

Queensland Bauxite Limited

ABN 18 124 873 507

and Controlled Entities

# Annual Financial Report

For the year ended 30 June 2016



30 September 2016  
Erev Rosh Hashanah  
5777



Dear Fellow Shareholder,

On behalf of the Team at Queensland Bauxite Limited, I am very pleased to be able to write this letter as we come closer to receiving grant of our Mineral Development Licence (MDL) at South Johnstone. This is a goal towards which we have been working over the past 12 months. We have provided the Department with the revised operational plan that they have recently requested and we are expecting the approval of the revised work programme and formal grant of the MDL by the Queensland Department of Natural Resources and Mines imminently.

This grant will allow QBL to commence preparations for its first 50,000t trial shipment of bauxite from Mourilyan Harbour. We will evolve from exploration into project development mode as we move towards bringing the South Johnstone bauxite deposit in north Queensland into full production.

Following granting of the MDL, QBL will move rapidly to apply for a Mining Lease (ML), as most of this application work has already been done in the preparation for the MDL. Detailed mining, transportation and shipping plans are being prepared by our consultant engineers at Sea Transport in preparation for full production and grant of the Mining Lease.

Granting of the MDLA would allow the company to prove the long-term economic and operational feasibility of the entire project.

Whilst we have been waiting for the grant of the MDL, we have had the opportunity to look at new projects which have fortunately come our way, and we intend continuing to progress these potential opportunities further with the aim of adding value to the QBL portfolio.

The Directors believe that the Company's shares are undervalued, and with the grant of the MDL and further activity in the company, we are expecting to see a significant increase in shareholder wealth.

I want to thank our shareholders for being patient and for showing continuous support to the Company.

At the eve of the Jewish New Year this weekend, we ask that you also pray with us that QBL and its shareholders see much success, joy, health and prosperity in the coming year.

Yours sincerely,



**Pnina Feldman**  
Executive Chairperson

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# Corporate Directory

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## Directors

**Pnina Feldman**  
(Executive Chairman)

**Sholom Feldman**  
(Executive Director, CEO)

**Meyer Gutnick**  
(Non-Executive Director)

**David Austin**  
(Alternate Director)

## Company Secretary

Sholom Feldman

## Registered Office

67 Penkivil Street  
BONDI NSW 2026

Telephone: (02) 9291 9000

Facsimile: (02) 9291 9099

Email: [mlesaffre@queenslandbauxite.com.au](mailto:mlesaffre@queenslandbauxite.com.au)

## Auditors

Nexia Court & Co, Chartered Accountants  
Level 16  
1 Market Street  
Sydney NSW 2000

Telephone: (02) 9251 4600

## Bankers

Bank of Western Australia  
Sydney NSW 2000

## Share Registry

Computershare Investor Services Pty Limited  
Level 11  
172 St Georges Terrace  
Perth WA 6000

Telephone: (08) 9323 2000

## Stock Exchange Listing

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

## Website

[www.queenslandbauxite.com.au](http://www.queenslandbauxite.com.au)

## Australian Securities Exchange Code:

QBL

## Schedule of Mineral Tenements as at 30 June 2016

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| Project Name                              |          | Status                    | Interest Held % | Expiry date |
|---|----------|---------------------------|-----------------|-------------|
| <b>Eastern Australia Bauxite Projects</b> |          |                           |                 |             |
| South Johnstone                           | EPM18463 | Granted – Renewal pending | 100%            | 25/05/2016  |
| Nullamana                                 | EL7301   | Granted – Renewal pending | 81%             | 23/02/2016  |
| South Johnstone                           | MDL2004  | Pending                   | 100%            |             |

# Directors' Report

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The Directors present their report together with the consolidated financial statements of the Group comprising Queensland Bauxite Limited ("the Company" or "QBL") and its subsidiaries, for the financial year ended 30 June 2016 and the independent auditors report thereon.

## Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

### Names, qualifications, experience and special responsibilities

**Pnina Feldman**  
**Executive Chairman**

Pnina Feldman has been active in the mineral exploration industry for over 20 years, in which time she has shown much tenacity in sourcing, negotiating and developing exploration and resource projects across Australia, and internationally. She was the founder and executive chairperson of the publicly listed Diamond Rose NL, and was the first woman in Australia to achieve that milestone in the mining industry. Pnina has been successful in negotiating many joint ventures with major companies including BHP and De Beers. Pnina studied Law and Arts at Melbourne University before going to Gateshead, England where she studied teaching, religion and education. She has been the founder and driving force behind, and benefactor to, numerous communal, educational, charitable and women's awareness initiatives, and in 2007 received the Wentworth community award for outstanding community service.

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

Sholom Feldman has been Executive Director and CEO of Queensland Bauxite since he co-founded the Company in 2007. Sholom has extensive experience in general commercial management, has performed advisory and company secretarial work for both listed and unlisted companies and has managed both private and listed exploration companies. Sholom was general manager of the publicly listed Diamond Rose NL between 1999 and 2005 and is a director and manager of a number of private companies. He has been instrumental in negotiating, financing, developing and managing many exploration projects internationally including the purchase of the Guanaco Mine in Chile for Austral Gold Limited from the Canadian Kinross Gold Corporation, and subsequently the purchase of Kinross' Australian gold assets including the Norseman and Broads Dam Gold Project. Sholom studied at the International MBA program at Bar Ilan University in Israel and has also completed a Company Secretarial Practice and Meetings course with the Chartered Institute of Company Secretaries Australia.

**Meyer Gutnick**  
**Non-executive Director**

Mr. Gutnick has many years experience in the investing and finance industry. He has built his reputation in building significant investor portfolios in the banking, insurance and real estate sectors in New York. He is also a seasoned investor in the public markets including many years controlling investments in the mineral exploration industry including companies on the ASX and the public markets in North America. He is also a well known philanthropist who has supported many charities internationally, and has been instrumental in the establishment of a number of charities particularly focused on higher education and advanced learning.

**David Austin**  
**Alternate Director**

David Austin is a solicitor practising in Sydney.

He has spent many years in the corporate world in the computer, aerospace and heavy engineering industries, and worked for the Northern Territory Government in the 1980s when he was responsible for petroleum, energy, and pipeline policy. During a secondment he reviewed the Northern Territory Mineral Royalty Act and devised a new mineral royalty regime which encouraged the development of a number of major mining projects.

**Interests in the shares and options of the Company and related bodies corporate**

The relevant interest of each Director in the shares or options over shares of the Company and any other related body corporate, as notified by the Directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

|                               | Ordinary shares | Options over ordinary shares |
|-------------------------------|-----------------|------------------------------|
| Pnina Feldman <sup>(1)</sup>  | 193,597,812     | 32,266,302                   |
| Sholom Feldman <sup>(1)</sup> | 193,597,812     | 32,266,302                   |
| Meyer Gutnick                 | 5,000,000       | -                            |
| David Austin                  | -               | -                            |

- 1) Pnina Feldman and Sholom Feldman are each directors of L'Hayyim Pty Ltd which holds 4,222,812 shares and 703,802 options exercisable at 0.12 cents each on or before 31 July 2017 in its capacity as trustee of the 770 Unit Trust.

