

Queensland Bauxite Limited

ACN 124 873 507



**Notice of Annual General Meeting
to be held on Tuesday 12 November 2013**

**Explanatory Memorandum
for the Notice of Annual General Meeting**

**THIS DOCUMENT IS IMPORTANT AND REQUIRES
YOUR IMMEDIATE ATTENTION.
IF YOU ARE IN ANY DOUBT ABOUT THE ACTION YOU SHOULD TAKE
PLEASE CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT OR
OTHER PROFESSIONAL ADVISER.**

**NOTICE OF THE ANNUAL GENERAL MEETING
TO BE HELD AT LEVEL 16, 1 Market STREET, SYDNEY**

AT 11:30AM SYDNEY TIME ON 12 November 2013

**TO BE VALID, FORMS OF PROXY FOR USE AT THE ANNUAL GENERAL MEETING MUST BE
COMPLETED AND RETURNED TO THE COMPANY NO LATER THAN
11.30AM SYDNEY TIME ON SUNDAY 10 NOVEMBER 2013**

Chairperson's Letter

10th October 2013

Dear Shareholder

We are all looking forward to exciting times ahead for QBL, with the development of our coal and bauxite projects.

If you wish to be updated on a regular basis as to the progress of the Company, you are invited to join our in-house email communication initiative to keep shareholders informed.

Kindly send your name and email address (which will be kept confidential by the Company) to info@queenslandbauxite.com.au. Alternatively you can also use the contact form on our website by following this link <http://www.queenslandbauxite.com.au/contacts/>.

As announced to ASX on 2 July 2013, Queensland Bauxite Limited (**QBL** or the **Company**) has entered into a binding term sheet with Regius Coal Mining Limited (**Regius Coal**), an Australian unlisted public company, to acquire an initial 35% interest in a Regius Coal subsidiary holding interests in two Mozambique exploration licences considered to be prospective for coal, located in the Zambezi coal basin in Tete province (**Transaction**). There is a further option to earn up to 51% of the Regius Coal subsidiary.

The Company has also entered into a convertible bond and subscription deed (as amended) under which the Company has issued bonds to raise \$1.8 million (**Convertible Bond Deed**) to strengthen the balance sheet and provide further general working capital (including to facilitate the Transaction). The key terms of the Convertible Bond Deed are set out in the Notice of Meeting.

Subject to shareholder approval, the bonds issued under the Convertible Bond Deed (and any interest accrued but unpaid on those bonds) are convertible into QBL shares. Under the Convertible Bond Deed, the Company:

- subject to QBL shareholder approval being obtained, will grant 90 million options exercisable into QBL shares to the bondholder each with an exercise price of \$0.03 and an expiry date three years after the date of shareholder approval; and
- has already granted 12.5 million options exercisable into QBL shares each with an exercise price of \$0.03 and an expiry date of 28 June 2016.

The directors of the Company have convened the annual general meeting (**Meeting**) of shareholders of the Company (**Shareholders**) to be held on 12 November 2013 to consider and approval on matters relating to the general business of the Company and to the Transaction:

- table the financial statements and reports of the Company for the financial year ended 30 June 2013;
- vote on the re-election of Paul Stephenson as a Director;
- obtain approval to refresh the Company's share placement capacity by 10% in accordance with ASX Listing Rule 7.1A, in addition to the existing 15% annual limit; and
- obtain approval to pay Paul Stephenson and Russell William's director's fees through the issue of Shares in lieu of cash payments; and
- in respect of the Transaction:
 - o obtain approval for the Bonds to be convertible into Shares;
 - o obtain approval for the grant of 90,000,000 options; and
 - o ratify the grant of the 12,500,000 options.

Notice of Meeting and accompanying documents

This letter is accompanied by a Notice of Meeting and the Explanatory Memorandum. The Notice of Meeting sets out the Resolutions, while the Explanatory Memorandum explains in greater detail the background to the proposed Resolutions. Shareholders are encouraged to read the enclosed Explanatory Memorandum and to attend the Meeting and vote on the Resolutions. A Proxy Form is enclosed to enable any Shareholder who is unable to attend the Meeting to vote at that meeting.

The Directors support the Resolutions contained in the Notice of Meeting.

Yours faithfully

A handwritten signature in black ink, appearing to read "Pnina Feldman", written in a cursive style.

Pnina Feldman
Chairperson

Glossary

1. Definitions

The following definitions are used in the Chairperson's Letter, the Notice of Meeting and the Explanatory Memorandum:

Annual General Meeting or **Meeting** means the annual general meeting of the Company to be held on 12 November 2013 pursuant to the Notice of Meeting;

ASX means ASX Limited ACN 008 624 691 or the securities market operated by the ASX, as the case may be;

ASX Listing Rules means the official listing rules issued and enforced by the ASX as amended from time to time;

Board or **Board of Directors** means the board of Directors of the Company;

Bondholder means a holder of a Bond;

Bonds has the meaning given to that term in paragraph 7 of the Explanatory Memorandum;

Business Day means a day which is not a Saturday, Sunday or public holiday in Sydney;

Chairperson means chairperson of the Company, who is currently Pnina Feldman;

Closely Related Party of a member of the Key Management Personnel means:

- (i) a spouse or child of the member; or
- (ii) a child of the member's spouse; or
- (iii) a dependent of the member or the member's spouse; or
- (iv) anyone else who is one of the member's family and may be expected to influence the member or be influenced by the member in the member's dealings with the Company; or
- (v) a company the member controls; or
- (vi) a person prescribed by the Corporations Regulations 2001 (Cth);

Company or **QBL** means Queensland Bauxite Limited ACN 124 873 507;

Consenting Party means so long as Gleneagles Nominees or an associate of Gleneagle Nominees holds any Bonds, Gleneagle Securities, or if Gleneagles Nominees or an associate of Gleneagle Nominees is no longer a holder of any Bonds, the majority of Bondholders;

Constitution means the constitution of the Company, as amended from time to time;

Convertible Bond Deed means the Convertible Bond and Subscription Deed dated 27 June 2013 between the Company (as issuer), Gleneagle Nominees and Gleneagle Securities (as amended);

Corporations Act means *Corporations Act 2001* (Cth);

Director means a director of the Company;

Eligible Entity has the meaning given to that term in ASX Listing Rule 19.12;

Equity Securities has the meaning given to that term in ASX Listing Rule 19.12;

Explanatory Memorandum means the explanatory memorandum set out in Section D of this document;

Gleneagle Nominees means Gleneagle Securities Nominees Pty Limited;

Gleneagle Securities means Gleneagle Securities (Aust) Pty Limited;

IRR means the discount rate (expressed as an annualised rate and calculated on an annual compounding basis) which, when applied to the series of outflows and inflows in respect of a Bond, produces a net present value of those cash values equal to zero, where:

- (i) the face value of \$1,000 of each Bond is designated as an outflow on 28 June 2013; and
- (ii) any proceeds paid to a Bondholder in respect of a Bond on the redemption of the Bond (net of any withholding or deduction on in respect of tax) are designated as an inflow on the date on which such proceeds are received;

Key Management Personnel has the same meaning as in the Australian accounting standards. Broadly speaking this includes those persons with the authority and responsibility for planning, directing and controlling the activities of the Company (whether directly or indirectly), and includes any Directors;

Listing Rules means the official listing rules issued and enforced by the ASX as amended from time to time;

Notice of Meeting or **Notice** means the notice of Annual General Meeting set out in Section C of this document;

Option means an option which entitles the holder to subscribe for one Share;

Principal Sum means the amount of \$1.8 million paid by Gleneagle Nominees to the Company as consideration for the 1,800 Bonds under the Convertible Bond Deed;

Proxy Form means the proxy form accompanying this Notice set out in Section E;

Remuneration Report means the remuneration forming part of the director's report in the Company's 2012/13 financial statements;

Resolution means a resolution passed by the requisite majority of members of the Company on a show of hands or by the requisite majority of votes given on a poll;

Share means a fully paid ordinary share in the issued capital of the Company and **Shares** means any two or more of them;

Shareholder means a holder of a Share; and

VWAP means the volume weighted average price.

2. Interpretation

For the purposes of interpreting the Chairperson's Letter, the Explanatory Memorandum and the Notice of Meeting:

- (a) the singular includes the plural and vice versa;
- (b) words importing any gender include both genders;
- (c) reference to any statute, ordinance, regulation, rule or other law includes all regulations and other instruments and all consolidations, amendments, re-enactments or replacements for the time being in force;

- (d) all headings, bold typing and italics (if any) have been inserted for convenience of reference only and do not define limit or affect the meaning or interpretation of the Chairperson's Letter, the Explanatory Memorandum and the Notice of Meeting;
- (e) reference to persons includes bodies corporate and government authorities and in each and every case, includes a reference to the person's executors, administrators, successors, substitutes (including without limitation persons taking by novation and assignment); and
- (f) reference to **\$, A\$, Australian Dollars** or **dollars** is a reference to the lawful tender for the time being and from time to time of the Commonwealth of Australia.

SECTION C - Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Shareholders of Queensland Bauxite Limited ACN 124 873 507 (**QBL** or the **Company**) will be held at Level 16, 1 Market Street, Sydney, on 12 November 2013 at 11:30am (Sydney time).

Defined terms used in this Notice have the meanings given to them in the Glossary accompanying this Notice.

1. Ordinary business

1.1 Financial Reports

To receive and consider the Financial Reports of the Company including the balance sheet and profit and loss account and statements of cash flows of the Company, the consolidated financial statement, the directors' declaration and the reports of the Directors (including the Remuneration Report) and auditors for the financial year ended 30 June 2013.

