

Queensland Bauxite Limited

ABN 18 124 873 507

and Controlled Entities

Half-Year Report

For the half-year ended 31 December 2013

Contents

Corporate Directory.....	3
Directors' report	4
Principal Activities	4
Review of Operations and Outlook	4
OPERATIONS REPORT	5
Auditor's independence declaration	39
Financial statements.....	40
Condensed consolidated statement of comprehensive income	40
Condensed consolidated statement of financial position	41
The accompanying notes form part of these financial statements	41
Condensed consolidated statement of changes in equity	42
The accompanying notes form part of these financial statements	42
Condensed consolidated statement of cash flows	43
Notes to the consolidated financial statements for the half-year ended 31 December 2013	44
Directors' Declaration.....	51
Independent auditors' review report.....	52

Corporate Directory

Directors

Pnina Feldman

(Executive Chairman)

Sholom Feldman

(Executive Director, CEO)

Meyer Gutnick

(Non Executive Director)

David Austin

(Alternate Director)

Company Secretary

Sholom Feldman

Bankers

National Australia Bank

Law Courts Branch

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Sydney NSW 2000

Share Registry

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Limited

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Email: sfeldman@queenslandbauxite.com.au

Auditors

Nexia Court & Co, Chartered Accountants

Level 16

1 Market Street

Sydney NSW 2000

Telephone: (02) 9251 4600

Stock Exchange Listing

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

Website

www.queenslandbauxite.com.au

Australian Securities Exchange Code:

QBL

Directors' report

Your Directors present their report on Queensland Bauxite Limited, consisting of Queensland Bauxite Limited ("the company") and the entities it controlled at the end of or during the half-year ended 31 December 2013.

Directors

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

Pnina Feldman - Executive Chairman

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

Paul Stephenson - Non-Executive Director – resigned on 6th March 2014

Russell Williams - Non-Executive Director – resigned on 7th February 2014

Meyer Gutnick –Non-Executive Director – appointed on 6th March 2014

David Austin - Alternate Director.

Principal Activities

The principal activities of the group during the half-year ended 31 December 2013 were mineral exploration and identification of potential mining exploration assets for acquisition and development.

Review of Operations and Outlook

The consolidated loss for the half- year ended 31 December 2013 was \$ 1,259,744 (2012 loss \$668,029).

OPERATIONS REPORT

QBL presents the following report on activities for the half year ending 31st December 2013.

QBL has been focused on defining significant bauxite resources with a view to commencing direct shipping ore (DSO) bauxite mining and export operations. In order to take advantage of the current exploration market conditions and resultant opportunities, QBL has also concentrated on reviewing and negotiating a range of new project opportunities to diversify and expand its exploration interests, including advanced commercial and technical due diligence work on these opportunities and in October 2013, the Company signed a binding agreement with Regius Coal Mining Limited (Regius) giving QBL the right to earn a 51% interest in Regius. Regius controls a number of highly prospective coal licenses in Mozambique. QBL is also assessing options to divest or pursue partners for its secondary gold assets.

As has been widely publicised over the past few weeks, the recent Indonesian bauxite export ban that came into effect earlier this year is expected to greatly increase demand for bauxite from Australia, as Indonesia has previously been a significant exporter of bauxite to China. The Chinese market requires constant supply of bauxite to meet the exponentially growing demand to feed the Chinese Alumina refineries. Australia is the next closest major bauxite producer to China, and within Australia itself, North Queensland is the closest port to China.

This puts QBL in a uniquely advantageous position, as its recent discovery of bauxite in North Queensland, within 20km from a deep water port, could potentially be the ideal low cost high revenue project to competitively supplement the newly created demand from China for alternative sources of bauxite.

Bauxite Projects

BAUXITE DISCOVERY SOUTH JOHNSTONE PROJECT EPM18463

As announced on 11th November 2013, after a recent further study of the South Johnstone area in Queensland, a bauxite field has been discovered outside of areas with known environmental restrictions.

Extensive drilling, and testing with XRF (Innov-X) has shown that at least half of the 61 holes drilled were relatively enriched in alumina and depleted in silica indicating that a bauxitization event has taken place (see below).

South Johnstone permit EPM18463 covers an area of 400 square kilometres and is situated 16km west of the deep water port of Mourilyan in North Queensland which is currently used as a loading facility for the regional sugar cane industry. Mourilyan Port can berth Handimax vessels with a capacity of 40K tonnes. There is currently a narrow gauge railway which runs through EPM 18463 carrying sugar cane to the port of Mourilyan. In addition there is a network of bitumen and gravel roads within EPM 18463.

All samples with total alumina that was indicated by Innovex as being greater than 25% and total silica below 20% have been selected for alkali leach testing for available alumina and reactive silica. The results of these leach experiments will be presented when they become available.

South Johnstone Aircore Drilling

Queensland Bauxite Limited (QBL) carried out air core drilling at the South Johnstone Project with the completion of 61 holes for an advance of 460m at an average depth/hole of 7.5m. The drilling was wide spaced and covered an area of 400km² so as to define areas for infill drilling (Figure 1). Areas of mapped laterite were the areas of prime interest. In addition the drilling was aimed as close as possible to the historical bauxite locations from the sampling carried out by Carpentaria Exploration Company in the 1960's. Mapping by QBL indicated the most ideal location for bauxite development to be ridge tops and flanks to the ridges so, where possible, drilling was sited in these locations.

Drill samples were collected at half-metre intervals, in the first instance (holes SJAC001-015), and then at one-metre intervals (SJAC016-061). A sample of each interval was collected in chip trays which were photographed geologically, then analysed using a hand-held Innovex XRF instrument.

Analytical Results

The results indicate that the upper parts of the weathering profiles in at least half of the 61 holes drilled are relatively enriched in alumina and depleted in silica. This indicates that bauxitization has taken place.

Selected drill holes were chosen for XRF analyses based on the Innov-X study. The drillholes chosen were SJAC002, 3, 4, 5, 6, 8, 12, 13, 14, 21, 23, 24, 25, 26, 27, 34, 35, 36, 37, 41, 42, 43, 45, 47, 48, 52, 54, 57 and 61.

Samples from the first metre to a maximum of 5 metres in these holes were selected for alkali leach testing (Leach conditions – 1g leached in 10ml of 90gpl NaOH at 143 degrees for 30 minutes). The results of these leach experiments will be presented when the data becomes available.

In the samples selected for analyses Innov-X total SiO₂ is in the range of 7% to 20% while the range for Al₂O₃ is 25% to 42%.

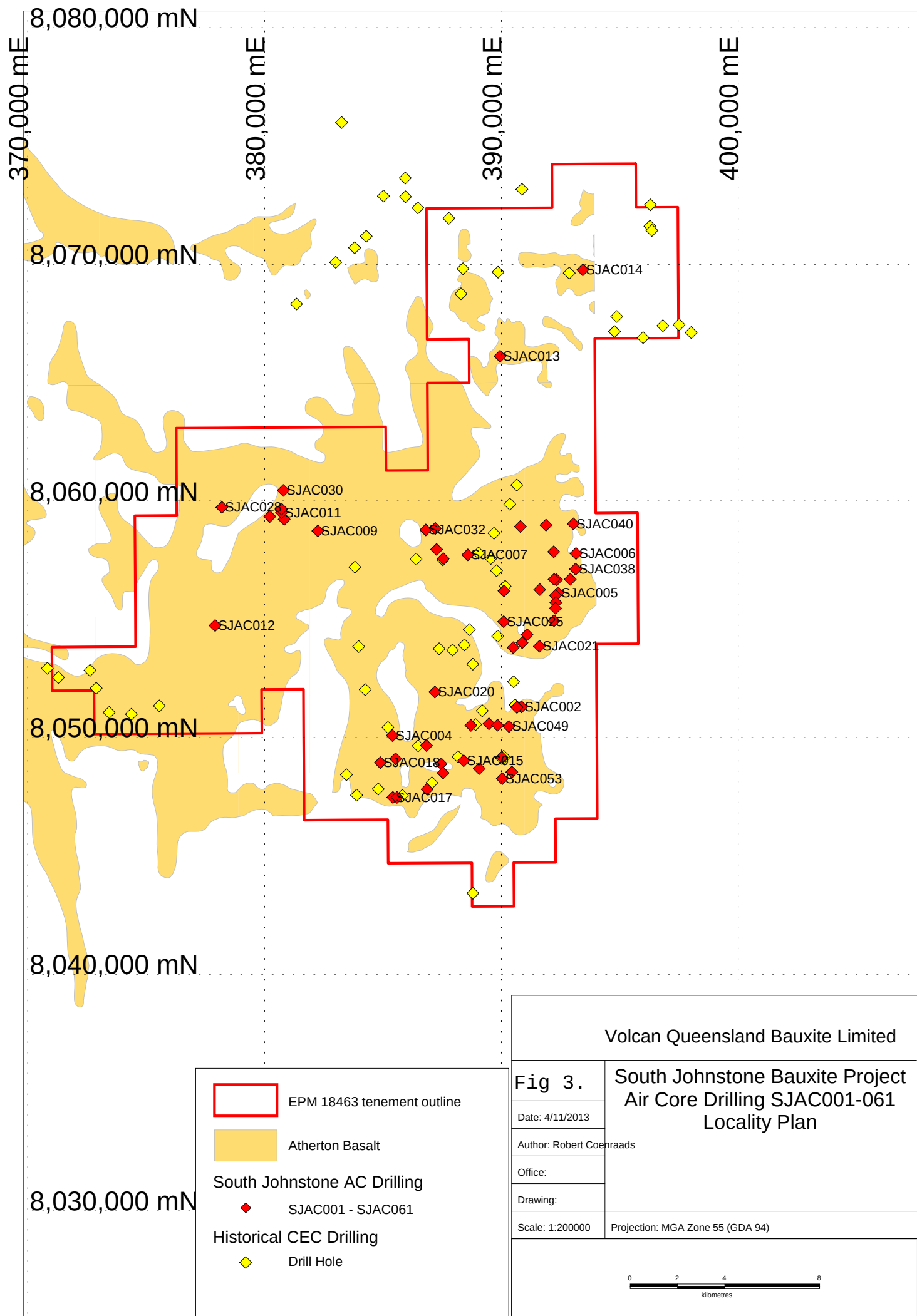
Olympus Innov-X XRF

The company has utilised a recent development in field geology that has proved invaluable to many companies in determining drilling priorities. The Olympus Innovex XRF Analyser is a hand held device that provides fast, non-destructive elemental analysis from Mg to U and from ppm concentrations to % levels. The latest units are able to detect the lighter elements such as Si and Al which are of interest for bauxite exploration as a screening device during the early stages of exploration, thus avoiding drilling exploration holes in areas not containing good bauxite.

Large areas in eastern Australia are considered prospective for high-grade gibbsite-rich bauxite deposits associated with lateritised basaltic volcanic terrains. Many of the volcanic terrains host numerous small isolated historic deposits with high available alumina and low reactive silica values.

It is hoped that the historic deposits first drilled by Carpentaria Exploration Company (Znebejanek L., 1961) can be proven to form part of much more extensive bauxite system within EPM 18463.

Analytical exploratory work on the samples recovered within the project tenement areas by the drilling program will ascertain if this is indeed the case.