Pnina Feldman and Sholom Feldman are each directors of Volcan Australia Corporation Pty Ltd which holds 189,375,000 shares and 31,562,500 options exercisable at 0.12 cents each on or before 31 July 2017.

## Share options

### Unissued shares under options

At the date of this report unissued ordinary shares of the Company under option are:

| Expiry date | Exercise price \$ | Number of shares |
|-------------|-------------------|------------------|
| 12/11/2016  | 0.03              | 90,000,000       |
| 16/09/2017  | 0.08              | 10,000,000       |
| 16/09/2017  | 0.10              | 10,000,000       |
| 16/09/2017  | 0.15              | 5,000,000        |
| 16/09/2017  | 0.20              | 5,000,000        |
| 28/02/2018  | 0.03              | 10,000,000       |
| 31/08/2017  | 0.06              | 2,846,046        |
| 31/07/2017  | 0.012             | 165,485,067      |

**298,331,113**

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

### Shares issued on exercise of options

No shares have been issued by the Company, during or since the end of the financial year, as a result of the exercise of options.

### Earnings per share

|                                 | Cents  |
|---------------------------------|--------|
| Basic earnings (loss) per share | (0.16) |

### Dividends

No dividends were paid or declared since the end of the previous financial year. The Directors do not recommend a payment of a dividend in respect of the current financial year.



## Directors' meetings

The number of meetings of Directors held during the year (including meetings of committees of Directors) and the number of meetings attended by each Director were as follows:

|                | Board meetings |    |
|----------------|----------------|----|
|                | A              | B  |
| Pnina Feldman  | 12             | 12 |
| Sholom Feldman | 12             | 12 |
| Meyer Gutnick  | 12             | 12 |
| David Austin   | 1              | 12 |

### Notes

A = number of meetings attended

B = number of meetings held during the time the Director held office during the year or was a member of the board.

## Principal activities

The principal activities of the Group during the year were mining exploration and evaluation.

There were no significant changes in the nature of the Group's principal activities during the year.

## Operating and financial review

Queensland Bauxite Ltd (ASX: QBL) ("QBL" or "the Company") presents the following report on activities for the year ending 30 June 2016.

## Operations' report

### Highlights of QBL Operations July 2015 to September 2016

QBL presents the following report on activities for the year ending 30 June 2016.

Highlights:

- **Minerals Development Licence (MDL) formal application lodged**
- **Advice of approval to grant the MDL received, subject to a revised programme of up to 50,000 tonnes**
- **Revised Programme has been submitted awaiting the confirmation of the Departmental review**
- **Granting of MDL will enable immediate shipping from South Johnstone Bauxite project to effectively prove the long-term economic and operational feasibility of the project**
- **Successful Rights Issue has raised a further \$2.3M for the development of the South Johnstone Project**
- **Raising allows the Company to independently fast track development and production at South Johnstone bauxite project**
- **South Johnstone project of the lowest cost bauxite projects in projected production costs, thereby giving confidence in the long term viability of the project**
- **Malaysian bauxite production has been recently put on hold pending environmental investigations in that country**
- **QBL during the period thoroughly briefed local government representatives, feedback extremely positive in securing their necessary support and recommendation for the development of the project;**
- **Company has also undertaken extensive constructive consultation with key federal and state MPs;**
- **QBL increased its interest in key mineralisation in regionally strategic NSW bauxite project – with significant large scale bauxite mineralisation already identified**
- **In discussions with neighbouring tenement owners for medium term large scale development**
- **New Significant Infrastructure Plans for our NSW Bauxite Project**
- **In discussions with potential rail to port infrastructure for NSW Bauxite export**
- **The Company has also been actively reviewing new project opportunities in different mineral commodities that would have the potential to increase shareholder value**
- **South Johnstone project remains main focus for short term production**

During the reporting period, Queensland Bauxite Limited (ASX: QBL, or the "Company") continued to significantly progress the development of its flagship South Johnstone DSO bauxite project in northern Queensland and further increased its interest in the strategically significant NSW bauxite province.

A number of corporate and operational milestones were achieved during this period, with the Company aiming to generate positive net cash flows in the short term through the commencement of DSO bauxite production and shipping.

### **Operational Overview**

As part of the ongoing development of the South Johnstone project, detailed drilling of 59 holes was completed in June 2015 over approximately 11% of the previously identified estimated 1.9 million tonne Indicated Resource at the South Johnstone deposit, with the goal of being able to model the resource sufficiently to commence work under a Mineral Development Licence application (MDLA).

The Indicated Resource area is less than 1% of the current previously reported Exploration Target area of regional bauxite mineralisation on the South Johnstone project.

The drilling program successfully confirmed assumptions made in the previously delineated Indicated Resource in depth and grade consistency. This gave the confidence in the consistency of the resource as drilling was based on a 50x50m grid of holes, the majority of which penetrated the entire thickness of the indicated resource (0.5 – 4.5m).

The Company's technical team and Competent Person are comfortable that sufficient detailed work has been done on the MDLA area to enable the development to commence, and have as a result given the department the modelling necessary to secure the MDL approvals. The Company's technical team believes that the current modelling of 50m x 50m is more than sufficient to have the confidence to progress the project for initial shipments.

In the interim, the Company has formally lodged a Mineral Development License Application (MDL or MDLA) with the Queensland Department of Natural Resources and Mines, together with all the requested accompanying environmental, operational, social and engineering studies documentation. The Department concluded their review of this application, and have advised that the MDL will be granted subject to a revised work programme being submitted of up to 50,000 tonnes for trial operations and export, with the express purpose of definitively finalising the feasibility assessment of the larger South Johnstone project.

The Company has provided the revised programme to the Department and are expecting the conclusion of that review imminently and the subsequent granting of the MDL.

Granting of the MDL will enable the Company to begin initial trial production of bauxite to the customer refinery, which should consequently prove the long-term economic and operational feasibility of the entire project. The technical view of the Department is that full feasibility should be able to be confirmed with trial production of up to approximately 50,000 tonnes of bauxite. Putting this into perspective, Australian Bauxite Limited (ASX:ABX) has recently completed its maiden shipment of 5,000 tonnes of bauxite out of its bauxite project in Tasmania. It is open to the Company to make submissions to the Department for further shipments under the MDL should the Company believe it to be required for the formal feasibility.

Once the project feasibility has been confirmed under the MDL, the Company expects that a full mining lease will be granted to enable further production. The Company is currently preparing the ML application, and it is the Company's understanding that due to the extensive technical and environmental work already completed and in place with the MDL, that a full ML grant should not take much longer to achieve.

