loss per share (cents)	(0.61)	(2.31)
Loss attributable to ordinary shareholders (\$)	(1,644,900)	(4,500,805)
Earnings used to calculate basic EPS (\$)	(1,644,900)	(4,500,805)
	No.	No.
b. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	271,363,192	195,141,958
Diluted Earnings per Share		
a. Basic loss per share (cents)	(0.61)	(2.31)
Loss attributable to ordinary shareholders (\$)	(1,644,900)	(4,500,805)
Earnings used to calculate diluted EPS (\$)	(1,644,900)	(4,500,805)
	No.	No.
b. Weighted average number of ordinary shares outstanding during the year used in calculating diluted EPS	271,363,192	195,141,958

Note 13: Cash and cash equivalents

	2012 \$	2011 \$
CURRENT		
Cash at bank	4,408,115	4,460,053

Note 14: Trade and other receivables

	2012 \$	2011 \$
CURRENT		
Prepaid rent	-	14,247
Prepaid insurance	11,250	10,888
Other debtors	132,588	312,970
Less: impairment of other debtors	(106,773)	-
GST receivable	57,501	106,921
	94,566	445,026

Note 15: Other assets

	2012 \$	2011 \$
CURRENT		
Loan to Volcan Australia Corporation Pty Ltd (i)	1,200,000	-
NON-CURRENT		
Other loan	-	10,000
Loan to Australian Iron Ore Pty Ltd	1,292	1,292
Loan to L'Hayyim Gold Pty Ltd	-	5,383
Loan to Volcan Alumina Pty Ltd	-	572
Loan to New England Sapphire Pty Ltd	-	1,600
Loan to Volcan Australia Corporation Pty Ltd	68,423	1,298,200
	69,715	1,317,047

- (i) This amount is due for payment on 14 December 2012 and relates to the sale to Volcan of New England Sapphire Corporation Pty Ltd as approved by shareholders pursuant to the EGM held on 14th December 2010. The sale price of NESC was \$1.2M with payment due 24 months after sale, which is 14th December 2012. The Board of Directors will be seeking payment of this amount from Volcan on that date. Volcan Australia Corporation Pty Ltd is the company's largest shareholder.

Note 16: Controlled entities

	Country of incorporation	Percentage owned (%)	
		2012	2011
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%	100%
Volcan Queensland Bauxite Pty Ltd	Australia	100%	100%
Volcan South Queensland Bauxite Pty Ltd	Australia	100%	100%

* Percentage of voting power is in proportion to ownership

Note 17: Exploration and evaluation

	2012 \$	2011 \$
NON-CURRENT		
Balance as at 30 June	2,278,459	1,710,686
Mining permits, tenement acquisition and administration and geologist expenses	576,105	1,256,381
Impairment of exploration assets	(1,567,018)	-
Tenement disposal	-	(688,608)
Balance as at 30 June	1,287,546	2,278,459
Exploration expenses written off during the year	674,026	488,399

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 18: Property, plant and equipment

	2012 \$	2011 \$
NON-CURRENT		
Mining Equipment		
At cost	247,624	211,745
Accumulated depreciation	(125,490)	(74,168)
Total written down amount	122,134	137,577

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.

2012	Mining Equipment \$	Total \$
------	------------------------	-------------

Consolidated Entity:

Carrying amount year ended 30 June 2011	137,577	137,577
Additions	34,004	34,004
Disposals	-	-
Depreciation expense	(49,447)	(49,447)
Impairment loss	-	-
Carrying amount year ended 30 June 2012	122,134	122,134

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

Note 19: Trade and other payables

	2012 \$	2011 \$
CURRENT		
Unsecured liabilities		
Trade payables	230,833	189,008
Accrued expenses	64,434	78,000
Other creditors	-	1,458
Deferred income	-	100,000
Payroll liability	13,835	16,963
GST payable	-	24,454
	<u>309,102</u>	<u>409,883</u>