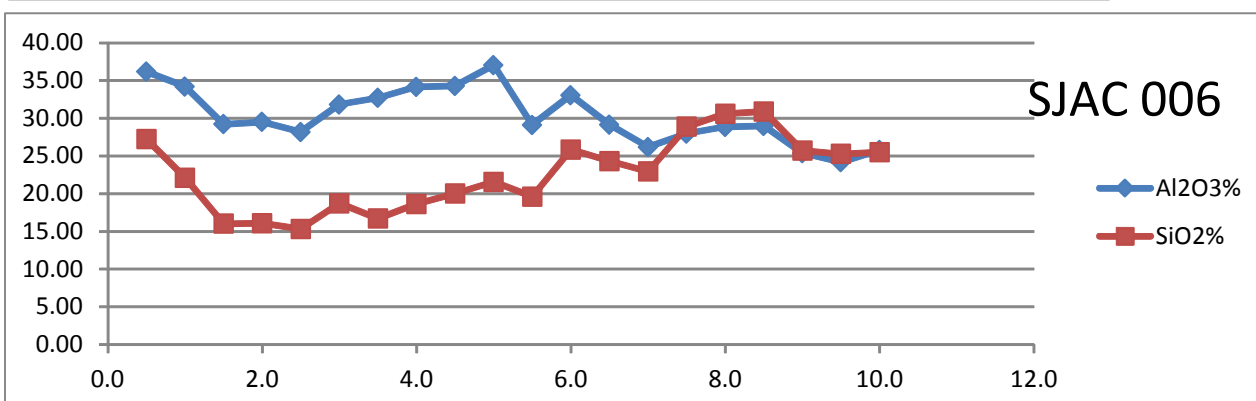
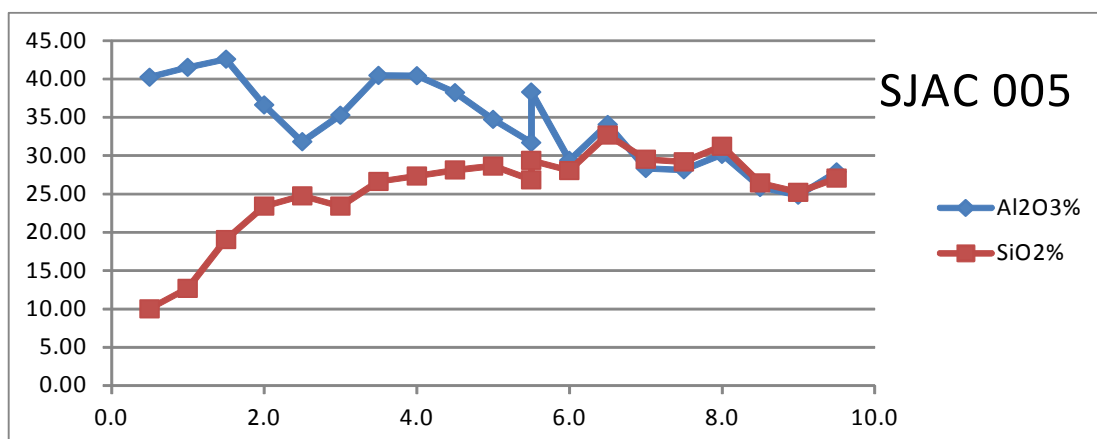
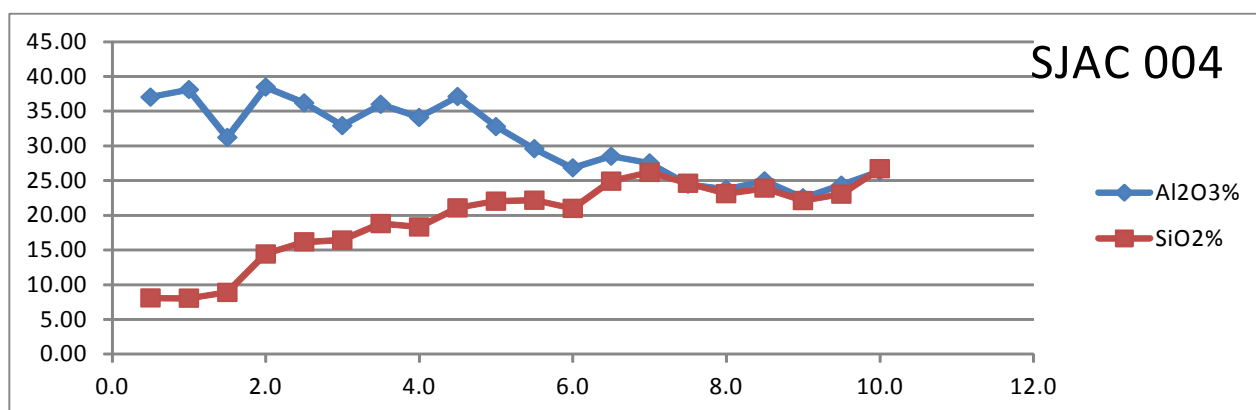
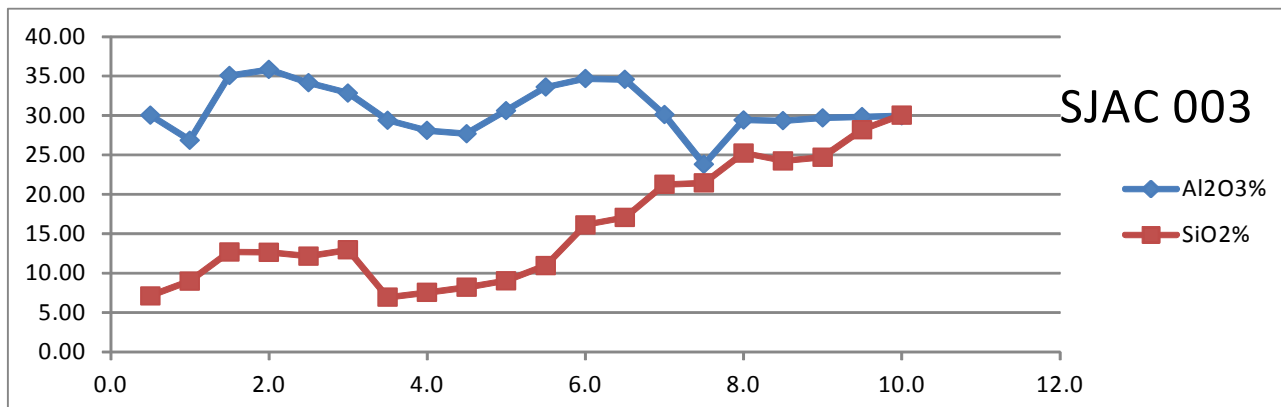
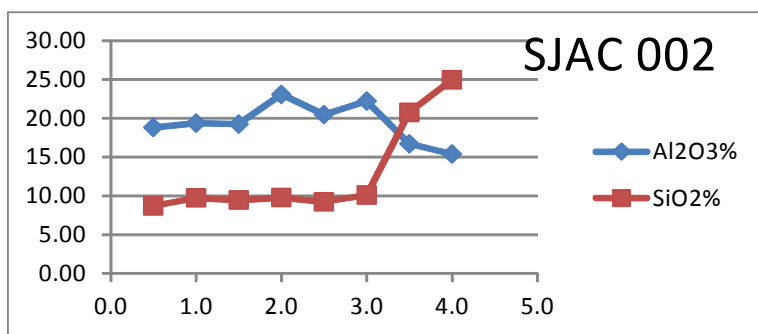


Figure 2. 2011 South Johnstone EPM 18463 Aircore Innov-X Data (1 of 4)

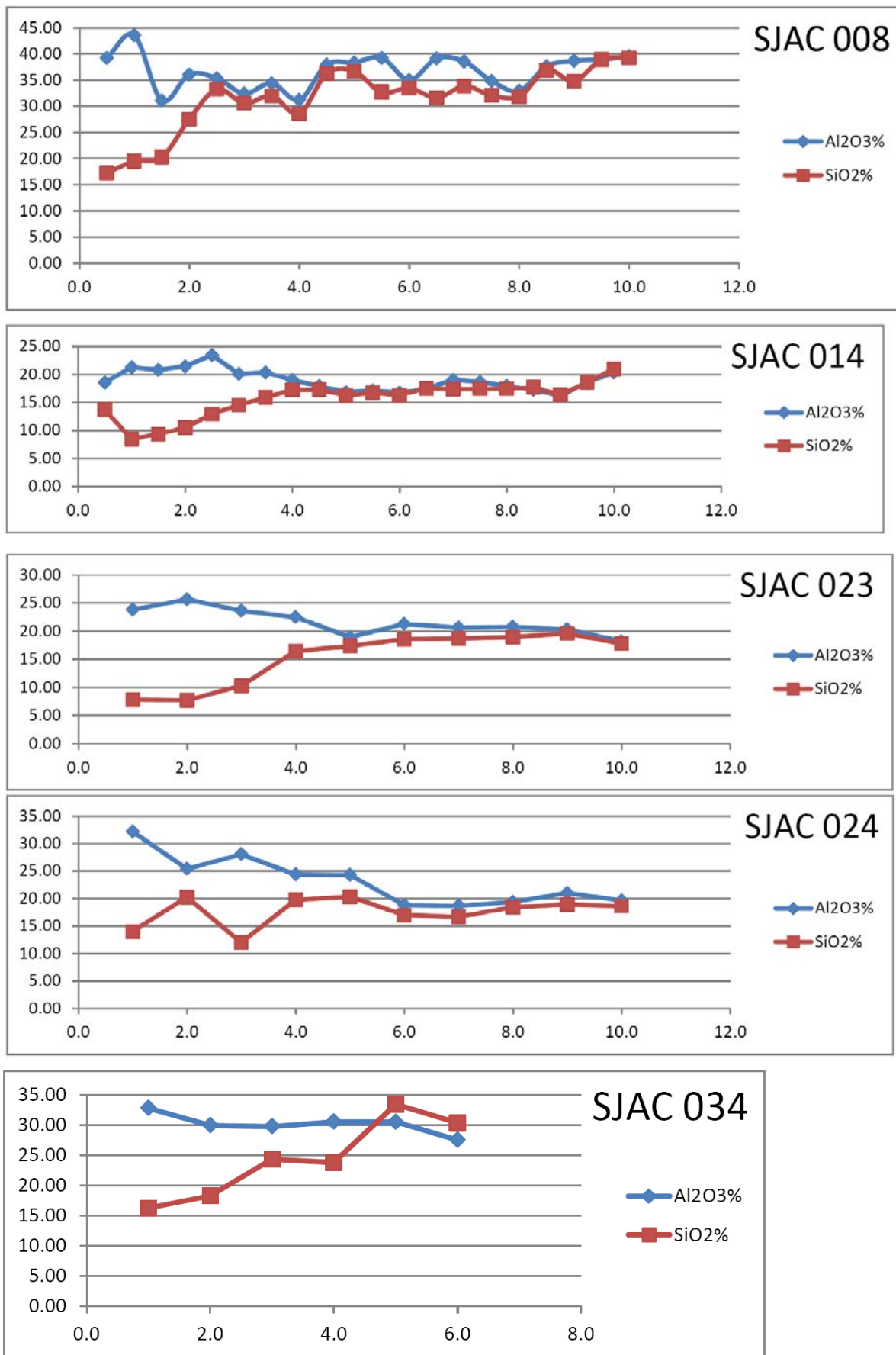


Figure 2. 2011 South Johnstone EPM 18463 Aircore Innov-X Data (2 of 4)

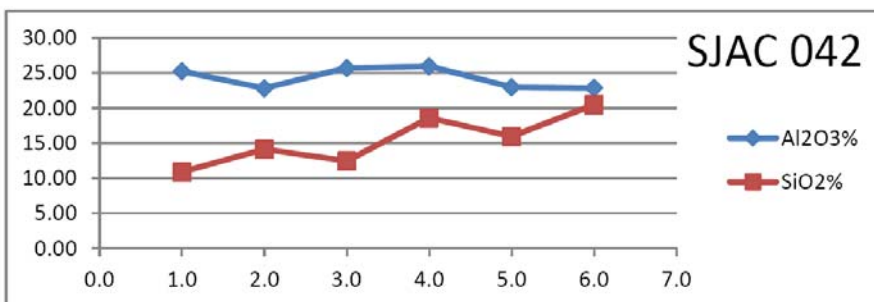
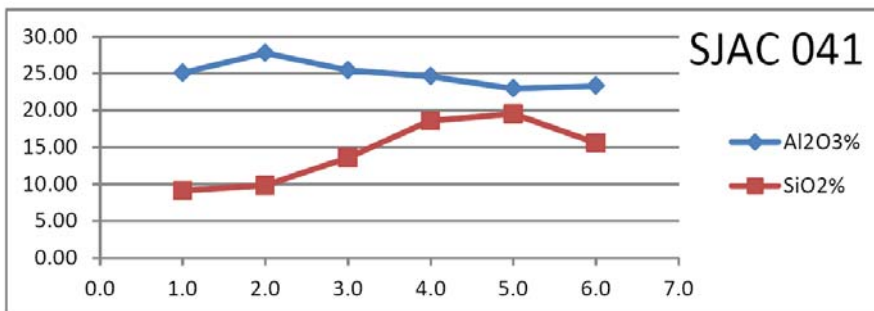
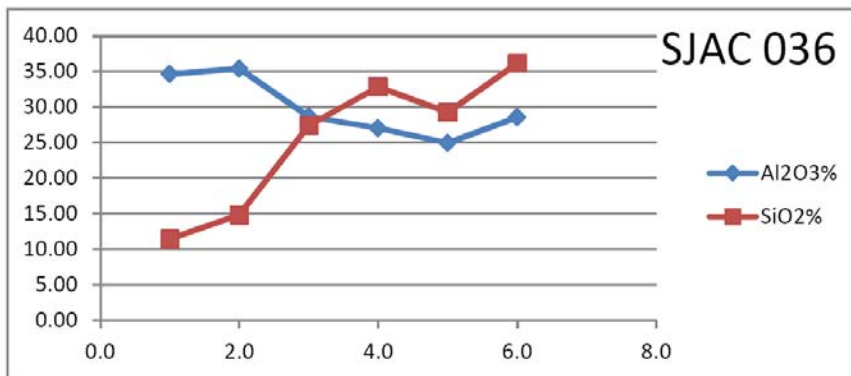
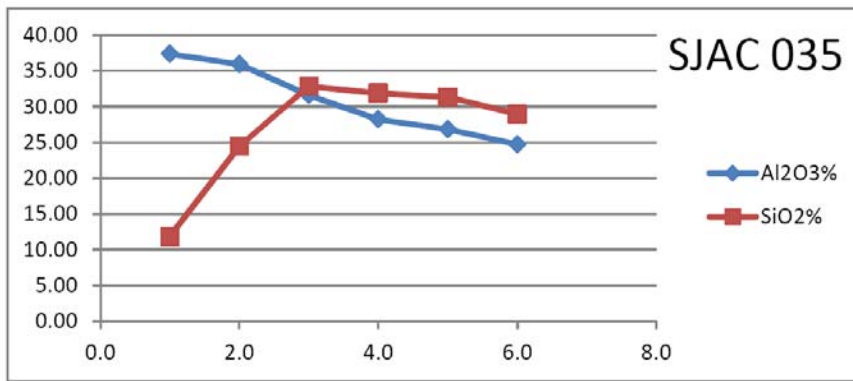


Figure 2. 2011 South Johnstone EPM 18463 Aircore Innov-X Data (3 of 4)