The work under the MDL will also give the local farmers and community an ability to see first hand the results of the production and rehabilitation of the area to be mined. The successful trial production should ensure the local support for the granting of the intended full Mining Leases for long term production. The Mining Lease applications will be progressed in parallel with the work to be undertaken under the MDL to ensure as smooth a transition as possible, and to ensure the Company is in a position to profitably mine as soon as possible after operations are proven successful under the now expected MDL.

The granting of the MDL is also subject to an appropriate security being provided by the Company to the DNRm as required under sections 190 and 277 of the Mineral Resources Act 1989. The amount of the security to be provided has not yet been determined.

The conducting of work under the MDL is subject to the Company finalising the approval from the Department of Environment and Heritage Protection (DEHP) to operate under an Environmental Authority License (EA). The EA application has been made at the same time as the MDL application, however the finalising of the EA with the DEHP could only take place once the parameters of the grant of the MDL by the DNRm were detailed to the Company so the Company could finalise the work programme accordingly. The Company is currently working with the DEHP to finalise the EA.

The bauxite mineralisation at South Johnstone being close to surface and right off the main highway adjacent to port, close to the Asian markets, means that the Company's capital and operational costs are estimated to be of the lowest cost producers in the world. As previously reported in the Company's released scoping study, capital expenditure is expected to be only approximately \$5 million, and operating expenditure is expected to be only AUD\$20.87 per tonne FOB Mourilyan Harbour. For the full summary of the scoping study please see the announcement released by the Company on 29 December 2014 and can be accessed using the following link:

<http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=01588588>

The operational results from the working of the MDL will be a key part of the overall strategy to develop an export operation in a staged development of South Johnstone that allows for long term mining and export on a prospect by prospect basis at low cost within the entire project area.

The MDL grant would help the Company to determine its ability to enter into the large international bauxite market in the short term, apply for larger ML's throughout the project area, and to generate positive net cash flows in the near term.

The Company has ensured that it has consulted and thoroughly briefed relevant federal and state members of parliament on all aspects of the project, including federal MP the Hon Bob Katter. The South Johnstone Bauxite project is located in Mr Katter's electorate of Kennedy.

QBL is encouraged by the positive feedback it has received from government stakeholders, particularly in regard to the future economic benefits that the project will deliver to the region and to the state of Queensland.

In addition, during the reporting period, QBL's directors and management gave personal presentations to the Mayor and the Councillors from the region's local government, the Cassowary Coast Regional Council, on the environmental, social and economic impacts that the project is likely to have, along with critical infrastructure needs. As a part of this process the Company has submitted detailed documentation regarding all of these issues.

QBL is pleased to report that its consultation with members of the Cassowary Coast Regional Council has been both positive and productive, and that its dialogue with key stakeholders representing the local community is ongoing and constructive, with strong expressions of support given to the Company for the granting of the MDL.

The Minister had particularly requested that the Company secure the support of the local Council, and the positive meetings with the Councillors gives the Company the confidence that a successful trial operation under the MDL will secure the positive recommendation to the Minister for the grant also of the full Mining License.

### **Corporate Overview**

The Company recently completed a rights issue which raised approximately \$2.3 million.

It is estimated that QBL requires approximately \$5 million to proceed into production at the South Johnstone project. With initial ongoing operating costs, this raising further underwrites the opportunity to bring the Company to a cash flow positive position without having to rely on the volatile nature of capital markets in the current climate.

The Company has also been actively reviewing new project opportunities in different mineral commodities that would have the potential to increase shareholder value. This raising gives the company further flexibility to pursue these potentially lucrative opportunities should the Directors form the view that doing so will enhance shareholder value.

The Directors are very pleased with the support given to the company by its shareholders and are confident that shareholders will be well rewarded for their loyalty in the coming year.

### **NSW Bauxite Project Acquisition**

The Company has acquired an additional 31% stake in its already 50% owned bauxite tenement EL7301, which contains a large portion of a known gibbsitic bauxite province in the Nullamana region of Inverell in northern New South Wales.

This agreement further consolidates QBL's strategic ownership of emerging gibbsitic bauxite key areas along the Eastern Coast of Australia.

Shareholders approved the acquisition in the AGM held on 30<sup>th</sup> November 2015.

The directors believe that an increase of ownership in this valuable tenement is of good strategic value to QBL and in line with the Company's vision of becoming a major emerging force in the bauxite market for the long term. With continuing forecasted strong demand for bauxite as well as a result of the Indonesian and now Malaysian ban on bauxite exports, the Company is looking to increase its portfolio of strategic bauxite projects at the right price. This acquisition fits the criteria.

Further information on EL7301 and on the geological significance of this project can be found in the original acquisition announcement released by the Company on 11th July 2014 and can be accessed at the following link:

<http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=01533081>

## Neighbouring Tenement Owners

The Company has been in discussion with the owners of tenements in the same area as EL7301. One of these tenements has already been reported to ASX in May 2012 by Australian Bauxite Limited (ASX:ABX) as containing 38 million tonnes of bauxite. <sup>1</sup>

The combined tonnages of the tenements in the region should further add to the potential development options for the bauxite mineralisation. Critical mass is a factor in major bulk commodity developments, and the consolidation of the mineralisation in the region should further assist with any potential feasibility studies to be conducted in due course and increase the likelihood of potential involvement of major strategic partners, who have already shown interest in the area.

## Infrastructure Upgrade Plans for our NSW bauxite project

1. **Proposed New Rail corridor: 300 km of purpose-built railway line**
2. **Boosts potential of QBL's NSW bauxite deposits**
3. **Direct link to port Yamba**

Queensland Bauxite Limited has been in discussion with Mr Desmond J. T. Euen, Founder and CEO of Australian Infrastructure Developments (AID) with regard to gaining an economic transport-to-Yamba Port option for QBL's NSW bauxite deposits.

AID is an Australian company, founded to develop and commercialise Australian market driven freight infrastructure projects. AID proposes to build a national freight infrastructure network as the platform for growth and other market driven related services.

AID is taking advantage of the current shortfall in existing Australian freight infrastructure and, both current and future market requirements that are currently not being served. This is because the current Australian freight rail and port industries are fragmented, capacity poor and disparate.

The proposed AID rail to port project proposes to introduce

1. Increased reach and operational efficiencies via the use of world-class technology;
2. Strong growth in freight marketing;

The proposed Pacific West railway will provide a direct and expedient unconstrained link connecting the western inland corridor at Moree with the Great Northern Railway at Glen Innes and from there to the Port of Yamba (see map, Figure 1). QBL's NSW bauxite tenement lies close to the section of line near Inverell (see Map, Figure 2). The railway will be Australian heavy duty, double track standard gauge and allow for double stacking of containers. Track alignment will conform to a ratio of 1:100 gradient and be constructed with 1000 metre radial curves to permit high speed (115kph) operations. The system is anticipated to be able to handle one train every 3.5 minutes. Together with rail construction, the Port of Yamba will be upgraded to receive Handymax ships which will be the preferred vessel used to ship the company's product to overseas markets.