Note: The Financial Report, Directors' Report and Auditor's Report for the Company for the year ended 30 June 2013 will be laid before the meeting. There is no requirement for Shareholders to approve those reports. Shareholders will be given an opportunity to raise questions of the Directors and the Company's auditor on the Accounts at the Annual General Meeting.

1.2 Resolution 1: Adoption of Remuneration Report

To consider and, if thought fit, to pass with or without amendment the following as a **non-binding ordinary resolution**:

"That for the purposes of section 250R(2) of the Corporations Act and for all other purposes, the Remuneration Report for the year ended 30 June 2013 included in the Directors' Report be adopted by the Company."

Note: The Remuneration Report is set out on pages 21 to 26 and note 10 to the Financial Statements contained in the 2013 Annual Report. In accordance with section 250R(3) of the Corporations Act, the votes cast in respect of this Resolution are advisory only and do not bind the Company.

1.3 Resolution 2: Re-election of Paul Stephenson

To consider and, if thought fit, to pass with or without amendment the following as an **ordinary resolution**:

"That Paul Stephenson, having retired from his office as a Director in accordance with Rule 3.6 of the constitution of the Company and, being eligible, having offered himself for re-election, be re-elected as a Director."

2. Special Business

2.1 Resolution 3: Approval of the 10% placement facility

To consider and, if thought fit, to pass, the following as a **special resolution**:

"That, for the purposes of ASX Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of issue), calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Memorandum."

2.2 **Resolution 4: Approval of issue of Shares to Paul Stephenson in lieu of director's fees**

To consider and, if thought fit, to pass with or without amendment the following as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 4,500,000 Shares to Paul Stephenson or his nominee(s) on the terms and conditions set out in the Explanatory Memorandum."

2.3 **Resolution 5: Approval of issue of Shares to Russell Williams in lieu of director's fees**

To consider and, if thought fit, to pass with or without amendment the following as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 2,000,000 Shares to Russell Williams or his nominee(s) on the terms and conditions set out in the Explanatory Memorandum."

2.4 **Resolution 6: Approval for grant under the Bonds of conversion rights for Shares**

To consider and, if thought fit, to pass with or without amendment the following resolution as an ordinary resolution:

"That, for the purpose of Listing Rule 7.1 and for all other purposes, Shareholders authorise the grant of conversion rights under the Bonds so as to permit amounts to be convertible into Shares on the terms and conditions set out in the Explanatory Memorandum."

2.5 **Resolution 7: Approval to grant 90,000,000 Options to the Bondholders**

To consider and, if thought fit, to pass with or without amendment the following resolution as an ordinary resolution:

"That, for the purpose of Listing Rule 7.1 and for all other purposes and subject to Resolution 1 being approved, the Company is authorised to grant 90,000,000 Options to Gleneagle Securities Nominees Pty Ltd (and any permitted transferees of the Bonds) on the terms and conditions set out in the Explanatory Memorandum."

2.6 **Resolution 8: Ratification of prior grant of 12,500,000 Options to Gleneagle Securities (Aust) Pty Ltd**

To consider and, if thought fit, to pass with or without amendment the following resolution as an ordinary resolution:

"That, for the purpose of Listing Rule 7.4 and for all other purposes, the Shareholders ratify the grant of 12,500,000 Options to Gleneagle Securities (Aust) Pty Ltd on the terms and conditions set out in the Explanatory Memorandum."

3. **Voting prohibitions and exclusion statements**

3.1 **Voting prohibitions**

Under the Corporations Act, the following persons are prohibited from voting on the respective Resolutions:

Resolution	Persons excluded from voting
Resolution 1 – Adoption of	A vote must not be cast (in any capacity) by or on

Remuneration Report

behalf of the following persons:

- (a) a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above may cast a vote on Resolution 1 if the vote is not cast on behalf of a person described in paragraphs (a) and (b) above and the person:

- (c) does so as a proxy appointed by writing that specifies how the proxy is to vote on the resolution; or
 - (d) is the Chairperson and the appointment of the Chairperson as proxy:
 - (i) does not specify the way the proxy is to vote on the resolution; and
 - (ii) expressly authorises the Chairperson to exercise the proxy even if the resolution is directly or indirectly with the remuneration of a member of the Key Management Personnel.
-

Resolutions 4 and 5 – Approval of issue of Shares to Paul Stephenson and Russell Williams in lieu of director's fees

A person appointed a proxy must not vote, on the basis of that appointment, on Resolutions 4 or 5, if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on the resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chairperson; and
 - (d) the appointment expressly authorises the Chairperson to exercise the proxy even if the resolution is directly or indirectly with the remuneration of a member of the Key Management Personnel.
-

In accordance with Listing Rule 14.11 and the Corporations Act, the Company will disregard any votes on the respective Resolutions cast by or on behalf of the following persons:

Resolution	Persons excluded from voting
Resolution 3 – Approval of the 10% placement facility	(a) A person who may participate in the proposed issue and any associates of that person; and (b) a person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if the resolution is passed, and any associates of that person.

Important Note: At the date of this Notice, the participants in the proposed issue of securities are not as yet known or identified. For a person's vote to be excluded, it must be known that that person will participate in the proposed issue. Where it is not known who will participate in the proposed issue, shareholders must consider the proposal on the basis that they may or may not get a benefit and that it is possible that their holding will be diluted and there is no reason to exclude their votes.

Resolutions 4 – Approval of issue of Shares to Paul Stephenson in lieu of director's fees

Paul Stephenson (or his nominees) and any of their associates.

Resolutions 5 – Approval of issue of Shares to Russell Williams in lieu of director's fees

Russell Williams (or his nominees) and any of their associates.

Resolution 6 – Approval for the grant under the Bonds of conversion and subscription rights for Shares

A person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if Resolution 6 is passed, and any associates of those persons.

Resolution 7 – Approval to grant 90,000,000 Options to the Bondholders

A person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if Resolution 7 is passed, and any associates of those persons.

Resolution 8 – Ratification of prior grant of 12,500,000 Options to Gleneagle Securities (Aust) Pty Ltd

Gleneagle Securities (Aust) Pty Ltd and any associate of Gleneagle Securities (Aust) Pty Ltd.

However, the Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

4. Determination of membership and voting entitlement

For the purpose of determining a person's entitlement to vote at the Meeting, a person will be recognised as a member of the Company and the holder of Shares if that person is registered as a holder of those Shares at 11:30 Sydney time on Sunday 10 November 2013.

5. Votes of members

On a show of hands, each member present in person or by proxy (or, in the case of a body corporate, by a representative) at the Meeting shall have one vote.

On a poll, every member present in person or by attorney or by proxy (or, in the case of a body corporate, by a representative) shall have one vote for each Share held by him, her or it.

6. Proxies

A Shareholder can direct its proxy to vote for, against or abstain from voting on each Resolution by marking the appropriate box in the voting directions section of the proxy form. If a proxy holder votes, they must cast all votes as directed. Any directed proxies that are not voted will automatically default to the Chairperson, who must vote the proxies as directed.

The Chairperson will vote all undirected proxies in favour of Resolutions 1 to 8.

If the Chairperson is to act as your proxy (whether by appointment or by default) and you have not given directions on how to vote by completing the appropriate box in the voting directions section of the proxy form for Resolution 3 (Adoption of Remuneration Report), Resolution 4 (Approval of issue of shares to Mr Paul Stephenson) or Resolution 5 (Approval of issue of shares to Mr Russell Williams) the proxy form expressly directs and authorises the Chairperson to cast your votes "for" the relevant resolution. This express authorisation is included because without it the Chairperson would be precluded from casting your votes as these resolutions are connected with the remuneration of key management personnel.

If you are in any doubt as to how to vote, you should consult your professional adviser.

Please note that:

- (a) a member entitled to attend and vote at the Meeting is entitled to appoint no more than two proxies;
- (b) an instrument appointing a proxy must be in the form of the Proxy Form attached to this Notice;
- (c) where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the member's voting rights. If a member appoints two proxies, and the appointment does not specify the proportion or the number of the member's voting rights each proxy may exercise, each proxy may exercise half of those voting rights;
- (d) a proxy need not be a member of the Company;
- (e) a Proxy Form may specify the manner in which the proxy is to vote in respect of a particular Resolution and, where a Proxy Form so provides, the proxy is not entitled to vote on the Resolution except as specified in the Proxy Form;
- (f) a proxy has the authority to vote on the member's behalf as he or she thinks fit, on any motion to adjourn the Meeting, or any other procedural motion, unless the member gives a direction to the contrary;
- (g) a valid Proxy Form will be deemed to confer authority to demand or join in demanding a poll;
- (h) to be valid, a Proxy Form must be signed by the member or the member's attorney or, if the member is a corporation, executed in accordance with the corporation's constitution and the Corporations Act (and may be signed on behalf of the corporation by its attorney); and
- (i) to be valid, a Proxy Form and the power of attorney or other authority (if any) under which it is signed (or an attested copy of it) must be received by no later than 11:30 am Sydney time on Sunday 10 November 2013:

by the Company:

by mail: Queensland Bauxite Limited
PO Box 114

BONDI NSW 2026
Australia

or by facsimile: +61 2 9291 9099

or in person: Queensland Bauxite limited

67 Penkivil Street

Bondi NSW 2026

Australia

7. Key dates

Event	Date
Deadline for lodgement of proxy forms	11:30 am Sydney time on Sunday 10 th November 2013
Determination of voting eligibility	11:30 am Sydney time on Sunday 10 th November 2013.
Annual General Meeting	11:30 am Sydney time on Tuesday 12 th November 2013.