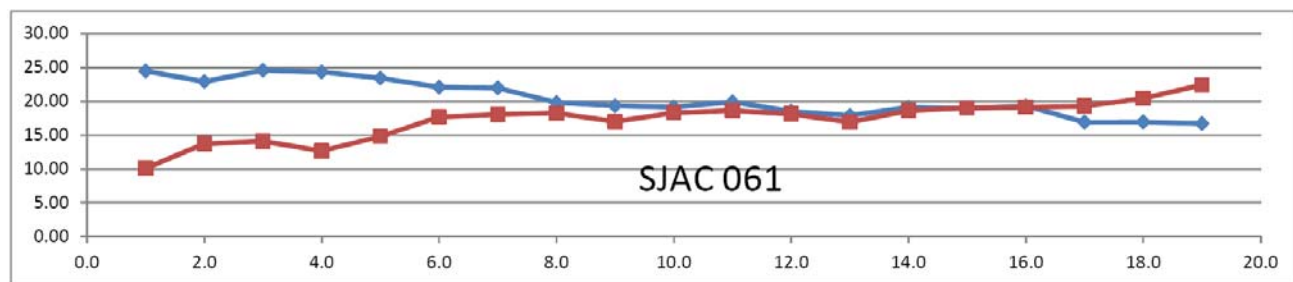
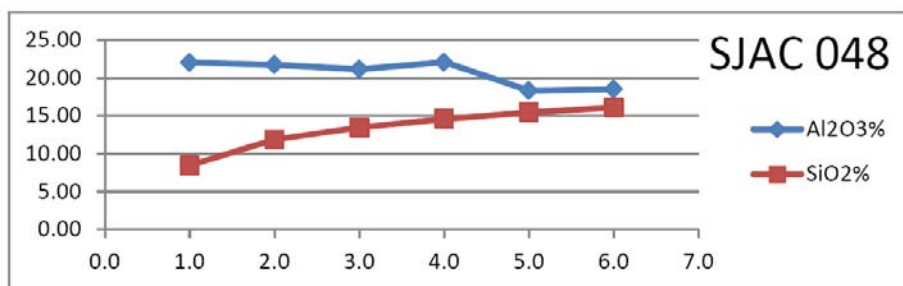
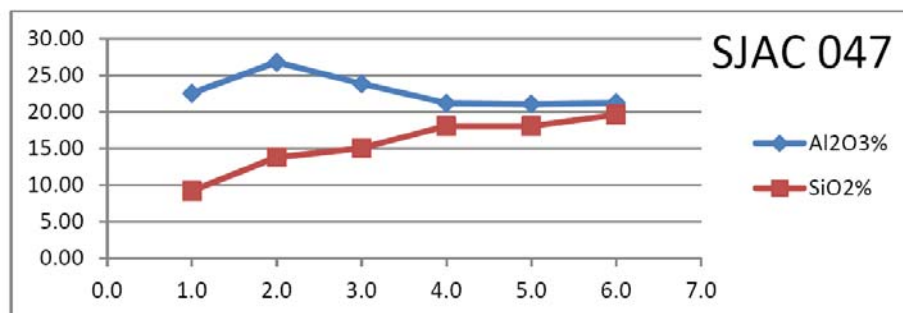
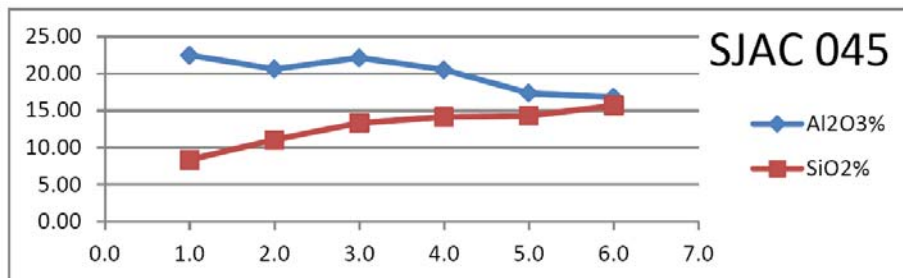
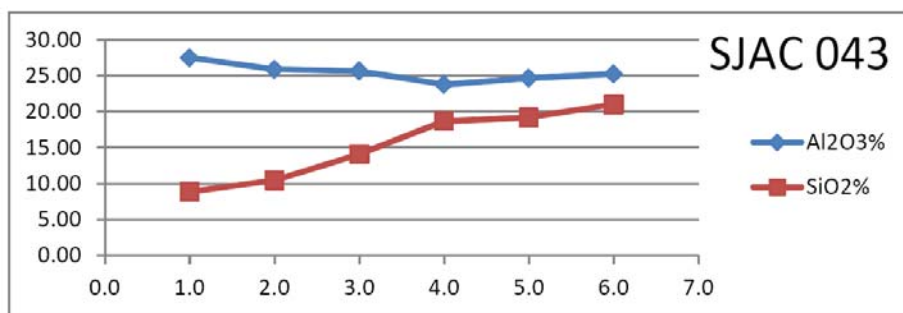


Figure 2. 2011 South Johnstone EPM 18463 Aircore Innov-X Data (4 of 4)

GOLD PROJECTS

The Company currently has one remaining gold project in Australia, comprising a gold exploration project in Western Australia - the Pilbara Gold Project in the south-west Pilbara.

Pilbara Gold Project

The Pilbara Gold Project comprises Exploration Licence E47/1153 which covers the northern half of the Rocklea Dome and encompasses an area of approximately 200km².

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

All historical exploration data is currently being compiled with geophysical and geological data sets with a view to defining drill targets. The WA Geological Survey recently made available state wide ASTER (Satellite Data) images which highlight concentrations of clays, iron oxides and carbonates and as such could indicate areas of “alteration” within the Pilbara Gold Project. Areas of significant “alteration” associated with surficial elevated gold geochemistry and possible structural emplacement would result in a high priority drill target.

Coal Projects

The Company has entered into an agreement with Regius Coal Mining Ltd (Regius) to have an option to acquire 51% of Regius Coal Pty Ltd, a wholly owned subsidiary of Regius, which owns rights to coal assets in Mozambique.

Regius’ coal assets in Mozambique includes agreements over licenses 4453L, 4070L, 4169L, 2232L, 4185L and applications for licenses 5038L, 5084L and 5085L. Current effective ownership of Regius of these licenses are 80% over 4453L and 4070L, 20% over 2232L, 70% over 4185L and 5% on the applications. Regius has option agreements to earn further interests in these projects as set out in the annexure.

QBL has the option over the first 12 months of the agreement until October 2014, to spend up to \$750,000 on RCPL’s assets to earn a 35% interest directly into RCPL, with a further option over the following 18 months to invest an additional \$1.2M to earn pro rata up to a 51% interest in RCPL.

As previously announced, should QBL exercise these options to earn an interest in RCPL, and should expenditure exceed these amounts following the exercise of the options, prior to any such further expenditure, the company will be in further discussions with the ASX to see if there are any implications for needing to recompile with Chapters 1 and 2 of the ASX Listing Rules.

Both QBL and Regius look forward to working together in developing these assets in this highly prospective coal bearing region.

Regius recently secured control of 4453L, which is relatively a close to port coal project. QBL sees this project as one of the most prospective of Regius' current significant portfolio of Coal projects with the potential to fast track production as there is relatively minimum overburden on the reported identified coal seams and the product could potentially be economically trucked to port. Highlights of 4453L include:

- 191km² licence secured containing 100km² of Lower Karoo geology
- Located just 250km from the Palma and Pemba Ports
- Historical drilling intersected 3 metre coal seams within the top 40m
- Significant prospectivity at depth yet to be tested
- Relatively low ash content (23.4%), low sulfur content (0.76%) and low H₂O values (between 3-4%)
- Large areas of potential mineralisation
- Coking coal potential to be tested in upcoming exploration program

Regius has signed an agreement to acquire 80% of License 4453L in Mozambique from Mr Raimundo Azarias Ingles who owns 100% of the title in 4453L. Regius acquires the 80% effective immediately for taking the responsibility to fund development of the project. Regius can withdraw from the JV at any time by handing back the 80% without any further penalty. QBL is funding Regius under the terms of the above mentioned agreement to earn a 51% interest in Regius Coal Pty Ltd.

1.Coal Concessions held by Regius Exploration



Figure 1. The coal concessions held by Regius Coal

1.1. License 4453L

License 4453L, which is highly prospective for coal, is located in the Cabo Delgado Province of Mozambique. This narrow basin is of Karoo age (Permian – Triassic) and was targeted by Regius as coal occurrences had been previously reported in the sediments.

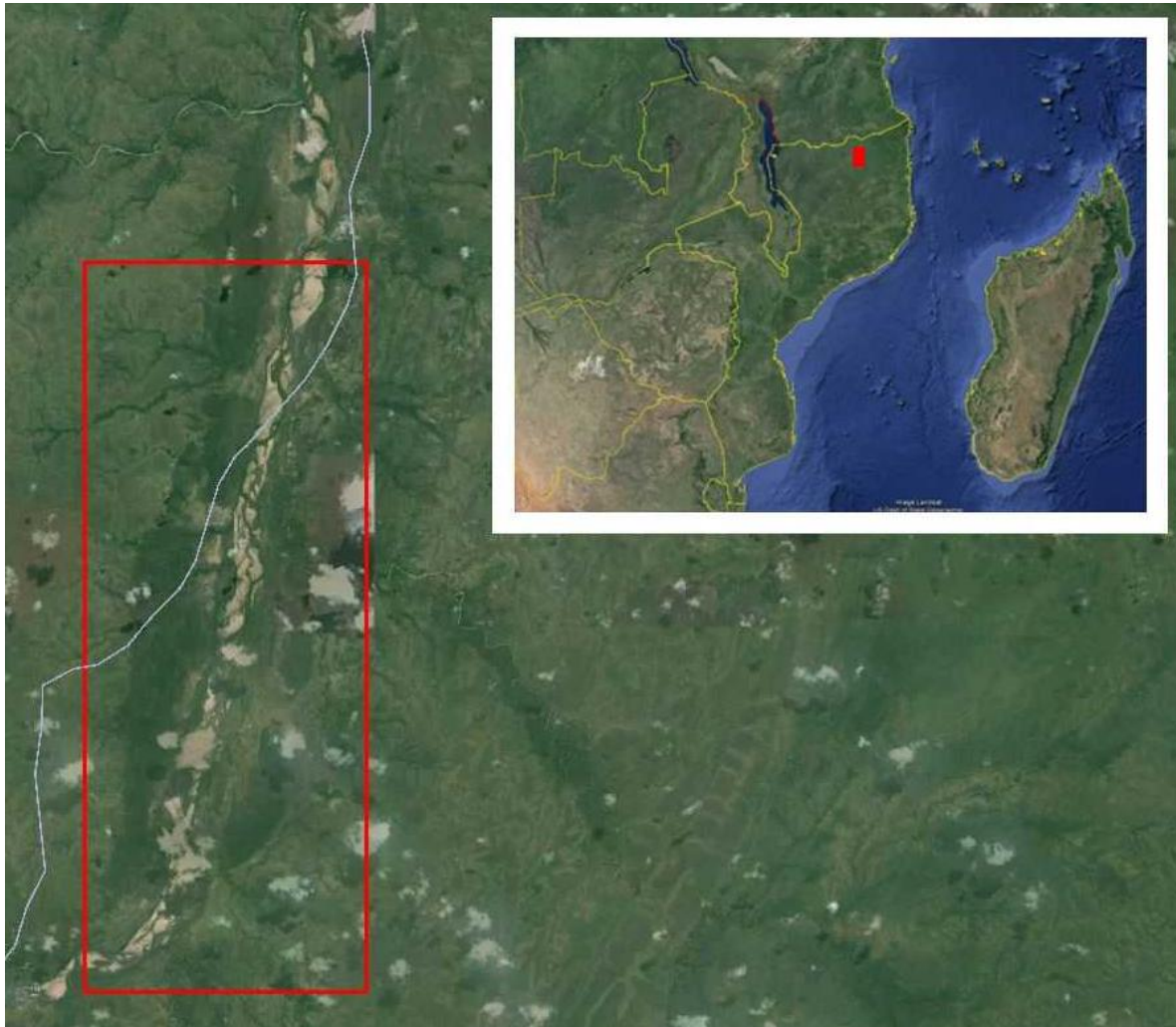


Figure 2. License 4453L in northern Mozambique

1.2. Historical Reports

The first report indicating the presence of coal in the area was by Hasslagher in 1931. Hasslagher mentioned a number of outcrops of coal on Makaaitle Island in the Lugenda River (Kimopax, 2012). The geologist described a 15 m carboniferous layer with 3 m non-pure coal and 5 to 30 cm of pure coal layers. These layers are covered by ferruginous sandstone and clay as well as sandstone containing plant fossils. This coal belongs to the Karoo Supergroup and air-dried analyses indicate the lower quality coal consists of 35% to 40% ash whereas the higher quality coal has only 18.5% ash.

A report compiled by Gouveia (1974) describes two coal zones that outcrop in the Lugenda River. He has reported that the carboniferous horizons are less than half a meter thick. Fieldwork completed by Technosynthesis in 1978 and 1979 mentions the presence of Karoo sediments which were plotted on a 1:250 000 scale map (Kimopax, 2012).

Although coal is reported to occur at two localities within the lower parts of the Lugenda Basin, these reports are limited to only two visits - one in the early 1900's and the second in 1980/1981 (Vernier, 1981)

1.3. Geology of 4453L

The geology of License 4453L is dominated by the Phanerozoic Karoo Supergroup, particularly the Eccia group. The older Mesoproterozoic Marrupa Supergroup, primarily the granitic gneiss (1005 ± 19 Ma, U-Pb) forms the basement (Map Series 1238 Xixano)

The Karoo rocks cover around 225 km² on both sides of the Lugenda River. The sediments from the Lugenda River form a floodplain consisting of the eroded Karoo and basement materials.