The proposed Pacific West Rail Link is anticipated to create a viable bauxite export operation from the Company's bauxite project in NSW, which is an area of extensive high grade gibbsitic bauxite with low reactive silica.

## Summary

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<sup>1</sup> The following JORC compliant report was released to ASX: 08/05/2012 ASX announcement - Inverell Resource Grade Improvement – 38 million tonnes resource.

Given the highly encouraging results and continuing strong progress at the Company's South Johnstone Project in North Queensland, the South Johnstone Project remains the key focus for short term development.

With two major gibbsitic projects at hand, and particularly following the highly encouraging results and progress at South Johnstone in North Queensland, the directors believe that QBL will become a significant force in the bauxite industry.

The Company is targeting potential long-life bauxite operations that we believe will add value and be attractive to major international bauxite partners. QBL continues to build on its strong position ahead of predicted rises in bauxite prices, and as a result is currently evaluating the further expansion of its portfolio through the acquisition of further tenements.

## Mineral Resources and Ore Reserves Statement 2015-2016

### SUMMARY OF ANNUAL RESULTS

Queensland Bauxite's JORC Code Indicated Resource within EPM 18463 announced during the 2014-2015 period is based on a coverage of holes on a 200m x 200m grid over most of Camp Creek (51 auger holes and 1 aircore hole drilled into a sound geological model with bauxite recovered in most of those holes). Based on this understanding, a select portion of the bauxite mineralisation at Camp Creek (1.9Mt at 29.7% Av Al<sub>2</sub>O<sub>3</sub> 3.2% Rx SiO<sub>2</sub>) has been classified as a JORC Code Indicated Resource (Figure 3). No further Resource announcements were made during the 2015-2016 period so the figures remain unchanged.

### TABLE OF RESULTS

The Company's independently reviewed JORC Code Indicated mineral resources for the reporting year 2015-2016 and the previous years are listed in the following table:

| Queensland Bauxite Annual Review of JORC Indicated Mineral Resources |           |             |  |                           |                    |          |
|--|-----------|-------------|--|---------------------------|--------------------|----------|
| Year   | Commodity | Tonnage (t) | Grade Avail Al <sub>2</sub> O <sub>3</sub> | Grade Rx SiO <sub>2</sub> | Category           | Location |
| 2013-2014  | Bauxite   | nil         | nil  | nil                       | -                  | EPM18463 |
| 2014-2015  | Bauxite   | 1,900,000   | 29.7%                                      | 3.2%                      | Indicated Resource | EPM18463 |
| 2015-2016  | Bauxite   | 1,900,000   | 29.7%                                      | 3.2%                      | Indicated Resource | EPM18463 |

The material changes in the Company's listed JORC Indicated mineral resources are based on exploration drilling and analytical work carried out during the reporting period.

The Company's JORC Inferred mineral resources for the reporting year 2015-2016 and previous years are listed in the following table:

| Queensland Bauxite Annual Review of JORC Inferred Mineral Resources |           |             |  |                           |                   |          |
|---|-----------|-------------|--|---------------------------|-------------------|----------|
| Year  | Commodity | Tonnage (t) | Grade Avail Al <sub>2</sub> O <sub>3</sub> | Grade Rx SiO <sub>2</sub> | Category          | Location |
| 2013-2014   | Bauxite   | 30,000,000  | 25.2%                                      | 6.90%                     | Inferred Resource | EPM18463 |
| 2014-2015   | Bauxite   | unreported  | unreported                                 | unreported                | -                 | EPM18463 |
| 2015-2016   | Bauxite   | unreported  | unreported                                 | unreported                | -                 | EPM18463 |

The material changes in the Company's listed JORC Inferred mineral resources are a result of the fact that the Company has decided to base all future mine scoping studies on independently-reviewed JORC Indicated results, or better, and will no longer be reporting results at the Inferred level.

The Company has not announced any JORC Measured Resources or Ore Reserves at the present time.

### GOVERNANCE ARRANGEMENT AND INTERNAL CONTROLS

The mineral resource estimates and modifying factors that will come into play in planning for a simple open pit quarrying and DSO operation (mining, metallurgical, infrastructure, economic, marketing, legal, environment, social and government) have been presented according to in JORC Code Table 1 format by the Company's Competent Person, Dr Robert Coenraads, and have been independently audited and reviewed in a scoping study prepared by Sandercock and Associates Pty Ltd. Variograms of the drilling data from Camp Creek were prepared by Mark Noppe of Xstract Group who also provided independent advice and reviewed the modelling discussion and assumptions.



**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.*

## Operating results

The operating loss after tax for the year ended 30 June 2016 for the Group was \$1,224,152 (2014: loss \$2,406,967).

## Dividends

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

## Environmental regulation

The Group is subject to and compliant with all aspects of environmental regulation of its exploration activities. The Directors are not aware of any environmental law that is not being complied with.

## Significant changes in the state of affairs

During the period there were no changes in the state of affairs of the Group other than those referred to elsewhere in this report, or the financial statements or notes thereto.

## Events subsequent to balance date

Other than the successful Rights Issue reported on above, there has not arisen in the interval between the end of the financial year and the date of this report any further item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

## Likely developments

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

## Indemnification and insurance of officers

### Indemnification

The Company has agreed to indemnify the following current Directors of the Company, Mrs Pnina Feldman, Mr Sholom Feldman, Mr Meyer Gutnick, and Mr David Austin against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors and Officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. This agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

## Non-audit services

The Company's auditor, Nexia Court & Co – Chartered Accountants was appointed auditor of the Company in January 2008.

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is included in the Directors' report.

Details of the amounts paid to the auditor of the Company, Nexia Court & Co – Chartered Accountants, and its related practices for audit and non-audit services provided during the year are set out below:

#### **Statutory audit**

|  |        |
|--|--------|
| - audit of financial report            | 38,909 |
| - half-year review of financial report | 28,413 |

#### **Services other than statutory audit**

|                     |       |
|---------------------|-------|
| - taxation services | 3,000 |
|---------------------|-------|

# Remuneration Report – Audited

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## Remuneration policies

The Board has adopted a framework for corporate governance, including policies dealing with Board and Executive remuneration. These corporate governance policies are described more fully on pages 23 to 29 of the Directors' Report. Policies adopted by the Board reflect the relative stage of development of the Company, having regard for the size and structure of the organisation.

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced Directors and Senior Executives. The remuneration packages of Executive Directors provide for a fixed level of remuneration. Other than as noted below Executive remuneration packages do not have guaranteed equity based components or performance based components.

