6 February 2015

Dear Shareholder

QUEENSLAND BAUXITE LIMITED – pro-rata non-renounceable rights issue

As announced on 4 February 2015 Queensland Bauxite Limited (ACN 124 873 507) (**QBL** or the **Company**) is undertaking a non-renounceable entitlement issue of one (1) Share for every four (4) Shares held by those Shareholders registered at the Record Date at an issue price of $0.014 per Share to raise up to $1,782,167 (based on the number of Shares on issue as at the date of this Prospectus) (together with one free attaching option with an exercise price of $0.10 and an expiry date of 31 July 2016 for every two Shares subscribed for and issued (**New Option**)) (**Offer**). The Company lodged a prospectus for the Offer (**Prospectus**) with ASIC and ASX on 4 February 2015.

The Offer is not underwritten.

Indicative use of proceeds of Entitlement Offer

The Company proposes to use the proceeds of the Offer as follows:

Use	Approximate amount to be allocated assuming full subscription under the Entitlement Offer (A$)	%
Mineral exploration - South Johnstone Bauxite Project	$1,000,000	56.11%
Mining Lease and Development - South Johnstone Bauxite Project	$500,000	28.06%
Expenses of the Offer	$30,000	1.68%
General working capital	$252,167	14.15%
Total	**$1,782,167**	**100.00%**

The above expenditure budget is indicative only and may change according to circumstances prevailing at the time.

Summary of the Entitlement Offer

The Offer is being made to all shareholders of the Company (**Shareholders**) named on its register of members at 4:00pm on 11 February 2015, whose registered address is in Australia or New Zealand.

New Shares will rank equally with all fully paid ordinary shares in the capital of the Company (**Shares**) already on issue.

Following completion of the Offer, the Company will have issued approximately 127,297,649 Shares and 63,648,825 New Options, resulting in total Shares on issue of approximately 636,488,246.

Ineligible shareholders

A Shareholder who has a registered address outside Australia and New Zealand (**Ineligible Shareholder**) will not be eligible to participate in the Offer.

You are not eligible to participate in the Offer and you will not be sent a copy of the Prospectus. This decision has been made pursuant to Listing Rule 7.7.1(a) of the ASX Listing Rules after taking into consideration the costs of complying with legal and regulatory requirements in jurisdictions outside of Australia and New Zealand compared with the small number of Ineligible Shareholders and the number and value of New Shares to which they would otherwise be entitled.

If you have any queries concerning the Rights Issue, please contact your financial adviser or Mr Sholom Feldman, the Queensland Bauxite Limited's Company Secretary, on +61 2 9291 9000 or via email at sfeldman@queenslandbauxite.com.au.

Yours sincerely

Sholom Feldman
Executive Director