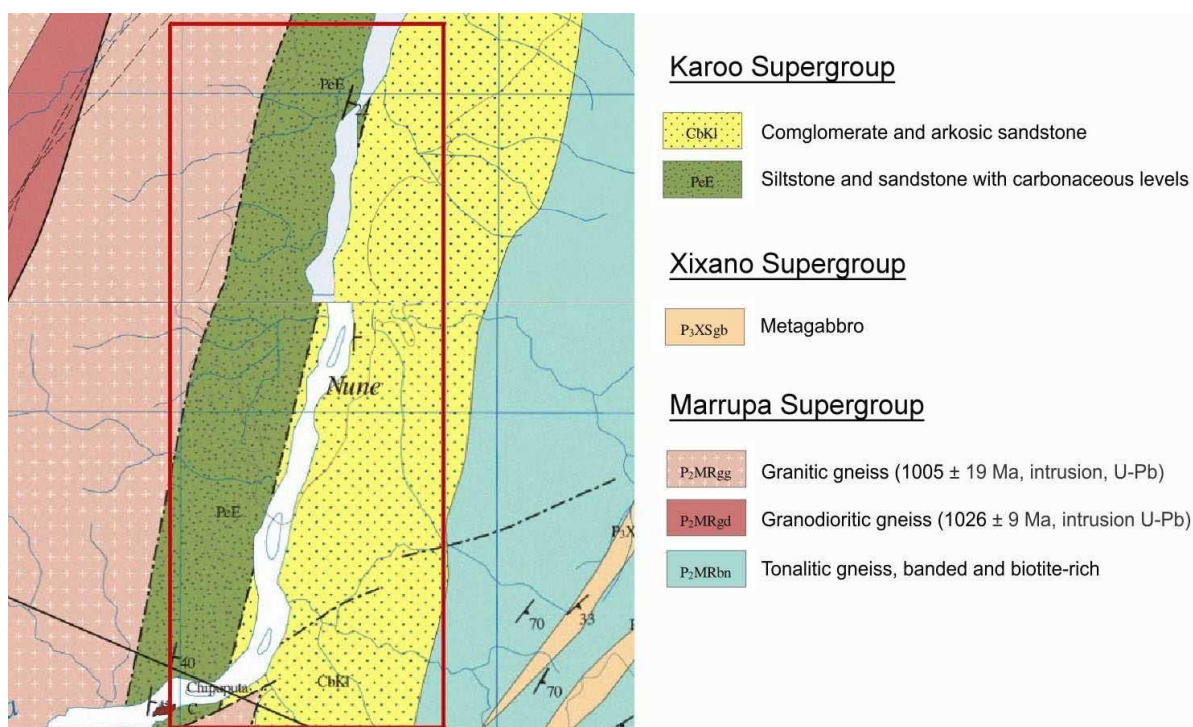


Figure 3. License 4453L seen on the Geological Map Series, Sheet No. 1138 and 1238, Negomane and Xixano respectively

The Karoo within License 4453L is exposed within a very narrow basin bound by faults and partly covered by later Quaternary alluvium and colluvium. Previously it has been suggested that the Karoo sediment package is over 2 000 m thick (Vernier, 1981) however, more recent reports are skeptical regarding this amount of sediment.

The exposed areas of Karoo rocks are limited to the Lugenda River area where the basin is about 2 to 3 km wide. The apparent length is about 35 km. The Upper Karoo, as defined by Thatcher (2006), can be identified on the Landsat image and is more common on the western side of the River.

The sedimentary bedding can be seen on the Landsat image. The dips appear shallow (generally < 25%) and it is not expected that a very thick sequence of Karoo sediments is present.

The contact between the Precambrian rocks and the Karoo sediments is marked as a fault on many geological maps and in the satellite interpretations but it does not form any significant geomorphological feature (such as an escarpment) on the ground. Only changes in soil and vegetation mark the difference between the two terrains.

1.4. Coal Outcrop

The two known coal occurrences are located in two separate islands at the middle of the Lugenda River, namely: Makaa-itule (Figure 4) and Chipuputa (Figure 5). Even though there are only two places that the coal outcrops, it is believed that there is more coal beneath the quaternary sediments that have been exposed in the Lugenda River.

The bedding strike was measured to be about ENE-WSW (020°), with a dip of no more than 30°, towards ESE in Makaa-itule and Chipuputa (Kimopax, 2012).

A distance of about 33 km separates the two islands, and the only rocks visible along the entire Lugenda River are sandstones, well-bedded, oriented between ENE-WSW and SE-SW, dipping gently towards ESE and SE, respectively.

1.4.1. Makaa-itule Coal Outcrop

Makaa-itule island is approximately 400m in length and 50m wide. The first documented outcrop area, which consists of a sequence of coal and other rocks, is 19m thick with a total of 7.87 m coal ($\pm 40\%$ of the sequence).



Figure 4. General view of Makaa-itule island

- Coal layers thicker than 10 cm: 3.46 m.
- Layers thicker than 30 cm thick: 2.5 m.
- One layer of coal which is 0.77 m.

1.4.2. Chipuputa Coal Outcrop

The second area that has been documented to have outcropping coal is on Chipuputa island. During the visit by Kimopax geologists, the coal outcrops were below the water level. The carboniferous sequence is approximately 16.5 m thick with the sum total of coal which forms seams thicker than 5 cm being about 2 m. Coal layers thicker than 10 cm total about 1.8 m. There are only two layers which are greater than 30 cm.



Figure 5. General view of Chipuputa island

Due to the fact that the majority of the outcrop is below the water level, it is difficult to map. From outcrop which can be studied, the strike is 20° to the east-southeast. To the south of the coal outcrop, a 1.4 m thick dolerite sill was observed below the coal layers. No other intrusions were observed.

1.5. Prospectivity of the area

The area of prospectivity within License 4533L is seated in the Karoo siltstone and sandstone with elevated carbonaceous levels. This coal bearing Supergroup is unconformably overlying the Precambrian basement followed by younger lacustrine and/or fluvial sediment. The license area has almost 6 200 Ha of the Karoo carbonaceous layer at surface.

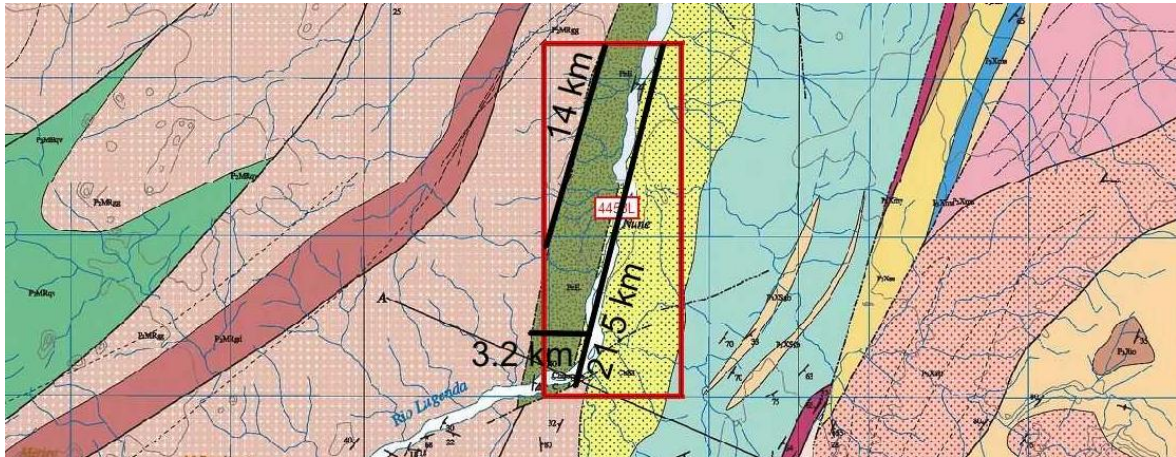


Figure 6. Relative lengths and width of the coal bearing sequence

As seen in the Figure 7, the carbonaceous sequence on the western side of the river has a minimal overburden which will need to be removed to mine the coal. On the eastern side of the river, the carbonaceous material has been covered by younger conglomerate and sandstone, beneath which coal is expected to be found.

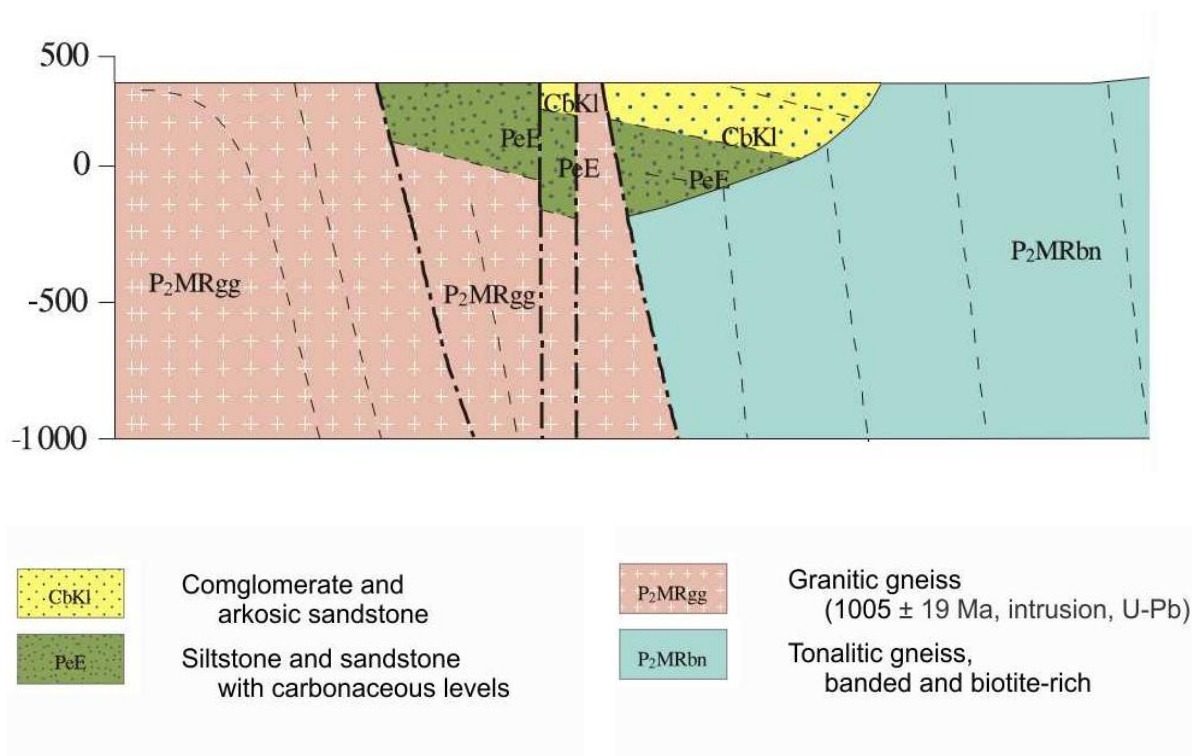


Figure 7. Expected profile as per the Geological Map Series 1238 Xixano

1.6. Coal Analysis and Core Logging

Previous drilling and trenching has been reported in the vicinity of Licence 4453L (Kimopax, 2012, Table 1). One is able to compare those results with the results published by Vasconcelos (2009) from different Licenses in Tete (Table 1 and Table 2 respectively).

The coal water (H₂O) or moisture values reported by Kimopax (2012) are rather consistent and vary between 3 and 4%, whereas the H₂O values for the Tete region are highly variable and range between 0.6 to 11.9 %, depending on the deposit.

The ash content of coal is the residual which is left after the coal has been burnt. This non-combustible matter represents the bulk matter after oxygen, carbon, water and sulfur is burnt off during the coal combustion. The ash content reported by Kimopax (2012) is considerably lower than that of the Tete coal, the average being 23.4 % whereas the average for the coal in Tete is 37.7 %.

The volatile matter within the coal refers to the components except for water which is liberated in an absence of air at high temperature. The volatile percentage is very similar and both are within the low 20's.

The sulfur within coal is determined by the amount of iron content within the coal, this iron is usually a direct result of the presence of pyrite (iron sulfide; FeS_2). The sulfur percentage is regarded as low and desirable within the Tete Province, with an average of approximately 0.97 %. However the results reported by Kimopax (2012) have a considerably lower sulfur percentage at 0.76 %.

Reports from Vasconcelos (2009) rank the coal from Tete from bituminous to anthracite. The results from the analysis give promise of the existence of high quality coal in License 4453L.

The core logs presented in Kimopax's report appendix (2012) indicate there are two main horizons of coal. The first horizon is at an approximate depth of 20m, the thickness of this coal seam ranges from 1.85 to 2.78 m. There is a second seam which continually occurs at approximately 33 m which is between 0.55 and 1.03 m thick. There is occasionally a third seam in the around 37m depth which ranges in thickness from 0.71 to 0.88 m. The Kimopax (2012) report indicates that the drilling only went down to 40 m depth, leaving further prospectivity at depth.

It is QBL's intention to drill the tenement to verify the above results and with the goal of proving a mineable and economic JORC resource, in order to fast track production and export.