## Fixed remuneration

Fixed remuneration consists of base remuneration (salary or consulting fees) including any FBT charges as well as employer contributions to superannuation funds, where applicable.

Remuneration levels are reviewed annually by the Board of Directors.

## Performance linked remuneration

During the previous financial period, the Board of Directors completed a review of compensation and benefit structures.

Long-term incentives are provided as options over ordinary shares of the Company. There has been no issue of shares or options to Executive Directors as a form of remuneration in the current year.

## Consequences of performance on shareholders wealth

In view of the relatively early stage of development of the Company's business and remuneration policies, there is insufficient information to provide a meaningful quantitative analysis of the relationship between remuneration and Company performance.

## Service agreements

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

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

In respect of each of these executives (**Key Persons**), AGMPL was paid a retainer for the period ended 30 June 2016. The Company was also reimbursed for all reasonable expenses incurred by or on behalf of the Key Persons.

- AGMPL is a company owned and controlled by Pnina Feldman.

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

AGMPL also provide suitable fully serviced offices to the Company at its Bondi office at 67 Penkivil Street, which includes use of office space, the board room, kitchen, access to a full-time receptionist, daily cleaning, and essential office infrastructure, including telephones, fax, printer, broadband internet connections and suitable office furniture.

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

| AGMPL Services                   | Consolidated Entity |         |
|----------------------------------|---------------------|---------|
|                                  | 2016                | 2015    |
|                                  | \$                  | \$      |
| Rent                             | 108,000             | 84,000  |
| Management and secretarial       | 144,000             | 126,000 |
| Geological fees                  | 360,000             | 270,000 |
| Executive and corporate services | 312,000             | 264,000 |
| Reimbursement of expenses        | 84,365              | 94,567  |
| Total                            | 1,008,365           | 838,567 |

## Non-Executive Directors

Non-Executive directors are paid up to \$70,000 per annum directors fees.

## Director and Executive disclosures

### Details of Directors and Company Executives (including Key Management Personnel)

Other than the Executive Directors, no other person is concerned in, or takes part in, the management of the Company or has authority and responsibility for planning, directing and controlling the activities of the entity. As such, during the financial year, the Company did not have any person, other than Directors, that would meet the definition of "Key Management Personnel" for the purposes of AASB124 or "Company Executive or Relevant Group Executive" for the purposes of section 300A of the Corporations Act 2001 (**Act**). Remuneration details of the Company Secretary are disclosed as section 300A(1B)(a) of the Act defines a "Company Executive" to specifically include a secretary of the entity.

## Directors and Key Management Personnel

|                |  |
|----------------|--|
| Pnina Feldman  | Chairperson  |
| Sholom Feldman | Director / Chief Executive Officer / Company Secretary |
| Meyer Gutnick  | Non-Executive Director                                 |
| David Austin   | Alternate Director                                     |

Directors' report |

| Specified Directors                                 | Salary & fees<br>\$ | Short term<br>Cash bonus<br>\$ | Non-<br>monetary<br>benefits<br>\$ | Post<br>employment<br>Super-<br>annuation<br>\$ | Termination<br>Benefits<br>\$ | Share based<br>payments<br>Shares<br>\$ | Share based<br>payments<br>Options<br>\$ | Other<br>Bonuses<br>\$ | Total<br>\$ | Proportion of<br>remuneration<br>performance<br>Related<br>% | Value of<br>options as a<br>proportion of<br>remuneration<br>% |
|---|---------------------|--------------------------------|------------------------------------|---|-------------------------------|---|--|------------------------|-------------|--|--|
| Pnina Feldman                                       |                     |                                |                                    |   |                               |   |  |                        |             |  |  |
| 2016  | 156,000             | -                              | -                                  | -   | -                             | -                                       | -  | -                      | 156,000     | -  | -  |
| 2015  | 132,000             | -                              | -                                  | -   | -                             | -                                       | -  | -                      | 132,000     | -  | -  |
| Sholom Feldman                                      |                     |                                |                                    |   |                               |   |  |                        |             |  |  |
| 2016  | 156,000             | -                              | -                                  | -   | -                             | -                                       | -  | -                      | 156,000     | -  | -  |
| 2015  | 132,000             | -                              | -                                  | -   | -                             | -                                       | -  | -                      | 132,000     | -  | -  |
| Meyer Gutnick                                       |                     |                                |                                    |   |                               |   |  |                        |             |  |  |
| 2016  | 70,000              | -                              | -                                  | -   | -                             | -                                       | -  | -                      | 70,000      | -  | -  |
| 2015  | 70,000              | -                              | -                                  | -   | -                             | 110,000                                 | -  | -                      | 180,000     | -  | -  |
| David Austin  |                     |                                |                                    |   |                               |   |  |                        |             |  |  |
| 2016  | 10,000              | -                              | -                                  | -   | -                             | -                                       | -  | -                      | 10,000      | -  | -  |
| 2015  | 5,000               | -                              | -                                  | -   | -                             | -                                       | -  | -                      | 5,000       | -  | -  |
| <b>Total Compensation:</b>                          |                     |                                |                                    |   |                               |   |  |                        |             |  |  |
| <b>Directors including Key Management Personnel</b> |                     |                                |                                    |   |                               |   |  |                        |             |  |  |
| <b>(Company and Group)</b>                          |                     |                                |                                    |   |                               |   |  |                        |             |  |  |
| 2016  | 392,000             | -                              | -                                  | -   | -                             | -                                       | -  | -                      | 392,000     | -  | -  |
| 2015  | 339,000             | -                              | -                                  | -   | -                             | 110,000                                 | -  | -                      | 449,000     | -  | -  |
| <b>Total Compensation:</b>                          |                     |                                |                                    |   |                               |   |  |                        |             |  |  |
| <b>Executive Officers (Company and Group)</b>       |                     |                                |                                    |   |                               |   |  |                        |             |  |  |
| 2016  | -                   | -                              | -                                  | -   | -                             | -                                       | -  | -                      | -           | -  | -  |
| 2015  | -                   | -                              | -                                  | -   | -                             | -                                       | -  | -                      | -           | -  | -  |

### Options and rights over equity instruments granted as compensation

Details of options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details of options that were vested during the reporting period are as follows. The options were issued free of charge. Each option entitles the holder to subscribe for one fully paid ordinary share in the entity at the exercise price shown below.