Note 20: Employee Benefits

	2012 \$	2011 \$
CURRENT		
Liability for annual leave	-	3,681

Note 21: Other financial liabilities

	2012 \$	2011 \$
CURRENT		
Hire purchase liability - secured	11,686	11,686
Total	<u>11,686</u>	<u>11,686</u>
NON-CURRENT		
Loan – New England Sapphire Corporation Pty Ltd - Unsecured	100	-
Hire purchase liability - secured	29,214	40,900
Total	<u>29,314</u>	<u>40,900</u>

Note 22: Issued capital

	2012 \$	2011 \$
271,363,192 (2011: 271,363,192) fully paid ordinary shares	13,559,013	13,559,013

	2012 No.	2012 \$.	2011 No.	2011 \$.
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 23)				
– 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	271,363,192	13,559,013
Less Cost of capital	-	-	-	-
At reporting date	271,363,192	13,559,013	271,363,192	13,559,013

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:

	2012 No.	2011 No.
Description		
At the beginning of reporting period	128,991,763	55,291,763
Granted during the financial year	-	73,700,000
Forfeited during the financial year	(2,000,000)	-
Exercised during the financial year	-	-
Expired during the financial year	-	-
Balance at the end of the financial year	126,991,763	128,991,763
Exercisable at the end of the financial year	126,991,763	128,991,763

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
- 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 23: Share based payments reserve

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

	Consolidated Entity	
	2012 \$	2011 \$
Balance as at 1 July	3,446,807	1,075,500
Equity settled share based payments	16,711	238,807
Cost of capital share based payments	-	2,132,500
Balance as at 30 June	3,463,518	3,446,807

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.

As a result of M. Derriman's resignation as an employee during May 2012, 2,000,000 of 3,000,000 options issued, were forfeited.

Note 24: Accumulated losses

	2012 \$	2011 \$
Balance as at 1 July	(8,545,657)	(4,044,852)
Loss for the year	(1,644,900)	(4,500,805)
Balance as at 30 June	(10,190,557)	(8,545,657)

Note 25: Commitments for expenditure

	2012 \$	2011 \$
Exploration and evaluation		
– not later than 1 year	796,900	2,262,400
– later than 1 year but no later than 5 years	-	65,000
	796,900	2,327,400

Note 26: Cash Flow Information

	2012 \$	2011 \$
a. Reconciliation of cash flows used in operations with loss after income tax		
Loss after income tax	(1,644,900)	(4,500,805)
Non-cash flows in loss		
Impairment of exploration assets	1,567,018	-
Impairment of receivables	106,773	-
Depreciation	49,447	35,260
Share based payments expense	16,711	2,371,307
Profit on sale of plant and equipment	-	(248,403)
Profit on sale of mining tenement assets	(2,193,419)	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
Decrease/(increase) in trade and other receivables	180,382	(307,138)
Decrease in prepayments	13,885	7,509
Decrease/(increase) in GST receivable	24,966	(37,418)
Increase/(decrease) in trade payables and accruals	40,845	(91,833)
(Decrease)/increase in deferred income	(100,000)	100,000
(Decrease)/increase in payroll liability	(3,128)	16,963
(Decrease)/increase in hire purchase liability	(11,686)	52,586
(Decrease)/increase in annual leave liability	(3,681)	3,681
Increase in other loans	14,958	20,017
Net cash used in operating activities	(1,941,829)	2,578,274

Note 27: Share based payments

The following share-based payment arrangements existed at 30 June 2012. All options granted to directors in Queensland Bauxite Limited, which confer a right of one ordinary share for every option held.

	2012 Number of options	2011 Number of options
Outstanding at the beginning of the year	13,700,000	13,000,000
Granted	-	700,000
Forfeited	(2,000,000)	-
Exercised	-	-
Expired	-	-
Outstanding at year-end	11,700,000	13,700,000
Exercisable at year-end	11,350,000	13,000,000

There were no options exercised during the year ended 30 June 2012 (2011: Nil).

Note 28: Related parties disclosures**Identity of related parties**

The consolidated entity has related party relationships with its subsidiaries, its key management personnel, and companies related due to common directorships, Pnina Feldman, Sholom Feldman and Paul Stepenson, being directors of both the Queensland Bauxite Limited and the director related companies.