Table 1. Coal analysis from License 4453L (Kimopax, 2012)

BH ID	SEAM ID	THICKNESS (M)	SAMPLE ID	In H2O	Ash	Vols	F/C	CV	T. Sulphur
JC 001	2	1.85	JC001 TOP	4.1	19.8	24.0	52.1	24.66	0.79
JC 002	2	2.10	JC002 TOP	3.4	22.3	25.5	48.8	24.03	0.38
JC 003	2	2.52	JC003 TOP	3.7	22.5	25.3	48.5	23.32	0.78
JC 004	2	2.38	JC004 TOP	3.7	24.0	25.0	47.3	22.81	0.78
JC 005	2	2.07	JC005 TOP	3.9	22.0	23.7	50.4	24.70	0.88
JC 006	2	2.78	JC006 TOP	4.2	23.3	22.8	49.7	23.00	0.41
JC 007	2	2.78	JC006 TOP	4.2	23.3	22.8	49.7	23.00	0.41
JC 008	2	2.23	JC008 TOP	4.5	23.8	22.9	48.8	24.80	0.70
JC 001	1	0.62	JC001 BOTTOM	3.2	26.5	22.1	48.2	21.62	1.05
JC 002	1	0.72	JC002 BOTTOM	3.1	25.6	23.7	47.6	21.71	0.58
JC 003	1	0.63	JC003 BOTTOM A	3.2	27.3	21.9	47.6	22.14	1.11
	1	0.88	JC003 BOTTOM B	3.1	24.6	22.9	49.4	23.69	0.52
JC 004	1	0.58	JC004 BOTTOM A	3.8	24.9	21.3	50.0	22.96	0.87
	1	0.78	JC004 BOTTOM B	3.3	26.9	21.6	48.2	21.62	1.05
JC 005	1	0.67	JC005 BOTTOM	3.1	27.0	22.5	47.4	22.01	1.09
JC006	1	1.03	JC006 BOTTOM	3.7	27.4	23.1	45.8	21.96	1.06
JC 007	1	1.03	JC006 BOTTOM	3.7	27.4	23.1	45.8	21.96	1.06
JC 008	1	0.55	JC008 BOTTOM A	3.1	26.6	21.2	49.1	22.16	0.85
	1	0.71	JC008 BOTTOM B	3.3	27.1	21.0	48.6	22.01	0.92

Table 2. Coal analysis from a number of different Licenses in Tete (Vasconcelos, 2009)

Basin	Locality	Sample	H2O	Ash	Volatile	GCV	Sulfur
			(%, ad)	(%, ad)	(%, ad)	(MJ/kg, ad)	(%, ad)
Metangula		range of 27 samples	1,8-2,6	31,6-85,2	n.d.	14,78-26,48	0,30-3,50
Chicôa-Mecúcoè	Mucangádzi	range of 27 samples	5,9-11,5	16,4-45,1	19,7-28,4	14.61 - 23.91	0.49-3.90
	Vúzi	range of 28 samples	2,4-15,9	9,4-34,8	24,0-33,0	16.08 - 29.64	0.58-2.66
	Bohozi	range of 36 samples	1,3-14,2	12,7-35,2	21,0-28,6	11.26 - 29.35	0.77-5.93
	Massindué	range of 18 samples	2,7-16,0	11,0-30,8	21,3-28,0	13.36 - 25.50	0.47-1.29
	Mucanha	range of 5 samples	1,0-1,8	13,8-33,0	19,5-26,1	21.77 - 30.60	0.74-1.82
	Luângua	range of 56 samples	0,8-11,2	13,8-37,7	14,9-28,2	16.04 - 30.44	0.42-2.88
Sanângoè	License 871L	Zone 8	4,2	52,9	14,9	13,25	1,06
		Zone 7	4	42,5	21,9	17,3	1,24
		Zone 6 Upper	3,7	35,1	25,1	20,28	1,06
		Zone 6 Lower	3,2	41,6	23,5	18,25	1,23
		Zone 5	3,2	45,7	21,5	16,16	1,01
		Zone 4 Upper	3,9	34,5	25,6	22,07	1,25
		Zone 4 Lower	2,6	48,6	21,7	17,3	1,28
Moatize-Minjova	Moatize Section 1	Lower Chipanga 25 x 10 mm	0,6	43,3	13,7	18,64	1,01
		Lower Chipanga 10 x 0,5 mm	0,6	29,8	13,5	24,19	0,96
		Upper Chipanga 25 x 10 mm	0,6	43,1	15,5	18,9	0,88
		Upper Chipanga 10 x 0,5 mm	0,6	29,7	17,8	24,36	0,91
	Moatize Section 2A	Lower Chipanga 25 x 10 mm	0,7	42,5	17	18,76	0,69
		Lower Chipanga 10 x 0,5 mm	0,8	32,3	19,2	22,97	0,86
		Upper Chipanga 25 x 10 mm	0,9	48,1	14,8	16,52	0,89
		Upper Chipanga 10 x 0,5 mm	0,9	38,3	16,6	20,52	1,03
	Moatize	Chipanga/Chipanga 3 Mine	0,9	13,7	17,2	29,98	0,74
		Chipanga/Chipanga 8 Mine	0,6	17,6	17,1	29,66	0,5
	Minjova	ROM 20 x 5	1,3	27,2	18,5	n.a.	n.a.
		ROM 10 x 0,5	1,3	18,5	20,5	n.a.	n.a.
		ROM 5 x 0,5	1,2	23,4	18,9	n.a.	n.a.
		ROM -0,5	1,5	16,7	20,6	n.a.	n.a.
	Mutarara	Boreholes (range 171 samples)	0,2-1,4	33,5-89,8	4,1-35,5	2,78-22,8	0,03-2,53

Coal potential

An exploration target for the coal potential within 4453L is presented based on the drilling data from eight exploration holes JC001 to JC008 carried out in the vicinity of the Makaa-itule and Chipuputa coal outcrops within 4453L. Each of the two or three coal seams found in each hole was measured, sampled and analyzed once, giving a total of 19 samples analysed as shown in Table 1 from Kimopax 2012. The exact location of the drill holes or their spacing is not known; this information was not available to the competent person. The exploration target calculations are based on these drill data as these are the only exploration activity known to have been carried out, however it must be remembered that the potential quantity, quality and grade figures presented in the target modelling is conceptual in nature as there has been insufficient exploration to estimate a mineral resource and that it is uncertain if further exploration will result in the estimation of a mineral resource.

The model parameters for the exploration target have been calculated as follows:

- a) Coal grade: Based on the analyses conducted on the 19 samples and listed in Table 1, the potential range of parameters that define type and quality used for modelling coal within the tenement are; ash content 19.8-27.4%; volatile matter 21.0-25.5%, total sulphur 0.38-1.11%; fixed carbon 47.3-52.1% and inherent moisture 3.1-4.5%. These parameters allow the coal analysed to be classified as a medium volatile bituminous coal and assume that this coal is likely to have an average bank density of 1.3 tonnes per cubic metre.
- b) Coal thickness: The thickness of the upper coal seam encountered in each of the 8 holes (Top, Table 1) varies between 1.85 and 2.78m, while the thickness of the lower seam varies between 0.55 and 1.03m (Bottom A, Table 1). A third layer (Bottom B, Table 1) exists only in holes JC003, 004 and 008; it has a thickness of 0.71 to 0.88m and this thickness will not be included. Therefore using the upper two layers only, the minimum coal seam total thickness expected will be 2.4 m and the maximum thickness expected will be 3.8 m.
- c) Coal extent: The coal is found within the Lower Karoo unit (the green unit exposed on the western side of the river as shown on Figures 6 and 7. It has an area of approximately 63 km² (6,300 Ha). On the eastern side of the river, the green unit is seen to dip below the yellow unit in the geological cross section presented in Figure 7. and covers an additional 100 km² here beneath overburden. For the purposes of building the exploration model, it is assumed that the coal seam described above exists throughout the entire area of the Lower Karoo unit contained within the tenement as outlined in Figure 8 (both exposed and beneath overburden) as has been reported from the limited historical drilling discussed above. That is, it is assumed that coal exists within a total area of Lower Karoo of 163 km², and that it will be accessible within, at least, the area of exposed Lower Karoo of 63 km².

Calculating the exploration target

The exploration target tonnage is therefore calculated by multiplying the coal thickness (minimum 2.4m to maximum 3.8m) by the coal extent (minimum 63 km² to maximum 163 km², and multiplying by the average bank density for bituminous coal of 1.3, and then factoring a loss of 30%. This calculation gives an exploration target that ranges between 137 million and 650 million tons coal where the term 'exploration target' is defined under Clause 17 of the 2012 JORC Code as being 'a statement or estimate of the exploration potential of a mineral deposit in a defined geological setting where the statement or estimate quoted as a range of tonnes and a range of quality, relates to mineralization for which there has been insufficient exploration to define a Mineral Resource'. The above calculation is only to give an indication of what type and size of resource may be found in such a tenement with exploration success, and why we are targeting exploration on this tenement. It is the intention of QBL to drill this target area over the 2014 drilling season with the aim of defining a JORC compliant resource should one exist in the tenement.

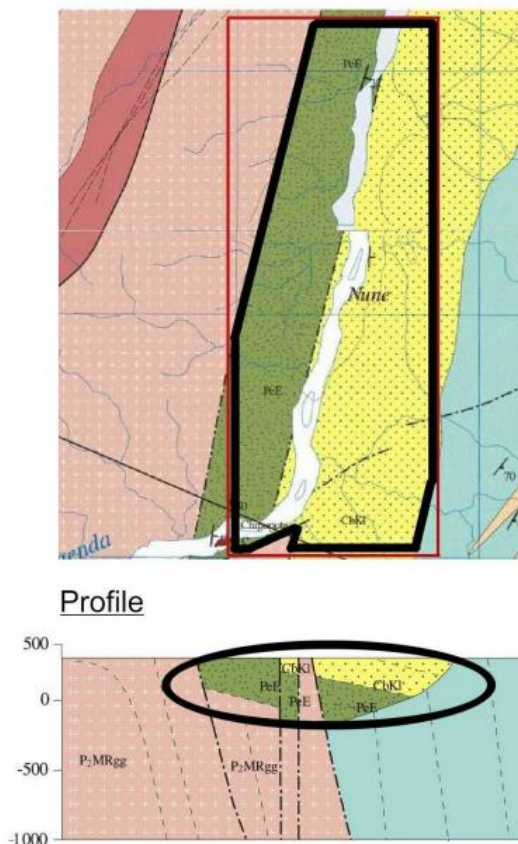


Figure 8. Maximum modelled aerial extent of the coal-bearing Lower Karoo unit within 4453L

Infrastructure: Within Mozambique

In the last 15 years the country's economy has grown steadily at an impressive 7.7 % per year, this increase has been driven largely by agriculture, light industry and the service sector (Dominguez-Torres and Briceño-Garmendia, 2011). This growth in the economy is expected to continue and even increase due to the large investments that have been undertaken by the private sector in association with the exploitation of Mozambique's natural resources which the country is well endowed in. The infrastructure within Mozambique is currently undergoing significant expansion and major rehabilitation with a minimum forecast of US\$34 billion being invested in the country's infrastructure over the next decade. The boom in the country's mining industry has been the driving force in the development in the transport and energy infrastructure.

With the increasing mining activity within the Mozambique, there has been a call for power to supply these mining houses. A number of existing power stations such as the Chicamba and Mavuzi will be upgraded to increase their generating capacities, to help with the power need, a number of new power stations have been proposed, namely the Ncondezi power project in Tete and the gas fired power station in the Chokwe district. Ncondezi will be a coal fired power plant, and in its first phase it will supply 300 MW of power with the ultimate goal of 1800 MW. Construction of the plant is planned for 2015, with the power plant targeting commission in 2017 and commercial operations in 2018 (Ncondezi Energy, 2013). The proposed gas fired station in the Gaza province will have the gas supplied from the Temane gas fields in Inhambane, and the power station installed will have a capacity of 40MW. The project involves investments up to US\$ 98.6 million which will be finalised by 2015, with commercial operation of the power station beginning in 2016.

Mozambique's port, railway and energy infrastructure has been developing over the last few years and will continue to do so. New ports have been planned, with the Mozambican Government inviting bids for a US\$ 2 billion port and railway development to specifically boost coal exports. The Palma port is a key element in the promotion of the development in the hinterland development corridor. There is a new port that has been planned for Palma to support the liquefied natural gas (LNG) industry. The coal from License 4453L would be transported along the main road to the Palma port and then exported.

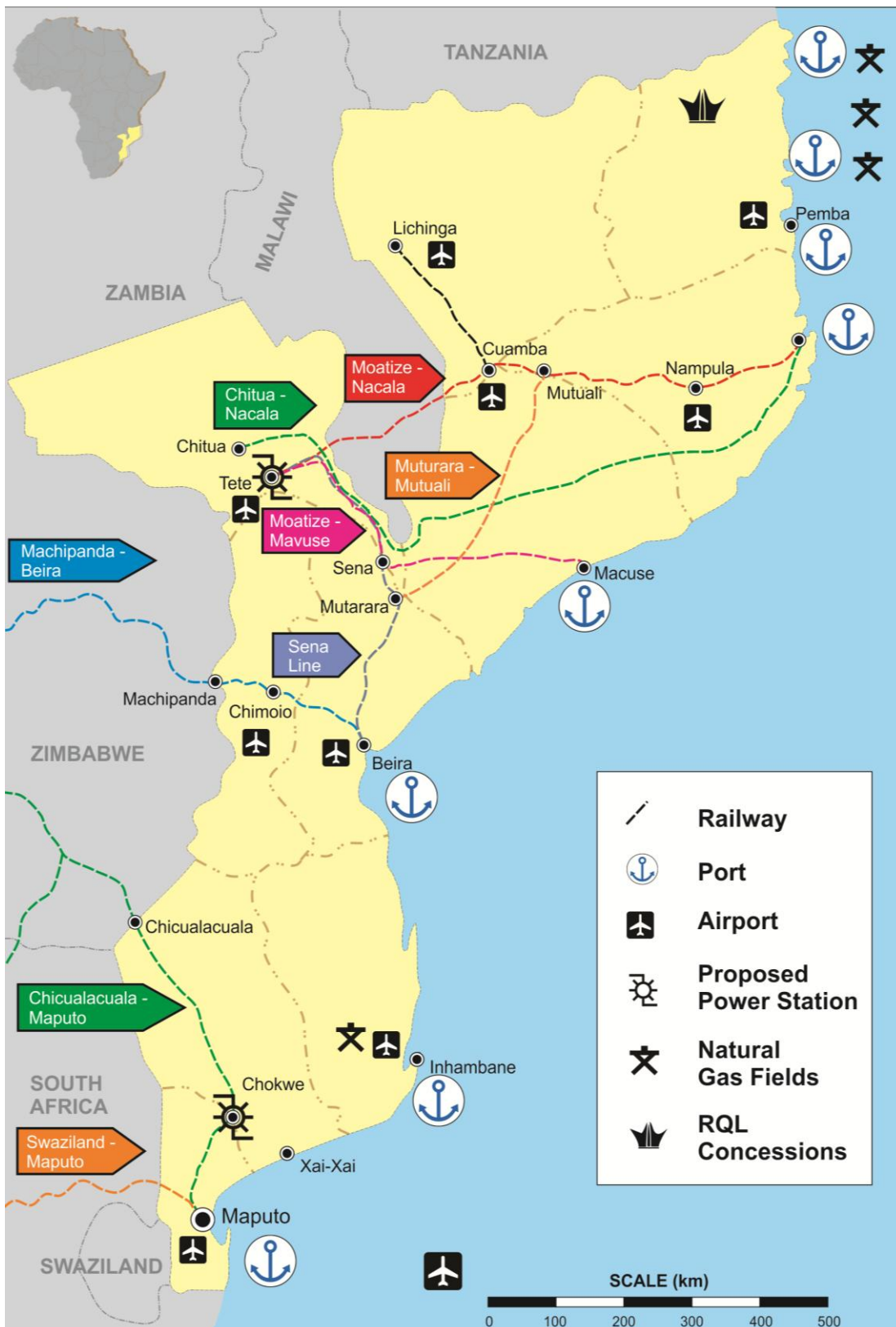


Figure 9 Mozambique's major railways, ports, airports, power stations and natural gas fields in relation to License 4453