| 2016<br>Directors | Vested<br>Number | Granted<br>Number | Grant<br>Date | Value per<br>Option at<br>Grant Date<br>\$ | Exercise<br>Price<br>per Share<br>\$ | First<br>Exercise<br>Date | Last<br>Exercise<br>Date |
|-------------------|------------------|-------------------|---------------|--|--------------------------------------|---------------------------|--------------------------|
| Pnina Feldman     | -                | -                 | -             | -  | -                                    | -                         | -                        |
| Sholom Feldman    | -                | -                 | -             | -  | -                                    | -                         | -                        |
| Meyer Gutnick     | -                | -                 | -             | -  | -                                    | -                         | -                        |
| David Austin      | -                | -                 | -             | -  | -                                    | -                         | -                        |
| Total             | -                | -                 |               |  |                                      |                           |                          |

| 2015<br>Directors | Vested<br>Number | Granted<br>Number | Grant<br>Date | Value per<br>Option at<br>Grant Date<br>\$ | Exercise<br>Price<br>per Share<br>\$ | First<br>Exercise<br>Date | Last<br>Exercise<br>Date |
|-------------------|------------------|-------------------|---------------|--|--------------------------------------|---------------------------|--------------------------|
| Pnina Feldman     | -                | -                 | -             | -  | -                                    | -                         | -                        |
| Sholom Feldman    | -                | -                 | -             | -  | -                                    | -                         | -                        |
| Paul Stephenson   | -                | -                 | -             | -  | -                                    | -                         | -                        |
| David Austin      | -                | -                 | -             | -  | -                                    | -                         | -                        |
| Total             | -                | -                 |               |  |                                      |                           |                          |

No options have been granted since the end of the financial year.

### Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period.

### Exercise of options granted as compensation

During the period there were no shares issued as a consequence of the exercise of options previously granted as remuneration.

### Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period.

### Analysis of share-based payments granted as compensation

#### 2016



No shares were issued to non-executive Directors in lieu of Directors fees.

## 2015

In lieu of Directors fees, Meyer Gutnick was issued 5,000,000 fully paid ordinary shares.

### Exercise of options granted as compensation

During the period there were no shares issued as a consequence of the exercise of options previously granted as remuneration.

End of audited Remuneration Report.

## Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 30 and forms part of the directors' report for the year ended 30 June 2016.

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

A handwritten signature in black ink, appearing to read 'P. Feldman'.

**Pnina Feldman**, Chairperson

Dated this 30<sup>th</sup> day of September 2016

# Corporate Governance Statement

---

Queensland Bauxite Limited's Corporate Governance Statement for the year ended 30 June 2016 (as set out below) is dated as at 30 September 2016 and was approved by the Board of Directors on 30 September 2016.

The Directors of Queensland Bauxite Limited ("QBL" and "the Company") have established a framework of corporate governance, which they review on a regular basis.

In order to promote investor confidence and to assist companies meet stakeholder expectations, the Australian Securities Exchange Corporate Governance Council developed and released corporate governance guidelines for Australian entities listed on the Australian Securities Exchange (**ASX**). The third edition, Corporate Governance Principles and Recommendations (**ASX Principles and Recommendations**) was released in March 2014.

The Company's corporate governance policies referred to below are continually updated, as a result of updates in the ASX corporate principles and recommendations. The ASX Principles and Recommendations, in conjunction with the ASX Listing Rules, require companies to disclose whether their corporate governance practices follow the Guidelines on an "if not, why not" basis. This statement outlines the main corporate governance practices adopted by the Board, which comply with the ASX Principles and Recommendations, unless otherwise stated.

## The roles of the Board and management

The role of the Board is to oversee and guide the management of QBL and its business with the aim of protecting and enhancing the interests of its shareholders and taking into account the interests of all stakeholders.

The Board is responsible for promoting the success of the Company in a way which ensures that the interests of shareholders and stakeholders are promoted and protected. The Board may delegate some powers and functions to the Chief Executive Officer for the day-to-day management of the Company. Powers and functions not delegated remain with the Board.

The key responsibilities and functions of the Board include the following:

- to develop, review and monitor the Company's long-term business strategies and provide strategic direction to management;
- to ensure policies and procedures are in place to safeguard the Company's assets and business and to enable the Company to act ethically and prudently;
- to develop and promote a system of corporate governance which ensures the Company is properly managed and controlled;
- to identify the Company's principal risks and ensure that it has in place appropriate systems of risk management, internal control, reporting and compliance; and
- to monitor management's performance and the Company's financial results on a regular basis.

The Board's role and the Company's corporate governance practices are continually reviewed and improved as required.

The Company's Executive Directors are implementing the running of the general operations and financial business of the Company in accordance with the delegated authority of the Board.

## Board structure and independence

The Company recognises the importance of having a Board comprising Directors with an appropriate range of backgrounds, skills and experience to suit the Company's current and future strategies and requirements. The composition of the board is determined by the application of the following principles:

- persons nominated as Non-Executive Directors shall be expected to have qualifications, experience and expertise of benefit to the Company and to bring an independent view to the Board's deliberations. Persons nominated as Executive Directors must be of sufficient stature and security of employment to express independent views on any matter;
- the Chairman should ideally be independent, but in any case be Non-Executive and be elected by the Board based on his / her suitability for the position;
- all Non-Executive Directors are expected voluntarily to review their membership of the board from time-to-time taking into account length of service, age, qualifications and expertise relevant to the Company's then current policy and programme, together with the other criteria considered desirable for composition of a balanced board and the overall interests of the Company; and
- Executive Directors shall be expected to retire from the board on the relinquishment of their Executive.

The Company has adopted a Policy on Assessing the Independence of Directors which is consistent with the guidelines detailed in the ASX Principles & Recommendations. The Company considers that the Board should have at least three Directors and will aim to have a majority of independent Directors (as required) but acknowledges that this may not be possible at all times due to the size of the Company.

The Company's Board Charter includes guidelines for assessing the materiality of matters which are summarised below:

- A statement of financial position item is material if it has a value of more than 5% of pro-forma net assets or \$50,000, whichever is greater.
- A statement of profit or loss and other comprehensive income item is material if it will have an impact on the current year operating results of 5% or more.
- Items are also considered material if they impact the reputation of the Company, they involve a breach of legislation or a potential breach of legislation, if they are outside the ordinary course of business, could affect the Company's rights to its assets, involve a contingent liability that would impact the statement of financial position or statement of profit or loss and other comprehensive income by 5% or more or if they have an effect on operations which is likely to result in a change in net income or dividend distribution of more than 5% upwards or downwards.
- A contract is considered material if it is one which is outside the ordinary course of business, includes exceptionally onerous provisions, any default of the contract may trigger the qualitative statement of financial position or statement of profit or loss and other comprehensive income materiality levels, is essential to the operations of the Company, contains or triggers change of control provisions or is between related parties.

The current Board includes one independent Non-executive director, Meyer Gutnick and two executive directors Pnina Feldman and Sholom Feldman, and one alternate director, David Austin. As such, the Board does not currently have a majority of independent Directors. Meyer Gutnick falls within the requirements of an independent Director as stipulated in the ASX Principles & Recommendations, that is, no past or current relationships exist between these Directors and the Company that may affect their status as an independent Director. Pnina Feldman is Chairperson of the Board. Sholom Feldman is the Chief Executive Officer and Company Secretary. David Austin acts as an independent alternate Director to Sholom Feldman.