Related party transactions with Australian Gemstone Mining Pty Limited

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 2012. 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 St, 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).

	2012	2011
	\$	\$
Rent	139,476	148,097
Management & Secretarial	133,020	96,399
Exploration & Geological	326,964	267,335
Executive & Corporate Services	332,580	389,888
Consulting Fees – Mrs P Feldman	50,000	60,000
Reimbursement of Expenses	23,498	28,370
Total owed to AGMPL	1,005,538	990,089

Amounts owed to AGMPL included in trade payables as at 30 June 2012 is \$5,000 (2011:\$31,016).

Other transactions with related parties

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 2012, HWL Ebsworth was paid \$52,352 (2011: \$62,841) for these services.

<u>Loans advanced to director related companies</u>	2012 \$	2011 \$
Volcan Australia Corporation Pty Ltd – current Due for repayment 14 December 2012.	1,200,000	-
Volcan Australia Corporation Pty Ltd – non current Due for repayment 14 December 2012.	-	1,200,000
Volcan Australia Corporation Pty Ltd – non current No due date for repayment.	68,423	98,200
Australian Iron Ore Pty Ltd – non current No due date for repayment.	1,292	1,292
L’Hayyim Gold Pty Ltd – non current No due date for repayment.	-	5,383
Volcan Alumina Pty Ltd – non current No due date for repayment.	-	572

The above loans are unsecured and interest free.

Loans payable to director related companies

New England Sapphire Corporation Pty Ltd – non current No due date for repayment.	100	1,600
--	-----	-------

The above loans are unsecured and interest free.

Note 29: Financial instruments

a. Financial risk management

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

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

Interest rate risk

The Group'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 29(b).

Foreign currency risk

The Group is not exposed to fluctuations in foreign currencies.

Credit risk

Neither the Group or the Company 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 Group.

Liquidity risk

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

Price risk

The Group 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 statement of financial position.

	Weighted average effective interest rate		Floating interest rate		Within one year		1 to 5 years		Non-interest bearing		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Consolidated Entity	%	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

Financial assets:

Cash and cash equivalents	4.5%	4.1%	4,408,115	4,460,053	-	-	-	-	-	-	4,408,115	4,460,053
Trade and other receivables	-	-	-	-	-	-	-	-	94,566	445,026	94,566	445,026
Other non-current assets	-	-	-	-	-	-	-	-	1,269,715	1,317,047	1,269,715	1,317,047

Financial liabilities:

Trade and other payables	-	-	-	-	-	-	-	-	309,102	409,883	309,102	409,883
Other financial liabilities	-	-	-	-	-	-	-	-	100	-	100	-
Hire purchase liabilities	7.5%	7.5%	-	-	11,686	11,686	29,214	40,900	-	-	40,900	52,586

Note 30: Parent Entity Disclosures

	2012	2011
	\$	\$
Financial Position		
Assets		
Current assets	4,512,835	4,592,914
Non-current assets	4,127,602	4,136,228
Total assets	<u>8,640,437</u>	<u>8,729,142</u>
Liabilities		
Current liabilities	318,147	398,693
Non-current liabilities	66,914	49,286
Total liabilities	<u>385,061</u>	<u>447,979</u>
Equity		
Issued capital	13,559,013	13,559,013
Share based payment reserve	3,463,518	3,446,807
Accumulated losses	(8,767,155)	(8,724,657)
Total Equity	<u>8,255,376</u>	<u>8,281,163</u>
Financial Performance		
Loss for the year	(47,568)	(4,679,805)
Other comprehensive income	-	-
Total comprehensive income	<u>(47,568)</u>	<u>(4,679,805)</u>

Note 31: 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 32: Contingent liabilities

The Company may be liable for bank guarantees of \$40,000 in relation to mining tenements exploration commitments.

Note 33: Segment reporting

The Group consists of one business segment operating predominately in Australia and investing in mineral exploration and identification of potential mining assets for acquisition and development. The financial results from this segment are equivalent to the statement of comprehensive income. The accounting policies applied for internal reporting purposes are consistent with those applied in preparation of these financial statements.