By order of the Board:



Sholom D Feldman

Company Secretary

Dated: 10th October 2013
Sydney

SECTION D - Explanatory Memorandum

1. Introduction

This Explanatory Memorandum contains the information needed for QBL's Shareholders to assess Resolutions 1 through 8 to be put to them at the Annual General Meeting of QBL on 12 November 2013. A Notice of Meeting accompanies this document.

This Explanatory Memorandum, as well as the Notice of Meeting, should be read carefully and in their entirety.

2. Accounts and reports

The Financial Report, Directors' Report and Auditor's Report for the Company for the year ended 30 June 2013 will be laid before the meeting. There is no requirement for Shareholders to approve those reports. Shareholders will be given an opportunity to raise questions of the Directors and the Company's auditor on the Accounts at the Annual General Meeting.

3. Resolution 1 – Adoption of Remuneration Report

Resolution 1 is proposed for the adoption of the Remuneration Report contained in the Directors' Report referred to in the first item of the agenda set out in the Notice. Under the Corporations Act, the Company is required to present its Remuneration Report to Shareholders for adoption at its Annual General Meeting. The Remuneration Report of the Company for the financial year ended 30 June 2013 is set out in the Directors' Report on pages 21 to 26 and note 10 to the Financial Statements contained in the 2013 Annual Report.

The Annual Report may be accessed at <http://www.queenslandbauxite.com.au/> or on the ASX company announcements platform using the ASX code: QBL. A copy may also be obtained by contacting the Company Secretary at sfeldman@queenslandbauxite.com.au. Shareholders will be given ample opportunity to raise questions of the Directors on the Remuneration Report prior to the Resolution being put to Shareholders. The Resolution to adopt the Remuneration Report is a non-binding Resolution on the Company and its Directors.

Under the Corporations Act, if at least 25% of the votes cast are against the adoption of the Remuneration Report, the Company's next Remuneration Report must explain the Board's proposed action in response or explain why no action has been taken.

In the following year, if at least 25% of the votes cast on the resolution that the Remuneration Report be adopted are against adoption, Shareholders will then vote to determine whether the Directors will need to stand for re-election (a "spill resolution"). If more than 50% of the votes cast on the resolution are in favour, a separate re-election meeting must be held within 90 days at which time all of the Directors (other than the Managing Director) must go up for re-election.

The Company did not receive more than 25% or more of votes cast against the adoption of the Remuneration Report.

The Board recommends that Shareholders vote in favour of adopting the Remuneration Report.

4. Resolution 2 – Re-election of Paul Stephenson

Resolution 2 relates to the re-election of Paul Stephenson as a Director of the Company. Under Rule 3.6 of the Constitution, one-third of the Directors must resign and, if eligible, may be re-elected.

Paul Stephenson has vacated his office as Director in accordance with Rule 3.6 of the Constitution and, being eligible, offers himself for re-election.

The Directors (excluding Paul Stephenson) recommend that Shareholders vote in favour of this Resolution.

5. Resolution 3 – Approval of the 10% placement facility

5.1 Listing Rule 7.1

ASX Listing Rule 7.1 allows the Company to issue Equity Securities up to 15% of its issued Share capital, in any 12 month period, without obtaining Shareholder approval by ordinary resolution (**15% Share Issue Capacity**).

5.2 Listing Rule 7.1A

In accordance with ASX Listing Rule 7.1A, 'Eligible Entities' may seek shareholder approval at an annual general meeting to issue a further 10% of their issued share capital in addition to the 15% Share Issue Capacity (**10% Share Issue Capacity**).

For the purposes of Listing Rule 7.1A, the Company is an 'Eligible Entity'.

Any issue of securities under ASX Listing Rule 7.1A must be:

- in the same class as an existing quoted class of the Company's Equity Securities;
- issued at a maximum of 25% discount to the current market price; and
- calculated in accordance with the formula prescribed by ASX Listing Rule 7.1A.2, which is set out below:

$$(A \times D) - E$$

A	is the number of fully paid ordinary securities on issue 12 months before the issue date or date of agreement to issue: plus the number of fully paid ordinary securities issued in the 12 months under an exception in ASX Listing Rule 7.2; plus the number of partly paid ordinary securities that became fully paid in the 12 months; plus the number of fully paid ordinary securities issued in the 12 months with approval of holders of Shares under ASX Listing Rules 7.1 and 7.4; less the number of fully paid ordinary securities cancelled in the 12 months.
D	is 10%.
E	is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the issue date or date of agreement to issue that are <i>not</i> issued with the approval of holders of ordinary securities under ASX Listing Rules 7.1 or 7.4.

5.3 Effect of Resolution 3

In Resolution 3, the Company seeks Shareholder approval to have the ability to issue securities under the 10% Share Issue Capacity.

The effect of Resolution 3 will be to:

- allow the Company to issue up to 10% of its issued Share capital during the 12 month period commencing from the date of the Annual General Meeting, in addition to its 15% Share Issue Capacity; and
- provide the Company with greater flexibility to issue securities above the 15% Share Issue Capacity, without obtaining Shareholder approval.

5.4 Technical information required by ASX Listing Rule 7.3A

In accordance with ASX Listing Rule 7.3A, the Company provides the following information for the purpose of obtaining Shareholder approval under Resolution 3.

Minimum price at which Equity Securities may be issued	The minimum price at which Shares may be issued under the 10% Share Issue Capacity is 75% of the VWAP of Equity Securities in the same class calculated over the 15 ASX trading days on which trades in that class were recorded immediately before: (a) the date on which the price of the securities to be issued is agreed; or (b) if they are not issued within 5 ASX trading days of the date in paragraph (a), the date on which the securities are issued.
Date on which Company may issue Equity Securities	(a) If Shareholder approval of Resolution 3 is obtained, Shares may be issued under the 10% Share Issue Capacity during the period commencing on the date of the Annual General Meeting and ending on the first to occur of the following: (i) 12 months after the date of the Annual General Meeting; and (ii) the date of Shareholder approval for any transaction under ASX Listing Rules 11.1.2 (significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking) (Material Change Resolution). (b) Any approval under Listing Rule 7.1A will cease to be valid in the event that Shareholders pass a Material Change Resolution.
Purposes for which Equity Securities may be issued, including whether the Company may issue them for non-cash consideration	(a) Shares may be issued under the 10% Share Issue Capacity for the following purposes: (i) non-cash consideration for the acquisition of new resources, assets or other investments. If this occurs, the Company will provide a valuation of the non-cash consideration in accordance with ASX Listing Rule 7.1A.3; or (ii) cash consideration. If this occurs, the Company intends to use the funds raised to continue exploration on the Company's current existing bauxite and gold exploration projects and/or for acquisition of new assets or investments (including expenses associated with such acquisition) and general working capital; (b) The Company will comply with its disclosure obligations under ASX Listing Rules 7.1A.4 and 3.10.5A in relation to any issue of securities under the 10% Share Issue Capacity.
Details of the Company's allocation policy for issues under approval	(a) The Company's allocation policy will depend on the prevailing market conditions at the time of any proposed issue under the 10% Share Issue Capacity. (b) The identity of allottees under the 10% Share Issue Capacity will be determined on a case-by-case basis having regard to factors which may include: (i) the methods of raising funds which are available to the Company, including the time and market exposure associated with the various methods of raising capital applicable at the time of the raising; (ii) the effect of any such issue on the control of the Company; (iii) the financial situation of the Company; and (iv) advice from corporate, financial and broking advisers. (c) As at the date of this Notice, the allottees under the 10% Share Issue Capacity have not been determined. They may, however, include substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

Previous approvals under Listing Rule 7.1A

The Company previously sought and obtained Shareholder approval under ASX Listing Rule 7.1A at last year's annual general meeting on 30 November 2012.

As at 10 October 2013 (being the last practicable date prior to finalising this Explanatory Memorandum), the total number of Equity Securities issued in the 12 months preceding the date of the Annual General Meeting is 36,500,000. This is 9.16% of the total number of Equity Securities on issue at the commencement of that 12 month period.

Additional information on these issues is detailed in section 5.5.

As at 10 October 2013 (being the last practicable date prior to finalising this Explanatory Memorandum), the Company had not utilised any of the 10% Share Issue Capacity approved by Shareholders at the 2012 annual general meeting.

Risk of economic and voting dilution

If Resolution 3 is approved by Shareholders and securities are issued under the 10% Share Issue Capacity:

- (a) the voting power of Shareholders who do not receive securities under the 10% Share Issue Capacity as a proportion of the voting power of all Shareholders will be diluted. The extent of that dilution will depend on the number of Shares issued. For example, if the full capacity under the 10% Share Issue Capacity is issued, the percentage voting power in the company of Shareholders who do not participate in that issue will be diluted by approximately 9.1% as a result of the issue.
- (b) the value of the interests of Shareholders who do not receive securities under the 10% Share Issue Capacity may be diluted if Shares are issued at a price which represents a discount to their value before the issue is made. However, there are a range of other factors which may impact value of Shares including, for instance, the impact of any capital raising on the Company and purpose for which the funds are used. Some of the more important factors which may impact the extent of any dilution in the value include the price at which the securities are issued and the number of securities issued.
- (c) Shareholders should note that there is a risk that:
 - (i) the market price for the Shares at the time they are issued under the 10% Share Issue Capacity may be materially higher or lower than on the date of the Meeting; and
 - (ii) Shares may be issued under the 10% Share Issue Capacity at a price that is at a discount to the market price for those Shares on the date of their issue.
- (d) The table below show the potential dilution of existing Shareholders on the basis of the current market price of Shares and the current number of Shares on issue, being variable "A" in the table, which is calculated in accordance with the formula in ASX Listing Rule 7.1A.2 as at the date of this Notice of Meeting. The table also shows:
 - (i) in addition to the current variable "A", two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of Shares the Company has on issue. The number of Shares on issue may increase as a result of issues of Shares that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under ASX Listing Rule 7.1 that are approved at future Shareholders' meetings; and
 - (ii) two examples, one where the issue price of ordinary securities has decreased by 50% and the other where the issue price of ordinary securities has increased by 50%, as against the current market price.