A minimum of three Directors is required under the Company's Constitution. Any changes to the composition of the Board will be determined by the Board, subject to any applicable laws and the resolutions of Shareholders. The Board

seeks to nominate persons for appointment to the Board who have the qualifications, experience and skills to augment the capabilities of the Board. At each Annual General Meeting, one third of the Directors must resign, with Directors resigning by rotation based on the date of their appointment. Directors resigning by rotation may offer themselves for re-election.

Details of the background, experience and professional skills of each Director and the Company Secretary are set out on pages 3 and 4 of the directors' report and are also available on the Company's website.

## Board diversity

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

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

|                            | 30 June 2016 |          | 30 June 2015 |          |
|----------------------------|--------------|----------|--------------|----------|
| Gender representation      | Female (%)   | (Male %) | Female (%)   | Male (%) |
| Board representation       | 33%          | 67%      | 33%          | 67%      |
| Senior executive positions | 50%          | 50%      | 50%          | 50%      |
| All employees              | -            | -        | -            | -        |

## Meetings of the Board

The Board intends to meet formally at least eight times a year and on other occasions, as required. The agenda for Board meetings is prepared by the Company Secretary/Chief Executive Officer. Standard items include the Chief Executive Officer's report, financial reports, strategic matters, risk management and governance and compliance matters. Executives are available to participate in Board discussions as required.

## Board access to information and independent advice

All Directors have unrestricted access to all employees of the Company and, subject to the law and the terms of Deeds of Access, Insurance and Indemnity, access to all Company records.

Each Director may, with the prior written approval of the Chairman, obtain independent professional advice to assist the Director in the proper exercise of powers and discharge of duties as a Director or as a member of a Board Committee. The Company will reimburse the Director for the reasonable expense of obtaining that advice.

## Conflicts of interest

In accordance with the Corporations Act, directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered.

## Non-Executive Directors' Committee

Given the size of the Board and the stage of the Company's development, the Directors do not feel that a separate Non-Executive Directors' Committee, nomination committee and remuneration committee is appropriate, however the responsibilities of the committees are carried out by the Board of Directors.

## Company code of conduct

The Board has adopted a Company Code of Conduct to promote ethical and responsible decision making by all employees (including Directors). The Code embraces the values of honesty, integrity, accountability and equality and to strive to enhance the reputation and performance of the Company. In summary the overriding principles are:

- all employees must conduct their duties honestly and in the best interests of the Company as a whole;
- treat other stakeholders fairly and without discrimination;
- respect confidentiality and do not misuse Company information or assets;
- conduct themselves in accordance with both the letter and spirit of the law; and
- maintain a safe working environment.

A breach of the Code is subject to disciplinary action which may include termination of employment.

## Securities trading policy

The Board has adopted a policy and procedure on dealing in the Company's securities by Directors, Officers and employees. The Guidelines for Dealing in Securities Policy adopted by the Board requires that:

- Trading in Shares by directors, senior executives and employees is limited to specific periods, following the release of an annual report and half year results. Outside of these "window" periods, all directors, senior executives and employees, must follow the Guidelines for Dealing in Securities Policy and receive clearance for any proposed dealing in the Company's shares on the ASX prior to undertaking a transaction.
- A Director must receive clearance from the Chairman before he may buy or sell Shares. If the Chairman wishes to buy or sell Shares they must first obtain clearance from the Chief Executive Officer.
- Senior executives and employees must receive clearance from the Chief Executive Officer before they may buy or sell Shares.
- Directors, senior executives and employees must be aware of and observe their obligations under the Corporations Act not to buy or sell Shares if in possession of price sensitive non-public information and that they do not communicate price-sensitive non-public information to any person who is likely to buy or sell Shares or communicate such information to another party.

## Audit and compliance committee

Given the present size of the Company and the Board, the usual functions of an Audit and Compliance Committee are attended to by all members of the board and any relevant matters are discussed at board level. The Board believes no efficiencies or other benefits could be gained by establishing a separate Audit and Compliance Committee.

The Company's auditor is Nexia Court & Co – Chartered Accountants. They were appointed in January 2008. The auditor attends and is available to answer questions at the Company's annual general meeting.

The Company's Chief Executive Officer has provided a declaration in accordance with section 295A of the Corporations Act in writing to the Board that:

- the consolidated financial statements of the Company and its controlled entities for each half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

## Continuous disclosure

The Company understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the ASX and has adopted a comprehensive Information Policy.

The purpose of this Information Policy is to set out the procedure for:

- protecting confidential information from unauthorised disclosure;
- identifying material price sensitive information and reporting it to the Company Secretary for review;
- ensuring the Company achieves best practice in complying with its continuous disclosure obligations under the Corporations Act and ASX Listing Rules; and
- ensuring the Company and individual officers do not contravene the Corporations Act or ASX Listing Rules.

The Company's Information Policy is reviewed periodically and updated as required.

## Communications with shareholders

The Company has a Shareholder Communications Policy that promotes effective communication with shareholders and encourages presentation of information to shareholders in a clear, concise and effective manner.

The Company will communicate information on its activities and financial performance through the issue of the annual and half year financial reports, reports on activities and cash flows and through other announcements released to the ASX.

The Company posts all reports, ASX announcements, media releases and copies of newspaper reports on the Company's website at [www.queenslandbauxite.com.au](http://www.queenslandbauxite.com.au). The website will contain an archive of ASX announcements and annual reports. The Company will, wherever practical, take advantage of new technologies that provide greater opportunities for more effective communications with shareholders.

The Company will ensure that the annual general meeting is held in a manner that enables as many shareholders as possible to attend and encourages effective participation by shareholders. The Company requires the attendance of the external auditor at the Company's annual general meeting and to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

## Risk management

Responsibility for control and risk management is delegated to the appropriate level of management with the Chief

Executive Officer having ultimate responsibility to the Board for the risk management and control framework.

The Company is committed to the identification, monitoring and management of risks associated with its business activities and has established various financial and operational reporting procedures and other internal control and compliance systems in this regard. These include the following:

- the Chief Executive Officer is required to report on the management of risk as a standing agenda item at each Board meeting. This involves the tabling of a Risk Register which is actively monitored and updated by management,
- delegated authority limits exist in respect of financial expenditure and other business activities;
- a comprehensive annual insurance programme is undertaken;
- internal controls exist to safeguard the Company's assets and ensure the integrity of business processes and reporting systems;
- annual budgeting and monthly reporting systems for business operations is undertaken which enable the monitoring of progress against performance targets and the evaluation of trends;
- appropriate due diligence procedures are undertaken for acquisitions and divestments; and
- disaster recovery procedures and crisis management systems exist.