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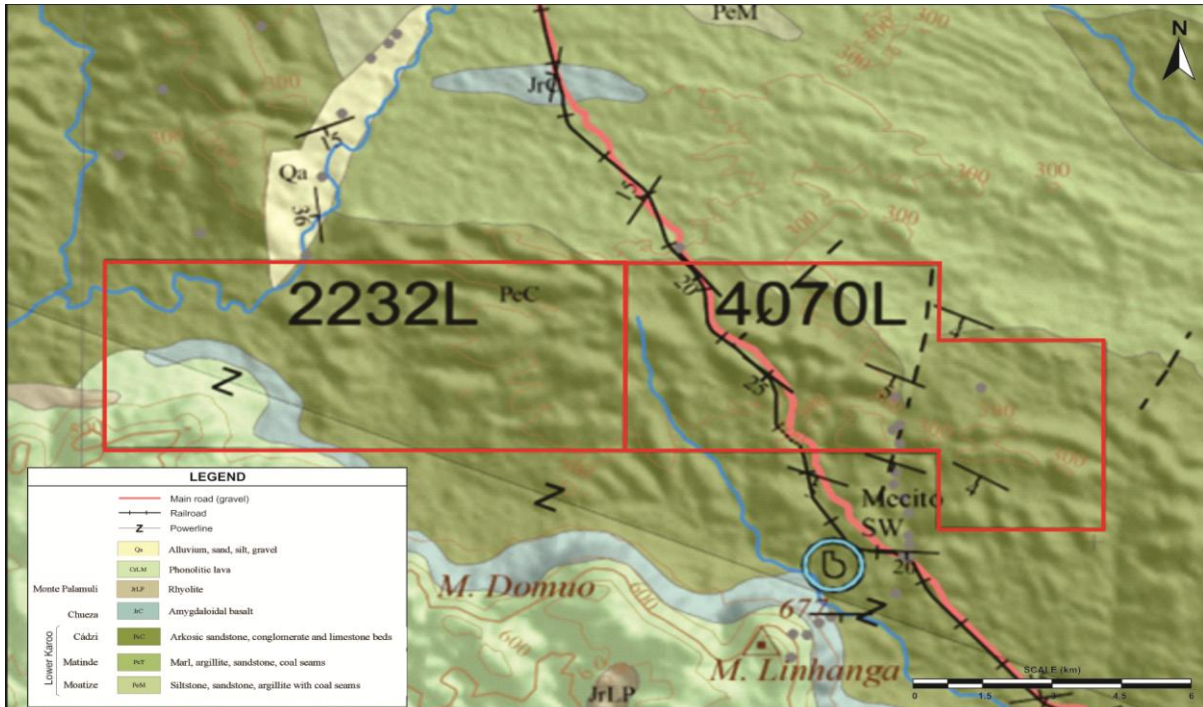
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Appendix 1 – License Summary

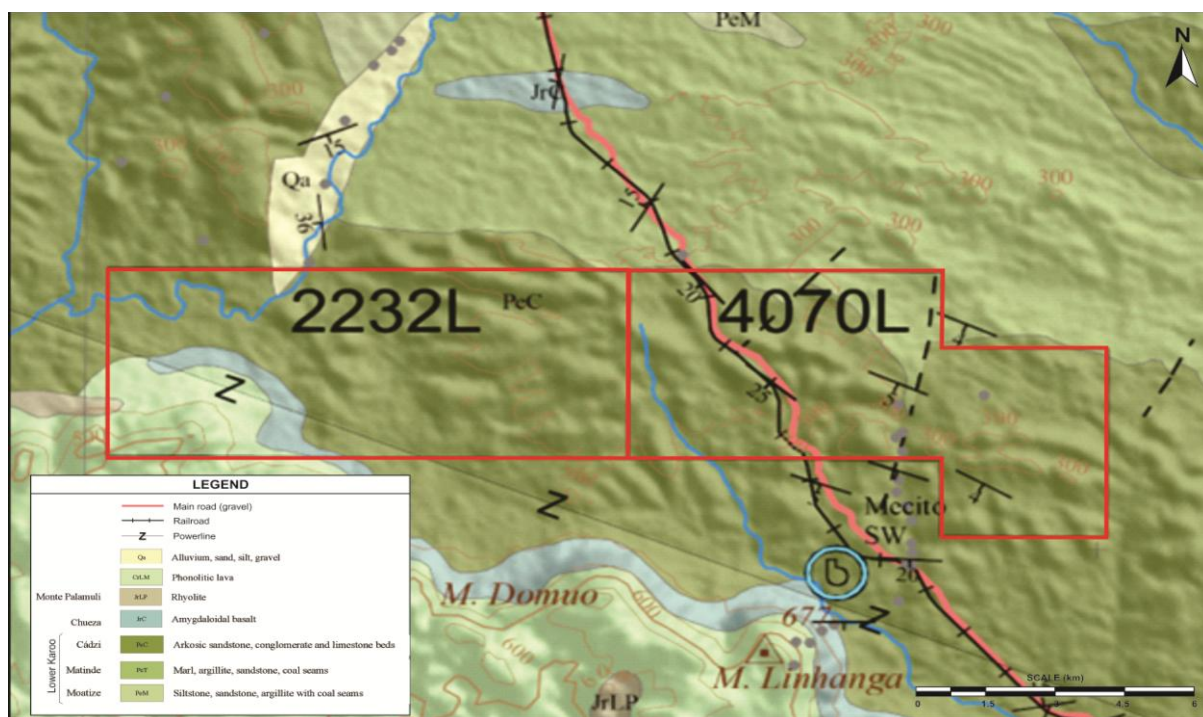
License	4070L
About	■ Located 70km Southeast of Tete in the Moatize-Minjova sub-basin ■ 5,000 ha underlain with Lower Karoo sediments ■ Adjacent to Rio Tinto eastern licenses ■ Matinde formation and 3m coal outcrop in northeast of 4070L, interpreted to be shallow dipping (<5deg) ■ Sena Railway to Beira transects 4070L with derelict sidings present on license area
Status	Granted
Existing Interest	80%
Nature of Interest	Regius Coal is the legal and beneficial owner of 80% of the shares on issue in Extra Minerais Lda, the company holding license number 4070L
Other Shareholders in Extra Minerais Lda	20% of shares in Extra Minerais Lda are held by Mr. Carlos Venichand
Final Payments Required in relation to the Existing Interest of 80% ¹	US\$900,000
Performance Payments	Nil

1. The Final payment of US\$900,000 relates to the acquisition of 80% of the shares in Extra Minerais Lda from Mr. Carlos Venichand, the holder of license 4070L. There is no final agreed date for payment of this amount, although interest accrues and is payable on amounts outstanding at a rate of 5% above the 6 month LIBOR. Regius Coal has pre-paid interest to the vendor to the sum of US\$300,000. Despite the Final Payment not yet being paid by Regius Coal, Regius Coal is still the existing holder of an 80% interest in Extra Minerais Lda and subsequently an 80% interest holder in license 4070L.

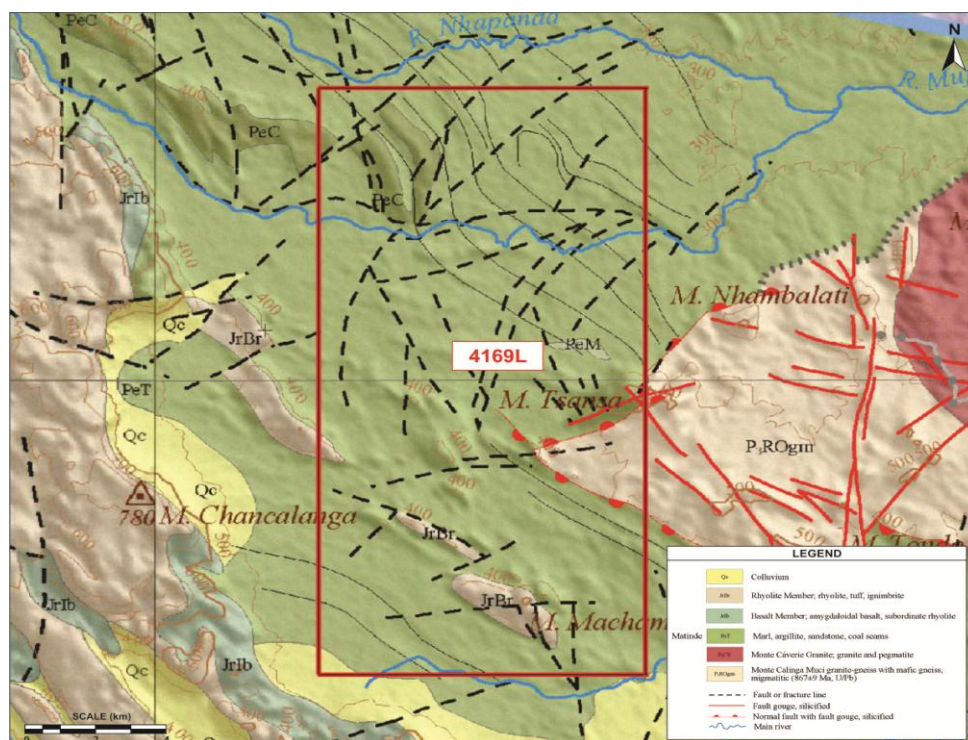


License	2232L
About	■ Located 70km Southeast of Tete in the Moatize-Minjova sub-basin ■ Adjacent to Rio Tinto eastern licenses ■ 5,000 ha, majority underlain with Lower Karoo sediments
Status	Granted
Existing Interest	20%
Rights to Acquire	80%
Additional Payments Required in relation to the Existing Interest of 20%	US\$225,000 payable in June 2013* US\$338,250 payable end of February 2014
Conditional Purchase Price for Additional 60% equity (can acquire further 60% equity if either of the minimum thresholds are met)	Thermal Coal JORC Inferred Resource - US\$2m + US\$0.005/t over 100Mt up to a maximum additional US\$3m Coking Coal JORC Reserve - US\$10m for min 50Mt + US\$0.06/t up to a maximum additional US\$5m

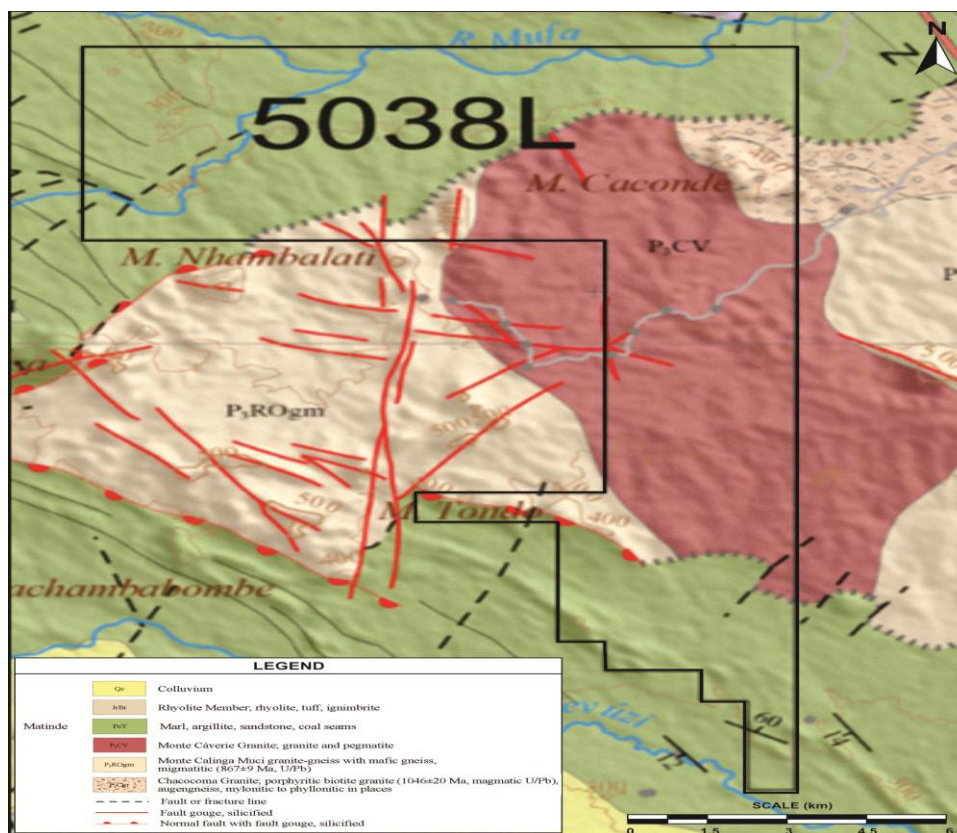
*Regius Coal is in discussion with the vendors of this license to defer this payment until the license is further reviewed by QBL's geologists for its development potential.