		Dilution		
Variable "A" in ASX Listing Rule 7.1A.2 (subject to the assumptions below)		50% decrease in Issue Price \$0.0035	Issue Price \$0.007	100% increase in Issue Price \$0.014
Current Variable A 295,363,192 Shares	10% voting dilution	29,536,319 Shares	29,536,319 Shares	29,536,319 Shares
	Funds raised	\$103,377.12	\$206,754.23	\$413,508.47
50% increase in current Variable A 443,044,788 Shares	10% voting dilution	44,304,478 Shares	44,304,478 Shares	44,304,478 Shares
	Funds raised	\$155,065.67	\$310,131.35	\$620,262.69
100% increase in current Variable A 590,726,384 Shares	10% voting dilution	59,072,638 Shares	59,072,638 Shares	59,072,638 Shares
	Funds raised	\$206,754.23	\$413,508.47	\$827,016.93

The table has been prepared on the following assumptions:

- The Company issues the maximum number of Equity Securities available under the 10% Share Issue Capacity.
- No options or other securities are exercised into Shares before the date of the issue of the Equity Securities.
- The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Capacity, based on that Shareholder's holding at the date of the Annual General Meeting.
- The table shows only the effect of issues of Equity Securities under ASX Listing Rule 7.1A, not under the 15% Share Issue Capacity under ASX Listing Rule 7.1.
- The issued capital prior to the issue under the 10% Share Issue Capacity is the issued capital of 295,363,192 Shares (as at 10 October 2013 being the last practicable date before finalising this Explanatory Memorandum).
- The assumed issue price is A\$0.007 (being the closing price of Shares on ASX on 4 October 2013).
- Shares are issued for cash and there is no other impact of the fundraising other than to increase cash reserves.
- No other securities are issued prior to the issue under the 10% Share Issue Capacity.

5.5 Issue of Equity Securities

As at 10 October 2013 (being the last practicable date prior to finalising this Explanatory Memorandum), the Company has issued the following Equity Securities since 30 November 2012 (being the 12 month period preceding the date of last year's annual general meeting):

Date of Issue	Number of Equity Securities Issued	Class of securities	Persons issued to	Price of issue	Use of funds (if cash consideration)	Non-cash consideration paid and its current value
28 June 2013	12,500,000 unlisted options	Unlisted options ¹	Gleneagle Securities (Aust) Pty Limited	Nil	N/A	Issued as consideration for the arrangement of the subscription for convertible bonds by Gleneagle Nominees Pty Limited. For further details see, Explanatory Memorandum

Date of Issue	Number of Equity Securities Issued	Class of securities	Persons issued to	Price of issue	Use of funds (if cash consideration)	Non-cash consideration paid and its current value
						relating to Resolution 8. As at the last practicable date before finalising the Notice of Meeting, the value as determined in accordance with the Black Scholes method of each of the 12,500,000 unlisted options was \$0.001 for an aggregate value of \$12,500.
10 September 2013	24,000,000 Shares	Fully paid ordinary shares ²	Gleneagle Nominees Pty Limited, Jersey and York Capital Group and RJL Investments Pty Ltd	Nil	N/A	Remuneration in lieu of corporate advisory fees. As at the last practicable date before finalising the Notice of Meeting, the value of each of the 24,000,000 Shares was \$0.007 for an aggregate value of \$168,000.

Notes:

- 1 The terms of these options are set out in Resolution 8 and Annexure B.
- 2 On and from their date of issue, the relevant Shares will rank equally in all respects with all existing fully paid ordinary on issue.
- 3 As noted in sections 7 and 8 of the Explanatory Memorandum, the Company is also seeking approval for the grant of conversion rights under the Bonds and the Bondholder Options. Also, under the Convertible Bond Deed, there are Continuing Subscription Rights which allow the Bondholder in certain circumstances to subscribe for Shares.

5.6 Voting exclusion statement

A voting exclusion statement for Resolution 3 is included in the Notice of Meeting.

5.7 Directors' recommendation

The Board recommends that Shareholders vote in favour of Resolution 3.

6. Resolutions 4 and 5 – Issue of Shares to Paul Stephenson and Russell Williams in lieu of cash payments

6.1 Background

In order to conserve Company's capital, Mr Stephenson and Mr Williams have each agreed to be paid a portion of their respective director's fees (excluding superannuation entitlements) through the issue of Shares in lieu of cash (**Remuneration Shares**).

6.2 Requirement for Shareholder approval

ASX Listing Rule 10.11 provides that a company must not issue or agree to issue securities to a related party of the Company without the approval of shareholders.

Mr Stephenson and Mr Williams are both Directors and so are related parties of the Company. Accordingly, Shareholder approval is required under ASX Listing Rule 10.11 for the issue to them of the Remuneration Shares.

Approval under ASX Listing Rule 7.1 is not required in order to issue the Remuneration Shares to the Directors as approval is being sought under ASX Listing Rule 10.11. Accordingly, the issue of the Remuneration Shares will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

The Remuneration Shares will on issue rank equally with all other Shares on issue.

6.3 Information required under ASX Listing Rule 10.13

ASX Listing Rule 10.13 requires certain information to be provided to Shareholders when considering a resolution to approve an issue of Shares under ASX Listing Rule 10.11, which is set out below:

Name of the person	Paul Stephenson	Russell Williams
Maximum number of Shares to be issued (if known) or the formula for calculating the number of Shares to be issued to the person	4,500,000	2,000,000
Date by which Company will issue Shares	Within one month after the date of the Meeting (or such other date as permitted by ASX).	Within one month after the date of the Meeting (or such other date as permitted by ASX).
Issue price of Shares and terms of the issue	\$0.01 per Share in lieu of payment of director's fees in cash. On and from their date of issue, the relevant Shares will rank equally in all respects with all existing fully paid ordinary on issue.	\$0.01 per Share in lieu of payment of director's fees in cash. On and from their date of issue, the relevant Shares will rank equally in all respects with all existing fully paid ordinary on issue.
Voting exclusion statement	A voting exclusion statement is included in the Notice.	A voting exclusion statement is included in the Notice.
Intended use of funds raised	The Remuneration Shares are being issued in lieu of payment of director's fees in cash. Accordingly, no funds will be raised by their issue.	The Remuneration Shares are being issued in lieu of payment of director's fees in cash. Accordingly, no funds will be raised by their issue.

6.4 Directors' recommendation

The Directors (other than Paul Stephenson and Russell Williams who have an interest in the Resolutions) recommend that Shareholders vote in favour of Resolutions 4 and 5.

7. Resolution 6 – Approval to grant conversion rights under the Bonds

7.1 Background

As announced to ASX on 2 July 2013, Queensland Bauxite Limited (**QBL** or the **Company**) has entered into a binding term sheet with Regius Coal Mining Limited (**Regius Coal**), an Australian unlisted public company, to acquire an initial 35% interest in a Regius Coal subsidiary holding interests in two Mozambique exploration licences considered to be prospective for coal, located in

the Zambezi coal basin in Tete province (**Transaction**). There is a further option to earn up to 51% of the Regius Coal subsidiary.

The Company has also entered into a convertible bond and subscription deed (as amended) under which the Company has issued bonds to Gleneagle Securities Nominees Pty Ltd (**Gleneagle Nominees**) raising \$1.8 million (**Convertible Bond Deed**).