Note 34: Subsequent events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations or the state of affairs of the Group, in future financial years.

Directors' Declaration

1. In the opinion of the directors of Queensland Bauxite Limited ("the Company"):
 - a. The consolidated financial statements and accompanying notes that are set out on pages 41 to 69, and the Remuneration Report on pages 28 to 32 of the Directors' Report, are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
 - 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;
2. The directors have been given the declaration required by Section 295A of the Corporations Act 2001 from the chief executive officer for the financial year ended 30 June 2012.
3. The directors draw attention to note 2(a) to the consolidated financial statements which includes a Statement of Compliance with International Financial Reporting Standards (IFRSs).

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 2012

INDEPENDENT AUDITORS' 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 2012, 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 modified audit opinion.

Nexia Court & Co

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Queensland Bauxite Limited ABN 18 124 873 507 and Controlled Entities

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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.

Basis for Qualified Auditors' Opinion

Included in Note 15 of the financial statements is a current amount receivable from Volcan Australia Corporation Pty Ltd of \$1,200,000. We have not been provided with nor been able to gather by the application of alternate audit procedures, sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of this amount by the reported repayment date. Consequently, we have not been able to determine whether impairment exists in relation to this amount nor whether its classification as a current asset is appropriate.

Qualified Auditors' Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the matter referred to in the preceding paragraph:

- (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 2012 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 2012. 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.

Auditors' Opinion

In our opinion, the Remuneration Report of Queensland Bauxite Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.



David Gallery
Partner



Nexia Court & Co
Chartered Accountants

Sydney
28 September 2012

Additional Information – as at 10 September 2012

Distribution schedule and number of holders of equity securities as at 10 September 2012

	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 10 September 2012 is 26.

20 largest holders of quoted equity securities as at 10 September 2012

The names of the twenty largest holders of fully paid ordinary shares (ASX code: QBL) as at 10 September 2012 are:

RANK	NAME	NUMBER	PERCENTAGE
1	VOLCAN AUSTRALIA CORPORATION PTY LTD	75,000,000	27.64%
2	MR EDUARD SALOMAN NEUMANN (ATF Volcan Australia Corp)	30,000,000	11.06%
3	ZENIX NOMINEES PTY LTD	22,400,000	8.25%
4	KLIP PTY LTD A/C BEIRNE SUPER FUND	15,735,857	5.80%
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,681,218	2.83%
6	DR SALIM CASSIM	6,121,876	2.26%
7	RENYLL BELL INVESTMENTS PTY LTD	6,060,000	2.23%
8	JP MORGAN NOMINEES AUSTRALIA LIMITED	5,772,143	2.13%
9	BRISPOT NOMINEES PTY LTD	5,746,973	2.12%
10	SPRINGTIDE CAPITAL PTY LTD	5,255,236	1.94%
11	CS FOURTH NOMINEES PTY LTD	5,027,944	1.85%
12	SURFBOARD PTY LTD	4,415,000	1.63%
13	L'HAYYIM PTY LIMITED	4,252,166	1.57%
14	ALCARDO INVESTMENTS LIMITED	3,666,857	1.35%
15	NORONEKE MASTER FUND LTD	2,972,385	1.10%
16	LUPA AND COMPANY PTY LTD	2,705,337	1.00%
17	C W JOHNSTON PTY LTD	2,622,155	0.97%
18	KLIP PTY LTD	2,529,998	0.93%
19	RW ASSOCIATES PTY LTD	1,900,000	0.70%
20	MND AUSTRALIA PTY LTD	1,883,333	0.69%
	TOTAL	211,748,478	78.05%
	REMAINDER	59,614,714	21.95%
	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	38.7
Zenix Nominees Pty Ltd	22,400,000	8.25
Klip Pty Ltd	15,735,857	5.80

Unquoted Securities

The number of unquoted securities on issue as at 10 September 2012:

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	36,000,100	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

Names of persons holding more than 20% of a given class of unquoted securities (other than employee options) as at 10 September 2012

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 - 5c 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 10 September 2012

There are no restricted shares or options.

Voting Rights

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

Unlisted options have no voting rights.