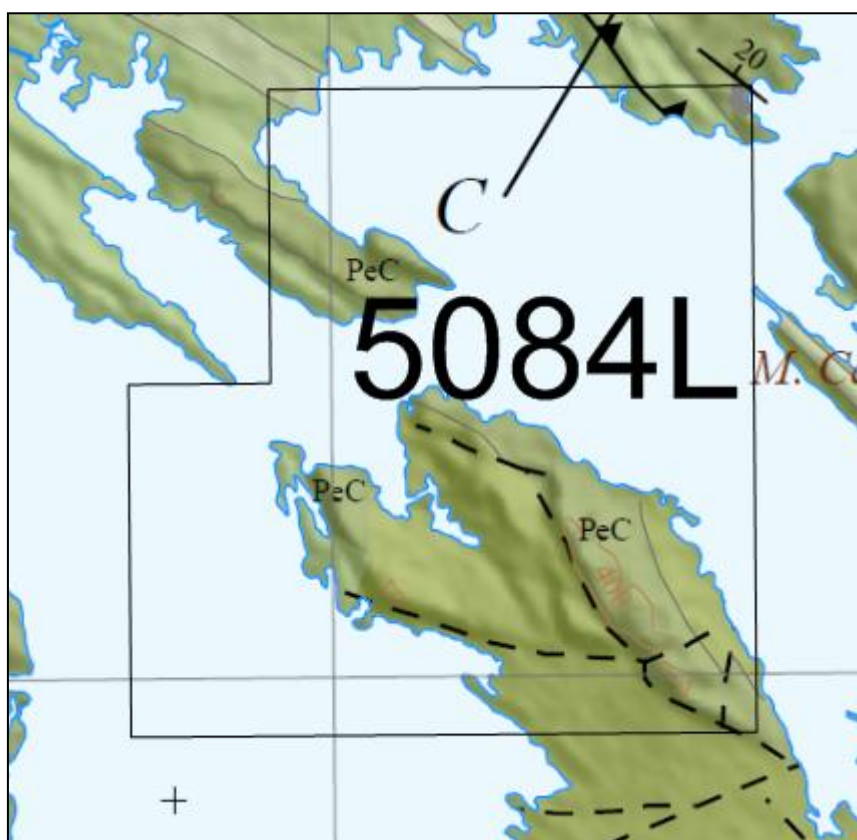
License	4169L
About	■ License previously held by Riversdale (Rio Tinto) ■ 17,000ha in size, 95% underlain with Lower Karoo sediments ■ In Joint Venture/earn in with SPI – Gestão e Participações, S.A.R.L (“SPI”) Mozambican government investment company ■ Borders license 5038L to the east 30-50km south of ENRC Estima & Jindal ■ Basin very well developed in the Northern section
Status	Granted
Existing Interest	Management control over the project, and right to acquire an initial 20% interest through the payment of US\$750,000 ¹ to SPI
Nature of Interest	Regius Coal has entered a binding agreement to acquire 20% of the shares on issue in Massimbe S.A, the company holding license 4169L through the payment of US\$750,000
Other Shareholders in Massimbe S.A.	3 Mozambican Companies: SPI – Gestão e Participações, S.A.R.L, Touch Publicidade, S.A & Nduku Investimentos, S.A
Payment Required to acquire an initial 20% interest	US\$750,000 ¹
Rights to Acquire up to	85%
Earn In & Performance Payments in relation to moving to an 85% interest	\$1m upon proving 100Mt Thermal Coal JORC Inferred Resource \$4m upon Resource upgrade to 100Mt min Thermal JORC Indicated to acquire a further 15% further equity. \$20m upon JORC Coal Reserve of minimum 100Mt (30% further equity) Final equity (20%) can be bought at commercial value less 10% discount following proving a JORC Reserve of minimum 450Mt. Coking Coal JORC Reserve - additional payment of \$0.05 per ton of JORC Coking Coal Reserves up to \$10m maximum (payments to Mozambican minority shareholders for all JORC compliant Coking Coal Reserves a defined on license 4169L)



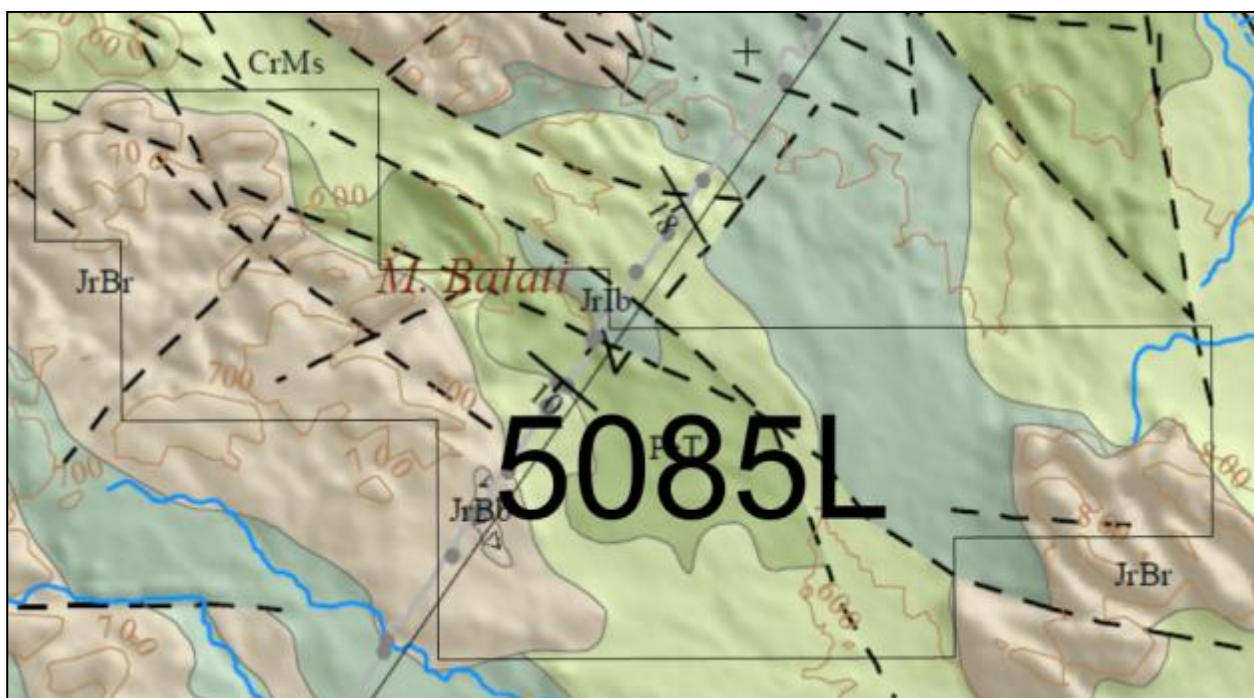
License	5038L
About	■ Located <50km west of Tete in the Sanangoe-Mefideze sub-basin & RIO's Benga project ■ 30km south of JINDAL's +1200Mt project and 50km south of ENRC's +1Bt Estima project ■ 14,380ha in total, of which 7,400ha underlain with Lower Karoo ■ 6 coal seams in Sanangoe-Mefideze sub-basin. Lower seam correlates with Chipanga seam of Moatize area.
Status	Application
Existing Interest	5%
Rights to Acquire	Up to 80%
Additional Payments Required to acquire an 80% interest	\$130,000 within 7 business days from issuance of license 5085L \$435,009.25 payable upon executing the definitive sale agreements which should occur within 6 months from date of final license issued
Performance Payments subject to acquiring an 80% interest	Thermal Coal JORC Reserve - US\$0.0025/t for a minimum 100Mt JORC compliant reserve up to a maximum of US\$2m Coking Coal JORC Reserve - US\$10m for minimum 100Mt + US\$0.05/t over 100Mt to maximum additional US\$3m



License	5084L
About	■ Located 250km northwest of Tete on the Cahora Bassa dam in the Mecanha-Vuzi sub-basin. ■ 8,860 ha in total of which 2,650 ha underlain with Lower Karoo sediments. ■ Bordering and opposite ENRC North Shore concessions. ■ Portuguese proved coal in western Cahora Bassa area when planning the dam.
Status	Application
Existing Interest	20%
Rights to Acquire	80%
Additional Payments Required to acquire an 80% interest	\$50,000 within 7 business days from issuance of license 5084L \$167,311.25 payable upon executing the definitive sale agreements which should be within 6 months from date of final license issued
Performance Payments subject to acquiring an 80% interest in MEDC Lda	Thermal Coal JORC Reserve - US\$0.0025/t for a minimum 100Mt JORC compliant reserve up to a maximum of US\$2m Coking Coal JORC Reserve - US\$4m for minimum 50Mt + US\$0.05/t over 50Mt to maximum additional US\$3m



License	5085L
About	■ 160km West of Tete. 7,940 ha in total of which 1,700 ha underlain with Lower Karoo.
Status	Application
Existing Interest	5%
Rights to Acquire	80%
Additional Payments Required to acquire an 80% interest	\$20,000 within 7 business days from issuance of license 5085L \$66,924.50 payable upon executing the definitive sale agreements which should be within 6 months from date of final license issued
Performance Payments subject to acquiring an 80% interest in MEDC Lda	Thermal Coal JORC Reserve - US\$0.0025/t for a minimum 100Mt JORC compliant reserve up to a maximum of US\$2m Coking Coal JORC Reserve - US\$4m for minimum 50Mt + US\$0.05/t over 50Mt to maximum additional US\$3m



Auditor's independence declaration

The lead auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 39 and forms part of the directors' report for the half-year ended 31 December 2013.

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



Pnina Feldman

Chairperson

Sydney

14 March 2014

Consents

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

Dr Coenraads is employed by Australian Gemstone Mining Pty Ltd which contracts services to QBL.

Dr Coenraads has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking and to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources or Ore Reserves".

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

The Board of Directors
Queensland Bauxite Limited
67 Penkivil Street
BONDI NSW 2026

Dear Board Members

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001**

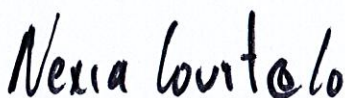
In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Queensland Bauxite Limited.

As lead audit partner for the review of the financial statements of Queensland Bauxite Limited for the half-year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) any applicable code of professional conduct in relation to the review.

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

Yours sincerely



Nexia Court & Co
Chartered Accountants

Sydney

Dated: 14 March 2014



Andrew Hoffmann
Partner

Sydney Office

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Financial statements

Condensed consolidated statement of comprehensive income

for the half-year ended 31 December 2013

Continuing Operations	Consolidated Entity	
	31 Dec 2013 \$	31 Dec 2012 \$
Interest received	84,733	109,221
Other income	-	14,772
General and administrative expenses	(89,925)	(10,574)
Depreciation	(6,528)	(20,123)
Management services	(185,516)	(45,539)
Directors fees	(116,000)	(130,000)
Legal expenses	(81,560)	(29,566)
Finance costs	(168,042)	(178)
Occupancy expenses	(30,000)	(55,464)
Exploration written off	(70,311)	-
Other expenses	(40,754)	(25,000)
Travelling expenses	(115,242)	(4,103)
Loss on disposal of plant and equipment	-	(23,093)
Impairment of receivable	(25,000)	-
Impairment of exploration assets	(220,599)	(444,770)
Share based payments expense (Note 5)	(195,000)	(3,612)
Loss before income tax	(1,259,744)	(668,029)
Income tax expense	-	-
Loss after tax from continuing operations	(1,259,744)	(668,029)
Other comprehensive income, net of tax	-	-
Total comprehensive income	(1,259,744)	(668,029)
Loss attributable to members of Queensland Bauxite Limited	(1,259,744)	(668,029)
Total comprehensive income attributable to members of Queensland Bauxite Limited	(1,259,744)	(668,029)
Basic earnings per share (cents per share)	(0.44)	(0.25)
Basic earnings per share from continuing operations (cents per share)	(0.44)	(0.25)
Diluted earnings per share (cents per share)	(0.44)	(0.25)
Diluted earnings per share from continuing operations (cents per share)	(0.44)	(0.25)

The accompanying notes form part of these financial statements.

Condensed consolidated statement of financial position

as at 31 December 2013

	Consolidated Entity	
	31 Dec 2013 \$	30 Jun 2013 \$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	4,291,795	5,203,483
Trade and other receivables	153,332	208,986
Pre-completion loan – Regius Coal Mining Limited (Note 6)	495,624	-
TOTAL CURRENT ASSETS	4,940,751	5,412,469
NON-CURRENT ASSETS		
Other financial assets	1,292	1,292
Exploration and evaluation	683,426	888,023
Property, plant and equipment	29,622	36,150
TOTAL NON-CURRENT ASSETS	714,340	925,465
TOTAL ASSETS	5,655,091	6,337,934
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	434,800	339,923
Other financial liabilities	1,900	1,900
Convertible bonds (Note 7)	1,480,224	1,600,000
TOTAL CURRENT LIABILITIES	1,916,924	1,941,823
NON-CURRENT LIABILITIES		
Other financial liabilities	-	-
TOTAL NON-CURRENT LIABILITIES	-	-
TOTAL LIABILITIES	1,916,924	1,941,823
NET ASSETS	3,738,167	4,396,111
EQUITY		
Issued capital (Note 8)	13,559,013	13,559,013
Share based payments reserve	3,011,550	2,409,750
Accumulated losses	(12,832,396)	(11,572,652)
TOTAL EQUITY	3,738,167	4,396,111

The accompanying notes form part of these financial statements.