The key terms of the Convertible Bond Deed are as follows:

- (a) Gleneagle Nominees has paid \$1.8 million to the Company (**Principal Sum**), which has or will be used to strengthen the balance sheet and provide further general working capital (including to facilitate the Transaction).
- (b) In consideration for the advance of the Principal Sum, the Company has issued to Gleneagle Nominees 1,800 bonds at a face value of \$1,000 each (each a **Bond**) totalling \$1.8 million.
- (c) As at the last practicable date before finalising the Notice of Meeting, Gleneagle Nominees remains the sole holder of the Bonds. However, Gleneagle Nominees may transfer any or all of the Bonds without QBL's consent provided that the transfer is in compliance with the relevant provisions of the Corporations Act and the ASX Listing Rules and is made to a sophisticated investor or professional investor (as defined in the Corporations Act) (each such person and Gleneagle Nominees for so long as it holds a Bond is a **Bondholder**).
- (d) The Company is required under the Convertible Bond Deed to grant certain options, further details of which are contained in sections 8 and 9 of this Explanatory Memorandum.
- (e) The amounts arising under or in respect of the Convertible Bond Deed are secured by a first ranking charge over the Company and its assets.
- (f) The Bonds are repayable in full on 28 June 2015 (**Maturity Date**), (being the date that is two years from the completion date of the Convertible Bond Deed) unless redeemed or repaid by the Company or converted into Shares prior to that date (any early repayment of the Bonds by the Company will not affect the Bondholder's right to subscribe for Shares by paying the relevant Conversion Price – see paragraph (l) below on these "Continuing Subscription Rights").
- (g) The Bondholder has the right (but not the obligation) to convert into Shares at a deemed issue price per Share of \$0.02 (**Conversion Price**):
 - (i) the whole or any part of any outstanding Bond (subject to Shareholder approval being obtained, being the subject of Resolution 6); and
 - (ii) any outstanding accrued but unpaid interest on the Bonds (the Bondholder's right to elect to convert such interest into Shares is not conditional upon Shareholder approval. Any Shares issued pursuant to this right will count towards the Company's 15% new issue capacity under Listing Rule 7.1.
- (h) The Conversion Price will be adjusted in the following circumstances:
 - (i) subject to the Listing Rules, if there is a reorganisation of the Shares (which includes specified adjustments to capital or a bonus issue) so as to ensure that the Bondholder is placed in the same position as if the reorganisation had not occurred; and/or
 - (ii) if QBL issues securities (including Shares, options, warrants and convertible bonds, but excluding securities which are to be issued under or in connection with the Bond or the Transaction or on conversion of securities already on issue at the time the Bonds were issued) and the consideration per Share receivable upon conversion, exchange, subscription or otherwise is less than the Conversion Price. In such circumstances, the Conversion Price will be reduced by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

A+B

A+C

Where:

A is the number of ordinary shares in the Company on issue immediately before the new issue giving rise to the reduction in the Conversion Price (**New Issue**);

B is the number of ordinary shares in the Company which the aggregate consideration (if any) receivable by the Company for the issue of such new ordinary shares pursuant to the New Issue would purchase if the price payable per ordinary share were instead the Conversion Price; and

C is the number of new ordinary shares in the Company to be issued pursuant to the New Issue.

Such adjustment shall become effective on the date of issue or grant of the new marketable securities in the Company in respect of which the adjustment is made.

An example of how this formula operates is shown below:

If the Company were to issue 40,704,478 new Shares pursuant to a New Issue at a price or value per share of \$0.01, the Conversion Price (initially \$0.02) would be reduced by multiplying it by the fraction calculated as follows:

$271,363,192$ (being **A**) + $20,352,239$ (being $(0.01 \times 40,704,478)/\0.02) (being **B**)

$271,363,192$ (being **A**) + $40,704,478$ (being **C**)

= $93.4783\% \times \$0.02$

= \$0.0187 (being the new Bond Conversion Price).

The Conversion Price must not increase and the number of underlying Shares to be issued upon any conversion must not decrease as a result of the above adjustments, except where required under the Listing Rules.

- (i) The Bonds bears interest at a daily rate of 8% per annum, payable:
 - (i) on each anniversary of the issue date of the Bonds until the Maturity Date, conversion or redemption of that Bond (whichever first occurs); and
 - (ii) on the earlier of:
 - (A) the Maturity Date;
 - (B) the conversion date in respect of each Bond;
 - (C) the date of any early repayment of each Bond; or
 - (D) the date of redemption of each Bond.

As noted above, the Bondholder has the right (but not the obligation) to convert any outstanding accrued but unpaid interest on the Bonds into Shares at the Conversion Price.

- (j) The Bonds will bear interest at an increased rate of 18% per annum in certain default circumstances.
- (k) Interest is payable on the outstanding face value of the Bond (or part thereof if the Bond has not been converted or repaid in full). Interest capitalises annually and is calculated on the actual number of days elapsed and on the basis of a 365 day year.
- (l) QBL may elect to repay part of or all of the Bonds before the Maturity Date by paying the greater of:
 - (i) the face value of the relevant Bonds (or part of, if the Bond is not being repaid in full) plus any outstanding accrued but unpaid interest in respect of each Bond that

is being repaid early by QBL less any early repayment already applied against that Bond (Redemption Price); and

- (ii) if the Bonds are repaid before 28 June 2014 (being 1 year after their issue date), the amount that would have been payable (as calculated under paragraph (i) above) had the relevant notice electing to repay part or all of the Bonds early been given on 28 June 2014.

However, if QBL wishes to exercise this early repayment right, the Bondholder is to have a continuing right to subscribe for the Shares over which the Bonds may otherwise have converted into upon payment by the Bondholder of the relevant Conversion Price at any time prior to 28 June 2015 (**Continuing Subscription Rights**). Put another way, if QBL exercises its early redemption rights:

- (iii) the relevant Bonds will have been redeemed;
- (iv) QBL will have paid to the Bondholder the Redemption Price; and
- (v) the Bondholder will still have the right (but not the obligation) to subscribe for Shares by paying to QBL the Conversion Price in respect of each Share (i.e. the Continuing Subscription Right). The number of Shares that Bondholder may acquire under this Continuing Subscription Right will be the number of Shares that but for the redemption would have been issued as a result of the conversion of the redeemed Bonds and any accrued but unpaid interest.

As the Continuing Subscription Rights only arise should QBL wish to repay the Bonds earlier than their stated Maturity Date, and as the price at which Shares may be issued under this Continuing Subscription Right is not known with certainty at this time, QBL will seek separate shareholder approval under ASX Listing Rule 7.1 to the grant of the Continuing Subscription Rights should QBL wish to exercise its early repayment right in relation to the Bonds.

- (m) QBL has provided a number of representations and warranties to, and undertakings in favour of, each Bondholder, or Gleneagle Securities, which are commonly seen in secured loan notes of this nature.
- (n) For so long as the Bonds or any conversion rights are outstanding, Gleneagle Securities has the right to have a representative appointed to QBL's board if either Pnina Feldman or Sholom Feldman cease to be a director of QBL.
- (o) A Bondholder may require the Company to redeem any or all Bonds held by that Bondholder if there is an event of default occurring under the Convertible Bond Deed. In these circumstances, QBL must redeem the relevant Bonds by paying the amount that would result (after any deduction or withholding for tax) in a Bondholder deriving in respect of its investment in that Bond an IRR of 18% as at the date of redemption of that Bond. Further, on the first event of default resulting in such a redemption, QBL must pay Gleneagle Securities the amount of \$100,000.
- (p) The events of default are similar to those commonly seen in secured convertible bonds of this nature, including;
 - (i) the Shareholder approvals required under the Convertible Bond Deed not being obtained at this Meeting (unless otherwise agreed by the Consenting Party). Accordingly, if Resolution 6 is not approved at the Meeting, the Company will be in default of the Convertible Bond Deed (unless an extension of time is agreed by the Consenting Party). In addition, the Bondholder may require QBL to obtain additional shareholder approvals if it considers (acting reasonably) that the shareholder approval obtained by QBL is no longer valid;
 - (ii) insolvency events occurring in relation to the Company or its subsidiaries;
 - (iii) QBL shares being suspended for ten consecutive trading days or more on the ASX;

- (iv) any material exploration or mining licence or permit held by QBL or any subsidiary being revoked, not renewed or otherwise ceasing to be held by QBL or any subsidiary which has, or is likely to have, a material adverse effect, or result, or is likely to result, in a material adverse change;
 - (v) QBL and all other required parties not entering into the documents relating to the Transaction within 90 days of 27 June 2013 (being 25 September 2013), or if the final Transaction documents depart materially from the terms agreed;
 - (vi) the Transaction not completing within 180 days of 27 June 2013 (being 24 December 2013); or
 - (vii) a material adverse change in Regius Coal or any of Regius Coal's subsidiaries as a whole.
- (q) A Bondholder or holder of Options issued in connection with the Bonds may transfer any or all of their Bonds or Options (as relevant) without QBL's consent provided that the transfer is in compliance with the relevant provisions of the Corporations Act and the ASX Listing Rules and to a sophisticated investor or professional investor (as defined in the Corporations Act).
- (r) Each Bondholder, Optionholder and Gleneagle Securities may assign their rights without QBL's consent. QBL may assign its rights only with the prior written consent of the Consenting Party.

Listing Rule 7.1 provides that a company must not issue or agree to issue more than 15% of its total ordinary share capital within a 12 month period unless a specified exception applies or the issue is made with the prior approval of shareholders for the purposes of Listing Rule 7.1.

Resolution 6 seeks the approval of Shareholders for the purposes of Listing Rule 7.1 to enable the Company to grant the Bondholders the right to convert any or all of the Bonds into Shares.

As noted above, if Resolution 6 is not approved at the Meeting, the Company will be in default of the Convertible Bond Deed (see section (p) above for the consequences of an event of default).

The table below sets out the indicative number of Shares which the current sole holder of the Bonds (being Gleneagle Nominees as at the last practicable date before completion of this Notice of Meeting) may acquire in the Company in certain specified circumstances. The actual number of Shares is likely to vary from that indicated below, based on the application of the terms of the Bonds. In addition, the actual number of Shares that may be issued in lieu of interest payments will ultimately depend on the amount of interest payments that the Bondholder(s) elects to convert into Shares.