Condensed consolidated statement of changes in equity

for the half-year ended 31 December 2013

Consolidated Entity				
	Issued Capital	Accumulated Losses	Share Based Payments Reserve	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2012	13,559,013	(10,190,557)	3,463,518	6,831,974
Loss for the half-year	-	(668,029)	-	(668,029)
Total comprehensive income for the half-year	-	(668,029)	-	(668,029)
Transactions with owners in their capacity as owners				
Share and option based payments	-	-	3,612	3,612
Balance at 31 December 2012	13,559,013	(10,858,586)	3,467,130	6,167,557
Balance at 1 July 2013	13,559,013	(11,572,652)	2,409,750	4,396,111
Loss for the half-year		(1,259,744)	-	(1,259,744)
Total comprehensive income for the half-year		(1,259,744)	-	(1,259,744)
Transactions with owners in their capacity as owners				
Share and option based payments	-	-	601,800	601,800
Balance at 31 December 2013	13,559,013	(12,832,396)	3,011,550	3,738,167

The accompanying notes form part of these financial statements.

Condensed consolidated statement of cash flows

for the half-year ended 31 December 2013

	Consolidated Entity	
	31 Dec 2013 \$	31 Dec 2012 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	-	14,772
Payments to suppliers and employees	(613,977)	(311,539)
Interest received	84,733	109,221
Interest paid	(70,818)	(178)
Net cash outflow from operating activities	(600,062)	(187,724)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation expenditure	(16,002)	(32,181)
Net cash outflow from investing activities	(16,002)	(32,181)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan provided to Regius Coal Mining Limited	(495,624)	-
Proceeds from issue of convertible bonds	200,000	-
Net cash outflow from financing activities	(295,624)	-
Net decrease in cash held	(911,688)	(219,905)
Cash and cash equivalents at the beginning of the half - year	5,203,483	4,408,115
Cash and cash equivalents at the end of the half – year	4,291,795	4,188,210

The accompanying notes form part of these financial statements.

Notes to the consolidated financial statements for the half-year ended 31 December 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report for the interim half year reporting period ended 31 December 2013 has been prepared in accordance with applicable Accounting Standards including Accounting Standard AASB 134 *Interim Financial Reporting*, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by Queensland Bauxite Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

The group has adopted all of the new and revised Account Standards and Accounting Interpretations issued by the AASB that are relevant to their operations and effective for the current half-year.

NOTE 2: USE OF ESTIMATES AND JUDGEMENTS

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

NOTE 3: SEGMENT INFORMATION

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

NOTE 4: LOSS FOR THE HALF-YEAR

The consolidated loss for the half-year ended 31 December 2013 was (\$1,259,744) (2012: loss (\$668,029))

NOTE 5: SHARE BASED PAYMENTS EXPENSE

The share based payments expense for the half-year ended 31 December 2013 relates to the following share issues:

	Half-Year Ended 31.12.2013 \$	Half-year ended 31.12.2012 \$
Share options issued to Russell Williams	-	3,612
Shares issued in lieu of directors fees to Paul Stephenson	27,000	-
Shares issued to Gleneagle Security Nominees Pty Limited, Jersey York Capital Group Pty Limited and RJJ Investments Pty Ltd	168,000	-
	195,000	3,612

NOTE 6: PRE-COMPLETION LOAN – REGIUS COAL MINING LIMITED

	31.12.2013	30.06.2013
	\$	\$
Pre-completion loan provided to Regius Coal Mining Limited	495,624	-

This loan has been provided in accordance with the Binding Term Sheet dated 30 October 2013. The loan is interest free, secured and repayable by 30 October 2014.

NOTE 7: CONVERTIBLE BONDS

	31.12.2013	30.06.2013
	\$	\$
Convertible bonds	1,800,000	1,600,000
Less : Share options issued to bondholders on 22 November 2013	(406,800)	-
Add : Amortisation of share options	87,024	-
	<u>1,480,224</u>	<u>1,600,000</u>

Finance costs relating to the convertible bonds are included in the carrying amount of the liability and are amortised over the life of the convertible bonds using the effective interest method. This will result in the carrying amount of the liability to be \$1,800,000 at the maturity date (27 June 2015).

Share options issued to bondholders on 22 November 2013

The terms and conditions related to the grant of share options to bondholders are as follows; all options are to be settled by the physical delivery of shares.

<u>Grant date/ persons entitled</u>	<u>Number of options</u>	<u>Vesting conditions</u>	<u>Contractual life of option</u>
Options granted to bondholders	90,000,000	-	3 years

On 22 November 2013

All share options granted to bondholders, confer a right of one ordinary share for every option held.

Measurement of fair values

The fair value of the bondholder options were measured based on the Black-Scholes formula. Expected volatility is estimated by considering historical volatility of the Company's share price over the period commensurate with the expected term.

The inputs used in the measurement of the fair values at grant date of the bondholders options were as follows:

	22.11.2013
Fair value at grant date	\$0.00452
Share price at grant date	\$0.011
Exercise price	\$0.03
Expected volatility (weighted average)	117%
Expected life (weighted average)	3 years
Risk-free interest rate	3.10%

Value of share options issued to bondholders on 22 November 2013

	Consolidated Entity	
	31.12.2013	30.06.2013
	\$	\$
90,000,000 share options at \$0.00452	406,800	-

Finance cost relating to share options issued to bondholders for the half-year

	Consolidated Entity	
	31.12.2013	31.12.2012
	\$	\$
Finance cost	87,024	-

NOTE 8: ISSUED CAPITAL

	31.12.2013 No.	31.12.2013 \$.	31.12.2012 No.	31.12.2012 \$
Ordinary shares				
At the beginning of reporting period	271,363,192	13,559,013	271,363,192	13,559,013
Share based payments	28,500,000	-	-	-
At reporting date	299,863,192	13,559,013	271,363,192	13,559,013

NOTE 9: RELATED PARTY TRANSACTIONS

Identity of related parties

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

Related party transactions with Australian Gemstone Mining Pty Limited.

The company and Australian Gemstone Mining Pty Limited (**AGMPL**) are parties to a management services agreement (**Management Services Agreement**) dated 1 July 2007, for the provision by AGMPL of executive and corporate services, including geological and technical expertise, to the group by the following executives:

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

In respect of each of these executives (**Key Management Personnel**), AGMPL was paid a retainer for the half-year ended 31 December 2013. The company was also reimbursed for all reasonable expenses incurred by or on behalf of the Key Persons.

AGMPL is a company owned and controlled by Pnina Feldman.

Each of Pnina Feldman, Dr Robert Coenraads and Sholom Feldman has entered into an executive services agreement with AGMPL. Each of these executive services agreements contains standard provisions dealing with employment obligations and standard covenants dealing with general duties and the protection of AGMPL's interests and mirrors the Management Services Agreement in respect of termination provisions.

AGMPL also provided suitable fully serviced offices to the group at its Sydney offices at 67 Penkivil Street, Bondi, which includes use of office space, kitchen, daily cleaning, and essential office infrastructure, including telephones, fax, printer, broadband internet connections and suitable office furniture.

AGMPL also provided additional administrative services to the group, such as secretarial, accounting and office management services. These services were provided to the group by AGMPL on reasonable arm's length terms as approved by the independent director(s).

	Half-year ended 31.12.2013 \$	Half-year ended 31.12.2012 \$
Consulting services	53,208	26,604
Rent	30,000	55,464
Management and secretarial	36,000	18,000
Exploration and geological	6,116	35,854
Executive and corporate Services	108,000	60,000
Reimbursement of expenses	8,351	-
TOTAL	241,675	195,922

Other transactions with related parties

The company was invoiced directors' fees of \$35,000 (2012: \$35,000) by the non-executive director, Paul Stephenson, during the half-year ended 31 December 2013.

The company was invoiced directors' fees of \$NIL (2012: \$35,000) by the non-executive director, Russell Williams, during the half-year ended 31 December 2013.

The company paid directors' fees of \$NIL (2012: \$NIL) to the non-executive director, David Austin, during the half-year ended 31 December 2013.

The company engaged HWL Ebsworth Lawyers to provide legal, contractual and consulting services on a fee for service basis at commercial rates. Paul Stephenson, a director of the company, is a partner in HWL Ebsworth. During the half-year ended 31 December 2013, HWL Ebsworth was paid \$2,265 (2012: \$21,388) for these services. Paul Stephenson does not personally provide legal services to the Company through HWL Ebsworth.

NOTE 10: RELATED PARTY TRANSACTIONS

<u>Loans advanced to director related companies</u>	31.12.2013	30.06.2013
	\$	\$
Volcan Australia Corporation Pty Ltd	1,200,000	1,200,000
Impairment recognised as at 31 December 2013	(1,200,000)	(1,200,000)
Due for repayment on 14 December 2012*		
 Volcan Australia Corporation Pty Ltd	 72,882	 72,882
Impairment recognised as at 30 June 2013	(72,882)	(72,882)
No due date for repayment.		
 Australian Iron Ore Pty Ltd	 1,292	 1,292
No due date for repayment.		

The above loans are unsecured and interest free.

*The loan to Volcan Australia Corporation Pty Ltd is the amount that was to be paid in consideration for the purchase by Volcan Australia Corporation Pty Ltd (VAC) of ML1492 from the company pursuant to the transactions completed on 14th December 2010 as approved at the time by shareholders at an EGM. This amount is unsecured, due for payment in cash on 14th December 2012, and there is no interest payable on the amount due. The directors have agreed that it is in QBL's interest to allow VAC further time to secure the funds to make the payment. As the timing of this payment is at present uncertain, it is considered prudent for this amount to be impaired in the accounts until the payment is able to be made.

Loans payable to director related companies

New England Sapphire Corporation Pty Ltd (in liquidation)	100	100
No due date for repayment.		
 Volcan Australia Corporation Pty Ltd	 1,800	 1,800
No due date for repayment.		

The above loans are unsecured and interest free.

NOTE 10: FINANCIAL INSTRUMENTS**Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)**

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	31.12.2013	31.12.2013	30.06.2013	30.06.2013
	Carrying	Net Fair	Carrying	Net Fair
	Amount	Value	Amount	Value
	\$	\$	\$	\$
Financial assets				
Trade and other receivables	153,332	153,332	208,986	208,986
Pre-completion loan – Regius Coal Mining Limited	495,624	495,624	-	-
Other financial assets	1,292	1,292	1,292	1,292
Financial liabilities				
Trade and other payables	434,800	434,800	339,923	339,923
Other financial liabilities	1,900	1,900	1,900	1,900
Convertible bonds	1,480,224	1,800,000	1,600,000	1,600,000

Note 12: DISPOSAL OF SUBSIDIARIES

On 3 February 2014, the Australian Securities and Investments Commission deregistered the wholly owned subsidiary Volcan Queensland Bauxite Pty Ltd. This has no financial impact on the group.

The directors of Volcan Queensland Bauxite Pty Ltd have lodged an application with the Australian Securities and Investments Commission for reinstatement of Volcan Queensland Bauxite Pty Ltd.

On 3 February 2014, the Australian Securities and Investments Commission deregistered the wholly owned subsidiary South Johnstone Bauxite Pty Ltd. This has no financial impact on the group.

The directors of South Johnstone Bauxite Pty Ltd have lodged an application with the Australian Securities and Investments Commission for reinstatement of South Johnstone Bauxite Pty Ltd.

NOTE 13: COMMITMENTS FOR EXPENDITURE

	31 December 2013 \$	30 June 2013 \$
Exploration and evaluation		
- not later than 1 year	198,000	399,993
- later than 1 year but no later than 5 years	-	-
	<u>198,000</u>	<u>399,393</u>
Capital commitments		

In respect of its proposed interest in Regius Coal Limited, the Company is committed to incur capital expenditure of US \$750,000, to secure Mozambique mining tenements. These commitments are expected to be settled in 2014.

NOTE 14: EVENTS SUBSEQUENT TO BALANCE DATE

Since 31 December 2013 there has been no other transactions or events of a material and unusual nature likely, in the opinion of the Directors of the company to significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

Directors' Declaration

In the opinion of the directors of Queensland Bauxite Limited ("the company"):

- (a) the financial statements and notes set out on pages 40 to 50 are in accordance with the Corporations Act 2001, including:
 - (i) complying with accounting standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the group's financial position as at 31 December 2013 and of its performance for the half-year then ended.
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Pnina Feldman

Chairperson

A handwritten signature in black ink, appearing to read 'Pnina Feldman', written over the printed name and title.

Sydney

14 March 2014

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Queensland Bauxite Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2013, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditors' Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Queensland Bauxite Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Statement of Independence

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

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

Basis for Qualified Conclusion

Included in Note 6 of the financial statements is a current amount receivable from Regius Coal Mining Limited of \$495,624. We have not been provided with nor been able to gather by the application of alternate audit procedures, sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of this amount. Consequently, we have not been able to determine whether impairment exists in relation to this amount nor whether its classification as a current asset is appropriate.

Conclusion

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

- a giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- b complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink, appearing to read 'Nexia Court & Co'.

Nexia Court & Co
Chartered Accountants

Sydney

Dated: 14 March 2014

A handwritten signature in black ink, appearing to read 'Andrew Hoffmann'.

Andrew Hoffmann
Partner