	Number of Shares issued to Bondholders	Total Shares on issue immediately after relevant event ¹	Bondholders' percentage shareholding (undiluted) ²	Bondholders' percentage shareholding (fully diluted) ³
Maximum number of Shares to be issued to the Bondholder upon conversion of all of the Bondholder Options ⁴	90,000,000	385,363,192	23.35%	19.21%
Maximum number of Shares to be issued to the Bondholder upon conversion of all of the Bonds (or subscription under the Continuing Subscription Rights for the maximum number of Shares if all of the Bonds are repaid early) ⁵ .	1,800,000			
<i>Conversion price</i> Set out below are examples of the number of Shares which may be issued at different Conversion Prices.⁶				

	Number of Shares issued to Bondholders	Total Shares on issue immediately after relevant event ¹	Bondholders' percentage shareholding (undiluted) ²	Bondholders' percentage shareholding (fully diluted) ³
\$0.02	90,000,000	385,363,192	23.35%	19.21%
\$0.0175 ⁴	102,857,143	-	-	-
\$0.015 ⁴	120,000,000	-	-	-

Explanatory notes and assumptions:

1. So far as QBL is aware, the Bondholder did not hold any Shares as at 10 October 2013 (being the last practicable date prior to the date of finalising this Explanatory Memorandum).
2. For the purposes of all of the calculations in the table, it has been assumed that QBL will not issue any other Shares, options, performance rights or other rights to acquire Shares prior to the maturity date of the Bonds and that Gleneagle Nominees will continue to be the sole holder of Bonds, Bondholder Options and the Continuing Subscription Rights. It has also been assumed that there is no reorganisation of the Company's issued share capital (including any consolidation, subdivision, reduction, buy-back or return of capital) or bonus issue that may result in an adjustment to the exercise price of the Options or the number of Shares to be issued upon exercise of the Options. QBL reserves the right to issue Shares and/or securities which may be convertible into Shares prior to the maturity date of the Bonds.

Further shareholder approval may need to be obtained for the purposes of the Corporations Act in the event that the Bondholders wish to convert their Bonds, exercise their Bondholder Options and/or subscribe for further Shares (including as contemplated by any Continuing Subscription Rights) which, in summary, will result in any person or their associates acquiring voting power of more than 20% of QBL or if it already has more than 20% of QBL, acquiring more than is permitted under the Corporations Act. Such approval is not being sought at this Meeting, as the Company's view is that this may not occur and, in any event, no shareholder approval may be required in those circumstances (for example, because the Bonds, Bondholder Options and/or Continuing Subscription Rights have been transferred to unassociated parties, such that no party or their associates holds or acquires a relevant interest in the Shares of more than 20%).

3. As at 10 October 2013 (being the last practicable date before the completion of this Explanatory Memorandum), the Company has granted 83,200,000 options (including the 12,500,000 Corporate Fee Options). For the purposes of calculating the "fully diluted" percentages, it has been assumed that all of those 83,200,000 Options are exercised into Shares, in which case the Company would receive further cash in respect of the exercise of those Options. The Remuneration Shares the subject of Resolutions 4 and 5 are not included in the issued capital as they will only be issued upon shareholder approval after the Meeting.
4. For the purposes of the calculations in relation to the Options issued to Bondholders, it has been assumed that there is no reorganisation of the Company's issued share capital (including any consolidation, subdivision, reduction, buy-back or return of capital) or bonus issue that may result in an adjustment to the exercise price of the Options or the number of Shares to be issued upon exercise of the Options.
5. Assumes that all of the Bonds are converted by the Bondholders into Shares at a Conversion Price of \$0.02 per Share. However, Shareholders should be aware that as at 10 October 2013, being the last practicable date prior to the date of finalising this Explanatory Memorandum, the Share price is below the conversion price. If the Share price continues to be below the Conversion Price, it is not expected that the Bonds would be converted into Shares.

As noted above, the Company has the ability to repay all or part of the Bonds by paying the Redemption Price to the Bondholders. If this occurs, the Bondholders will retain any Continuing Subscription Rights and have the right to subscribe for Shares by paying to QBL the Conversion Price in respect of each Share. The maximum number of Shares that Bondholder may acquire will be equal to the number of Shares that but for the redemption would have been issued as a result of the conversion of the redeemed Bonds and any accrued but unpaid interest.

For the purposes of providing an indication of the Bondholders' percentage interest in the Company upon conversion of the Bonds, it has been assumed that no Shares are issued in lieu of interest payable on the Bonds and that no Shares are issued as a result of the exercise of the Bondholder Options (as the impact of those events is depicted separately in the table).

6. Unless required by the Listing Rules, the Conversion Price will not be greater than \$0.02 per Share. Conversion Prices at below \$0.02 per Share are provided for indicative purposes only – any reduction in the Conversion Price depends upon the Company reorganising its share capital, making a bonus issue or otherwise issuing Shares at below the Conversion Price. It is impossible to predict the likelihood of such events at this time.

7. As set out above, there are a range of events that result in an adjustment of the Conversion Price. Accordingly, it is not possible to provide a reliable estimate of the number of Shares on issue (or the voting power that the Bondholder would acquire if it were to convert the Bonds) in the event that the Conversion Price is adjusted.

7.2 Information requirements under Listing Rule 7.3 in respect to Resolution 6

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided for the purpose of obtaining Shareholder approval for Resolution 6.

Listing Rule	Approval to grant of conversion rights in relation to the Bonds
7.3.1 – maximum number of securities to be issued	If Resolution 6 is approved, the Bonds will become an equity security. The maximum number of securities to be issued upon conversion of the Bonds is determined by the following formula: $\frac{1,800,000}{\text{Conversion price}}$ Unless required by the Listing Rules, the Conversion Price will not be greater than \$0.02 per Share. Any reduction in the Conversion Price depends upon the Company reorganising its share capital, making a bonus issue or otherwise issuing Shares at below the Conversion Price. It is not possible to predict the likelihood of such events at this time. At a Conversion Price of \$0.02 per Share, the Bonds will be convertible into a maximum of 90,000,000 Shares. An indication of the maximum number of Shares that may be issued at Conversion Prices below \$0.02 per Share is provided in the table contained in section 7.1 above.
7.3.2 – date of issue of securities	The Bonds were issued on 28 June 2013 and each of them is a debt security. If Resolution 6 is approved, the Bonds will be converted into an equity security for the purposes of the Listing Rules at the time shareholders approve Resolution 6.
7.3.3 – issue price	The aggregate issue price of the Bonds is A\$1.8 million. The Bonds may be converted into Shares at the Conversion Price (being \$0.02 per Share subject to any adjustments as noted in section 7.1 above).
7.3.4 – name of the person	Shares issued on conversion of the Bonds will be issued to the Bondholder. The Bonds were issued to Gleneagle Nominees and as at the last practicable date before the date of this Notice of Meeting, Gleneagle Nominees is still the sole holder Bondholder.
7.3.5 – terms of securities	The key terms of the Bonds are set out above. Shares issued on the conversion of the Bonds will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares and rank equally in all respects with all other Shares on issue at the time.
7.3.6 – intended use of funds raised	Funds raised from the issue of the Bonds must be used to strengthen the balance sheet and provide further general working capital (including to facilitate the Transaction).
7.3.7 – issue date	See disclosure in relation to Listing Rule 7.3.2 above.

Listing Rule	Approval to grant of conversion rights in relation to the Bonds
7.3.8 - voting exclusion statement	A voting exclusion statement is included in the Notice of Meeting.

7.3 Directors' recommendation

The Directors recommend that Shareholders vote in favour of Resolution 6.

8. Resolution 7 – Approval to grant 90,000,000 Options to Gleneagle Securities Nominees Pty Ltd

8.1 Background

Resolution 7 seeks Shareholder approval under Listing Rule 7.1 for the proposed issue of the 90,000,000 options to the Bondholders (**Bondholder Options**). A summary of Listing Rule 7.1 is set out in section 7.1 above.

The Bondholder Options are being issued under the terms of the Convertible Bond Deed in consideration for the Bondholder subscribing for the Bonds and the payment of the Principal Sum. The key terms of the Bondholder Options are summarised below and set out in full in Annexure A to this Explanatory Memorandum.

As noted above, if Resolution 7 is not approved at the Meeting, the Company will be in default of the Convertible Bond Deed (see section 7.1(p) above for the consequences of an event of default).

8.2 Information requirements under Listing Rule 7.3

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided for the purpose of obtaining Shareholder approval for Resolution 7:

- (a) The maximum number of Bondholder Options to be issued is 90,000,000.
- (b) Subject to Shareholders approving Resolution 7, the Company intends to issue the Bondholder Options as soon as practicable, on one date and in any event no later than three months after the date of the Meeting.
- (c) No price will be payable for the issue of the Bondholder Options. The Bondholder Options will be issued to the Bondholder(s) (at the last practicable date before finalising the Notice of Meeting, Gleneagle Nominees remains the sole Bondholder) as consideration for their subscription for the Bonds and the payment of the Principal Sum pursuant to the Convertible Bond Deed, the terms of which are set out in section 7.1 above.
- (d) The key terms of the Bondholder Options are as follows:
 - (i) Each Bondholder Option entitles the holder to subscribe for one fully paid ordinary share in QBL;
 - (ii) The exercise price for the Bondholder Options is \$0.03 each. This is subject to adjustment in accordance with the Listing Rules if there is any reorganisation of the Shares or a bonus issue (but the exercise price of the Bondholder Options must not increase except where required by the Listing Rules);
 - (iii) The Bondholder Options expire at 5pm Sydney time on the date that is three years after the date of shareholder approval to the grant of the Bondholder Options (accordingly, if Resolution 7 is passed at the Meeting, the expiry date of the Bondholder Options will be 11 November 2016);
 - (iv) The Bondholder Options may each be exercised at any time before they expire;

- (v) The Shares issued on exercise of the Bondholder Options will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares and rank equally in all respects with all other Shares on issue; and
- (vi) Bondholder Optionholders may transfer any or all of their Bondholder Options without the Company's consent provided that the transfer is in compliance with the relevant provisions of the Corporations Act and the ASX Listing Rules and to a sophisticated investor or professional investor (as defined in the Corporations Act).
- (e) No funds will be raised by the grant of the Bondholder Options. Funds raised from the exercise of any Bondholder Options will be used for general working capital purposes.
- (f) A voting exclusion statement for Resolution 7 is included in the Notice.

8.3 Directors' recommendation

The Directors recommend that Shareholders vote in favour of Resolution 7.

9. Resolution 8 – Ratification of prior grant of 12,500,000 Options to Gleneagle Securities (Aust) Pty Ltd

9.1 Background

On 28 June 2013, QBL issued 12,500,000 Options under the Convertible Bond Deed to Gleneagle Securities (Aust) Pty Limited (**Gleneagle Securities**) as consideration the arrangement by Gleneagle Securities of the subscription for the Bonds by Gleneagle Nominees (**Corporate Fee Options**).

Resolution 8 seeks the approval of Shareholders to ratify the issue of those Corporate Fee Options for the purposes of Listing Rule 7.4.

The Corporate Fee Options are being issued under the terms of the Convertible Bond Deed. The key terms of the Corporate Fee Options are summarised below and set out in full in Annexure B to this Explanatory Memorandum.

Listing Rule 7.4 allows an issue of securities made without the approval of shareholders to be treated as if it had been made with the approval of shareholders for the purposes of Listing Rule 7.1, provided the issue did not breach Listing Rule 7.1 and shareholders subsequently approve the issue. The issue of 12,500,000 Corporate Options was within the Company's 15% new issue capacity under Listing Rule 7.1.

9.2 Information requirements under Listing Rule 7.5

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided for the purpose of obtaining Shareholder approval for Resolution 8:

- (a) 12,500,000 Corporate Fee Options were issued and all of them were granted to Gleneagle Securities.
- (b) The Corporate Fee Options were issued under the Convertible Bond Deed and no price is payable for their issue.
- (c) Funds raised from the exercise of any Corporate Fee Options will be used for general working capital purposes.
- (d) The key terms of the Corporate Fee Options are as follows:
 - (i) Each Corporate Fee Option entitles the holder to subscribe for one fully paid ordinary share in QBL;
 - (ii) The exercise price for the Corporate Fee Options is \$0.03 each. This is subject to adjustment in accordance with the Listing Rules if there is any reorganisation of

the Shares or a bonus issue (but the exercise price of the Corporate Fee Options must not increase except where required by the Listing Rules);

- (iii) The Corporate Fee Options expire at 5pm Sydney time on 2 July 2016;
 - (iv) The Corporate Fee Options may each be exercised at any time before they expire;
 - (v) The Shares issued on exercise of the Corporate Fee Options will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares and rank equally in all respects with all other Shares on issue; and
 - (vi) Corporate Fee Optionholders may transfer any or all of their Corporate Fee Options without the Company's consent provided that the transfer is in compliance with the relevant provisions of the Corporations Act and the ASX Listing Rules and to a sophisticated investor or professional investor (as defined in the Corporations Act).
- (e) A voting exclusion statement for Resolution 8 is included in the Notice.

9.3 **Directors' recommendation**

The Directors recommend that Shareholders vote in favour of Resolution 8.

Annexure A – Bondholder Option terms

1. Each Option entitles the holder to subscribe for one fully paid ordinary share in the capital of the Company (**Share**). Shares issued on exercise of Options will be issued on the same terms and conditions as the Company's existing Shares and rank equally in all respects with all other Shares on issue.
2. The exercise price of the Options is A\$0.03 each (**Option Exercise Price**).
3. The Options expire at 5.00pm (Sydney time) on 11 November 2016 (**Expiry Date**).
4. The Options may each be exercised at any time before they expire by giving notice in the form prescribed to the Company (**Option Exercise Notice**) together with the option certificate relating to the Options the subject of that Option Exercise Notice and the relevant Option Exercise Price in relation to those Options to the Company prior to the Expiry Date. If an Optionholder validly exercises an Option, the Company must within 3 business days after receipt of the relevant Option Exercise Notice (**Option Exercise Date**) issue to the relevant Optionholder (or its nominee) all of the required Shares in respect of the Options being exercised free from encumbrance, and apply for quotation of those Shares on the Australian Securities Exchange.

If an option certificate delivered to the Company with an Option Exercise Notice relates to Options which have not been exercised, the option certificate will be cancelled and a new option certificate for the balance of the Options which are not exercised will be issued and delivered to the relevant Optionholder at the address stipulated for that Optionholder in the Option register or as notified in writing by that Optionholder.
5. Shares issued on exercise of an Option will be issued as specified in the Option Exercise Notice, either:
 - (a) in uncertificated form through CHESS if the Optionholder specifies a valid CHESS account in the Option Exercise Notice; or
 - (b) in uncertificated form registered in the Company's Company-Sponsored Subregister if the Optionholder does not specify a valid CHESS account in the Option Exercise Notice,
 in the name of the relevant Optionholder or as directed in the relevant Option Exercise Notice on or before the Option Exercise Date.
6. Statements of holdings for Shares issued on exercise of an Option through CHESS will be dispatched by the Company by mail free of charge as soon as practicable but in any event within 7 business days after the relevant Option Exercise Date.
7. Subject to the ASX Listing Rules, if there is any reorganisation of the Shares or a bonus issue, the Option Exercise Price and/or the number of Shares to be issued to an Optionholder or their respective nominees upon the exercise of any Options will be adjusted in the same manner as the Shares and in a manner which will not result in:
 - (a) any detriment being suffered by each Optionholder which is not suffered by the holders of Shares; and
 - (b) any benefit being conferred on the holders of Shares which is not conferred on each Optionholder,
 subject to any reasonable provisions with respect to the rounding of entitlements as apply to Shares under the reorganisation or bonus issue.

All adjustment calculations to the Option Exercise Price and/or the number of Shares to be issued to an Optionholder or their respective nominees upon the exercise of any Options are to be made using figures to 4 decimal places. The adjustment shall become effective on the date of reorganisation of the Shares or the bonus issue.
8. Notwithstanding paragraph 7, the Option Exercise Price must not be increased, or the number of Shares to be issued to an Optionholder or their respective nominees upon the exercise of any Options must not be decreased, except where required by the ASX Listing Rules.
9. Subject to the ASX Listing Rules, no adjustment will be made to the Option Exercise Price and/or the number of Shares to be issued to an Optionholder or their respective nominees upon the exercise of any Options under paragraph 7 that will adversely affect the rights or entitlements of an Optionholder and/or the economic benefit that an Optionholder is entitled to derive.
10. If the occurrence of any of the events described in paragraph 7 adversely affects the rights or entitlements of an Optionholder and/or the economic benefit that an Optionholder is entitled to derive (disregarding the operation of paragraph 7), an adjustment must be made to the Option Exercise Price and/or the number of Shares to be issued to an Optionholder or their respective nominees upon the exercise of any Options in accordance with the relevant provisions of the ASX Listing Rules to remove any such adverse affect.
11. The Company must make, and give notice of, any required adjustments to the Option Exercise Price and/or the number of Shares to be issued to an Optionholder or their respective nominees upon the exercise of any Options, to the Optionholder within 3 business days of the occurrence of the relevant event described in paragraph 7.

12. Where there would otherwise be an adjustment to the Option Exercise Price and/or the number of Shares to be issued to an Optionholder or their respective nominees upon the exercise of any Options under paragraph 7 and any other adjustment provision in paragraphs 8 to 10 would also apply, the relevant adjustment provision which applies is the provision which results in the greatest reduction to the Option Exercise Price and the greatest increase to number of Shares to be issued to an Optionholder or their respective nominees upon the exercise of any Options.
13. In the event of any adjustment to the Option Exercise Price and/or the number of Shares to be issued to an Optionholder or their respective nominees upon the exercise of any Options, the Company must issue and deliver to each Optionholder within 3 business days from the adjustment, a new option certificate in the name of each Optionholder in respect of the number of Options they hold clearly stating the adjusted Option Exercise Price and/or the number of Shares to be issued to an Optionholder or their respective nominees upon the exercise of any Options.
14. An Option may be transferred by an Optionholder without the consent of the Company provided:
 - (a) the Optionholder complies with all applicable laws and regulations, including the relevant provisions of the *Corporations Act 2001* (Cth) and the ASX Listing Rules; and
 - (b) the transfer is to a sophisticated investor or a professional investor (as those terms are defined in the *Corporations Act 2001* (Cth)).
15. An Optionholder may request the transfer of an Option or Options held by them by lodging with the Company a transfer form, together with the option certificate (if any) for the Options to be transferred.
16. Subject to paragraph 15, upon receipt of the Transfer Form, the Company must:
 - (a) within 3 business days, enter the transferee's name in the Option register; and
 - (b) within 5 business days, deliver an option certificate to the transferee in respect of the Option or Options transferred and, in the case of a transfer of part only of the Options represented by the existing option certificate, deliver a new option certificate to the transferor for the untransferred balance of such Options.
17. The transferor of an Option remains the holder of that Option until the name of the transferee is recorded in the Option register as the holder of that Option.
18. A person becoming entitled to an Option as a consequence of the death or bankruptcy of an Optionholder or of a vesting order, or a person administering the estate of an Optionholder and entitled by law to do so, may apply for the transfer of the Option as if it was the Optionholder or, if so entitled, become registered as the Optionholder upon producing such evidence as to that entitlement or status as the Company considers sufficient.

Annexure B – Corporate Fee Option terms

1. Each Option entitles the holder to subscribe for one fully paid ordinary share in the capital of the Company (**Share**). Shares issued on exercise of Options will be issued on the same terms and conditions as the Company's existing Shares and rank equally in all respects with all other Shares on issue.
2. The exercise price of the Options is A\$0.03 each (**Option Exercise Price**).
3. The Options expire at 5.00pm (Sydney time) on 2 July 2016 (**Expiry Date**).
4. The Options may each be exercised at any time before they expire by giving notice in the form prescribed to the Company (**Option Exercise Notice**) together with the option certificate relating to the Options the subject of that Option Exercise Notice and the relevant Option Exercise Price in relation to those Options to the Company prior to the Expiry Date. If an Optionholder validly exercises an Option, the Company must within 3 business days after receipt of the relevant Option Exercise Notice (**Option Exercise Date**) issue to the relevant Optionholder (or its nominee) all of the required Shares in respect of the Options being exercised free from encumbrance, and apply for quotation of those Shares on the Australian Securities Exchange.

If an option certificate delivered to the Company with an Option Exercise Notice relates to Options which have not been exercised, the option certificate will be cancelled and a new option certificate for the balance of the Options which are not exercised will be issued and delivered to the relevant Optionholder at the address stipulated for that Optionholder in the Option register or as notified in writing by that Optionholder.
5. Shares issued on exercise of an Option will be issued as specified in the Option Exercise Notice, either:
 - (a) in uncertificated form through CHESS if the Optionholder specifies a valid CHESS account in the Option Exercise Notice; or
 - (b) in uncertificated form registered in the Company's Company-Sponsored Subregister if the Optionholder does not specify a valid CHESS account in the Option Exercise Notice,in the name of the relevant Optionholder or as directed in the relevant Option Exercise Notice on or before the Option Exercise Date.
6. Statements of holdings for Shares issued on exercise of an Option through CHESS will be dispatched by the Company by mail free of charge as soon as practicable but in any event within 7 business days after the relevant Option Exercise Date.
7. Subject to the ASX Listing Rules, if there is any reorganisation of the Shares or a bonus issue, the Option Exercise Price and/or the number of Shares to be issued to an Optionholder or their respective nominees upon the exercise of any Options will be adjusted in the same manner as the Shares and in a manner which will not result in:
 - (a) any detriment being suffered by each Optionholder which is not suffered by the holders of Shares; and
 - (b) any benefit being conferred on the holders of Shares which is not conferred on each Optionholder,subject to any reasonable provisions with respect to the rounding of entitlements as apply to Shares under the reorganisation or bonus issue.

All adjustment calculations to the Option Exercise Price and/or the number of Shares to be issued to an Optionholder or their respective nominees upon the exercise of any Options are to be made using figures to 4 decimal places. The adjustment shall become effective on the date of reorganisation of the Shares or the bonus issue.
8. Notwithstanding paragraph 7, the Option Exercise Price must not be increased, or the number of Shares to be issued to an Optionholder or their respective nominees upon the exercise of any Options must not be decreased, except where required by the ASX Listing Rules.
9. Subject to the ASX Listing Rules, no adjustment will be made to the Option Exercise Price and/or the number of Shares to be issued to an Optionholder or their respective nominees upon the exercise of any Options under paragraph 7 that will adversely affect the rights or entitlements of an Optionholder and/or the economic benefit that an Optionholder is entitled to derive.
10. If the occurrence of any of the events described in paragraph 7 adversely affects the rights or entitlements of an Optionholder and/or the economic benefit that an Optionholder is entitled to derive (disregarding the operation of paragraph 7), an adjustment must be made to the Option Exercise Price and/or the number of Shares to be issued to an Optionholder or their respective nominees upon the exercise of any Options in accordance with the relevant provisions of the ASX Listing Rules to remove any such adverse affect.

11. The Company must make, and give notice of, any required adjustments to the Option Exercise Price and/or the number of Shares to be issued to an Optionholder or their respective nominees upon the exercise of any Options, to the Optionholder within 3 business days of the occurrence of the relevant event described in paragraph 7.
12. Where there would otherwise be an adjustment to the Option Exercise Price and/or the number of Shares to be issued to an Optionholder or their respective nominees upon the exercise of any Options under paragraph 7 and any other adjustment provision in paragraphs 8 to 10 would also apply, the relevant adjustment provision which applies is the provision which results in the greatest reduction to the Option Exercise Price and the greatest increase to number of Shares to be issued to an Optionholder or their respective nominees upon the exercise of any Options.
13. In the event of any adjustment to the Option Exercise Price and/or the number of Shares to be issued to an Optionholder or their respective nominees upon the exercise of any Options, the Company must issue and deliver to each Optionholder within 3 business days from the adjustment, a new option certificate in the name of each Optionholder in respect of the number of Options they hold clearly stating the adjusted Option Exercise Price and/or the number of Shares to be issued to an Optionholder or their respective nominees upon the exercise of any Options.
14. An Option may be transferred by an Optionholder without the consent of the Company provided:
 - (a) the Optionholder complies with all applicable laws and regulations, including the relevant provisions of the *Corporations Act 2001* (Cth) and the ASX Listing Rules; and
 - (b) the transfer is to a sophisticated investor or a professional investor (as those terms are defined in the *Corporations Act 2001* (Cth)).
15. An Optionholder may request the transfer of an Option or Options held by them by lodging with the Company a transfer form, together with the option certificate (if any) for the Options to be transferred.
16. Subject to paragraph 15, upon receipt of the Transfer Form, the Company must:
 - (a) within 3 business days, enter the transferee's name in the Option register; and
 - (b) within 5 business days, deliver an option certificate to the transferee in respect of the Option or Options transferred and, in the case of a transfer of part only of the Options represented by the existing option certificate, deliver a new option certificate to the transferor for the untransferred balance of such Options.
17. The transferor of an Option remains the holder of that Option until the name of the transferee is recorded in the Option register as the holder of that Option.
18. A person becoming entitled to an Option as a consequence of the death or bankruptcy of an Optionholder or of a vesting order, or a person administering the estate of an Optionholder and entitled by law to do so, may apply for the transfer of the Option as if it was the Optionholder or, if so entitled, become registered as the Optionholder upon producing such evidence as to that entitlement or status as the Company considers sufficient.

SECTION E - PROXY FORM

**APPOINTMENT OF PROXY
QUEENSLAND BAUXITE LIMITED
ACN 124 873 507**

ANNUAL GENERAL MEETING

I/We

being a member/s of Queensland Bauxite Limited entitled to attend and vote at the Annual General Meeting, hereby

Appoint

Name of proxy

OR

☐

Mark this box if you wish to appoint the Chairperson of the General Meeting as your proxy

or failing the person so named or, if no person is named, the Chairperson of the General Meeting, or the Chairperson's nominee at the General Meeting to be held at 11:30am (Sydney time) on 12 November 2013 at Level 16, 1 Market Street, Sydney NSW, and at any adjournment thereof.

I/we expressly authorise the Chairperson to exercise my/our proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel, which includes the Chairperson.

The Chairperson intends to vote undirected proxies in favour of all items of business.

Voting on Business of the Annual General Meeting

	FOR	AGAINST	ABSTAIN
Resolution 1 – Adoption of Remuneration Report	☐	☐	☐
Resolution 2 – Re-election of Director – Paul Stephenson	☐	☐	☐
Resolution 3 – Approval of 10% Placement Facility	☐	☐	☐
Resolution 4 – Approval of issue of Shares to Paul Stephenson in lieu of director's fees	☐	☐	☐
Resolution 5 – Approval of issue of Shares to Russell Williams in lieu of director's fees	☐	☐	☐
Resolution 6 – Approval to grant conversion rights under the Bonds	☐	☐	☐
Resolution 7 – Approval to grant 90,000,000 Options to Gleneagle Securities Nominees Pty Ltd	☐	☐	☐
Resolution 8 – Ratification of prior grant of 12,500,000 Options to Gleneagle Securities (Aust) Pty Ltd	☐	☐	☐

If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is _____ %

Signed this _____ day of _____ 2013

By:

Individuals and joint holders

Signature
Signature
Signature

Companies (affix common seal if appropriate)

Director
Director/Company Secretary
Sole Director and Sole Company Secretary

QUEENSLAND BAUXITE LIMITED
ACN 124 873 507

Instructions for Completing 'Appointment of Proxy' Form

1. A member entitled to attend and cast a vote at a General Meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. Any fraction of votes will be disregarded. A duly appointed proxy need not be a member of the Company.
2. A member may direct a proxy how to vote by marking one of the boxes opposite each item of business. Please refer to the Proxy Form for further instructions on how to vote. Where more than one box is marked on an item the vote will be invalid on that item.
3. Where a member's holding is in one name the holder must sign. Where the holding is in more than one name, all members should sign.
4. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under a power of attorney, the power of attorney must be lodged in like manner as this Proxy Form.
5. Corporate members should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - two directors of the company;
 - a director and a company secretary of the company; or
 - for a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in sections 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with sections 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of sections 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

6. Completion of a Proxy Form will not prevent individual members from attending the Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the Meeting.
7. The chair will vote all undirected proxies in favour.
8. To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (a) post to Queensland Bauxite Limited, Po Box 114, Bondi, NSW 2026; or
 - (a) facsimile to the Company on facsimile number +61 2 9291 9099,

so that it is received not later than 11:30 am (Sydney time) on Sunday 10 November 2013.

Proxy Forms received later than this time will be invalid.