The Company's Chief Executive Officer has provided a declaration that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. Additionally, the Chief Executive Officer has stated that the declaration is based on a sound system for risk management and internal compliance and control which implements the policies adopted by the Board and the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

The Board also requires management to report to it confirming that those risks are being managed effectively. The Board has received assurance from the Chief Executive Officer that the Company's management of its material business risks are effective.

## ASX Listing Rule Disclosure – Exception Reporting

The following table discloses the extent to which QBL has followed the best practice recommendations set by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2<sup>nd</sup> Edition).

| Principle No | Best Practice Recommendation  | Compliance  | Reasons for Non-compliance  |
|--------------|---|---|---|
| 1.5          | A listed entity should establish a policy of diversity.                                       | Currently, the Company has 33% female representation of the Board. The Chairperson is female. | The Board considers that its structure has been and continues to be appropriate in the context of the Company's recent history and the scope and scale of the Company's operations. Persons have been selected as directors to bring specific skills and industry experience relevant to the Company. |
| 1.6          | A listed entity should have a process of periodically evaluating the performance of the board | The board has not established an evaluation of performance process.                           | Given the size of the Company and the Board, the Board believes no benefits could be gained by establishing an evaluation of performance process.   |

|     |  |  |   |
|-----|--|--|---|
|     | and individual directors.  |  |   |
| 1.7 | A listed entity should have a process for periodically evaluating the performance of its senior executives.  | The board has not established an evaluation of performance process.                    | Given the size of the Company and the Board, the Board believes no benefits could be gained by establishing an evaluation of performance process.   |
| 2.1 | The Board should establish a nomination committee.   | The Board has not established a separate nomination committee.                         | Given the size of the Board and the stage of the Company's development, the Directors do not feel that a separate nomination committee is appropriate. The Board believes no efficiencies or other benefits could be gained by establishing a Non-Executive Directors' Committee.                       |
| 2.4 | A majority of the Board should be independent directors.   | Currently, the Company has one independent director and two non-independent directors. | The Board considers that its structure has been, and continues to be, appropriate in the context of the Company's recent history and the scope and scale of the Company's operations. Persons have been selected as directors to bring specific skills and industry experience relevant to the Company. |
| 2.5 | The chair of the board of a listed Company should be independent.  | The chair of the Company is not an independent director.                               | Given the size of the Company and the Board, the Board believes no benefits could be gained by having an independent chair.   |
| 2.6 | A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively. | The Board has not established this program.  | The Board considers that its structure has been and continues to be appropriate in the context of the Company's recent history and the scope and scale of the Company's operations. Persons have been selected as directors to bring specific skills and industry experience relevant to the Company.   |
| 4.1 | The audit committee should be structured so that it has at least three members.  | The Company does not have a separate Audit and Compliance Committee.                   | Given the present size of the Company and the Board, the Board believes no efficiencies or other benefits could be gained by establishing a larger Audit and Compliance Committee.  |
| 8.1 | The Board should establish a remuneration committee.   | The Board has not established a remuneration committee.                                | Given the size of the Board and the stage of the Company's development, the Directors do not feel that a separate remuneration committee is appropriate.  |



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

To the Board of Directors of Queensland Bauxite Limited

**Auditor's Independence Declaration under section 307C of the *Corporations Act 2001***

As lead audit partner for the audit of the financial statements of Queensland Bauxite Limited for the financial year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



**Nexia Court & Co**  
Chartered Accountants



**Joseph Santangelo**  
Partner

Sydney  
30 September 2016

**Sydney Office**

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Independent member of Nexia International



## Financial Statements

### Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2016

|   | Note  | 2016<br>\$         | 2015<br>\$         |
|---|-------|--------------------|--------------------|
| Administrative and corporate expenses   |       | (334,897)          | (277,111)          |
| Depreciation  |       | (4,614)            | (4,900)            |
| Foreign currency exchange gain/(loss) realised  |       | 12,335             | (28,587)           |
| Brokerage fee   |       | -                  | (54,600)           |
| Legal expenses  |       | (58,140)           | (71,766)           |
| Directors fees  | 7     | (402,000)          | (339,000)          |
| Occupancy expenses  |       | (108,000)          | (84,000)           |
| Exploration written off   | 18    | (108,597)          | (220,344)          |
| Impairment of exploration assets  | 18    | -                  | (672,140)          |
| Impairment of other receivables   |       | (6,842)            | (1,884)            |
| Travelling expenses – directors travel  |       | (116,914)          | (36,154)           |
| Other expenses  |       | (30,296)           | (29,628)           |
| Share based payments expense- non executive directors fees                              | 7, 27 | -                  | (110,000)          |
| Share based payments expense - other  | 27    | (58,000)           | (677,500)          |
| <b>Operating loss</b>   |       | <b>(1,215,965)</b> | <b>(2,607,614)</b> |
| <b>R&amp;D Tax Rebate</b>   |       | <b>-</b>           | <b>53,586</b>      |
| <b>Finance income</b>   | 8     | <b>211,013</b>     | <b>171,152</b>     |
| <b>Finance costs</b>  | 8, 27 | <b>(219,200)</b>   | <b>(24,091)</b>    |
| <b>Net finance income/(costs)</b>   |       | <b>(8,187)</b>     | <b>147,061</b>     |
| <b>Loss before income tax</b>   |       | <b>(1,224,152)</b> | <b>(2,406,967)</b> |
| Income tax benefit  | 9     | -                  | -                  |
| <b>Loss after tax from continuing operations</b>  |       | <b>(1,224,152)</b> | <b>(2,406,967)</b> |
| Other comprehensive income, net of tax  |       | -                  | -                  |
| <b>Total comprehensive loss</b>   |       | <b>(1,224,152)</b> | <b>(2,406,967)</b> |
| Loss attributable to members of Queensland Bauxite Limited                              |       | (1,224,152)        | (2,406,967)        |
| <b>Total comprehensive income attributable to members of Queensland Bauxite Limited</b> | 24    | <b>(1,224,152)</b> | <b>(2,406,967)</b> |

|   |    |        |        |
|---|----|--------|--------|
| Basic earnings per share (cents per share)                              | 12 | (0.16) | (0.43) |
| Basic earnings per share from continuing operations (cents per share)   | 12 | (0.16) | (0.43) |
| Diluted earnings per share (cents per share)                            | 12 | (0.16) | (0.43) |
| Diluted earnings per share from continuing operations (cents per share) | 12 | (0.16) | (0.43) |

The accompanying notes form part of these financial statements.

## Consolidated statement of financial position

As at 30 June 2016

|                                  | Note | 2016<br>\$       | 2015<br>\$       |
|----------------------------------|------|------------------|------------------|
| <b>ASSETS</b>                    |      |                  |                  |
| <b>CURRENT ASSETS</b>            |      |                  |                  |
| Cash and cash equivalents        | 13   | 5,513,749        | 6,103,305        |
| Trade and other receivables      | 14   | 63,605           | 145,940          |
| <b>TOTAL CURRENT ASSETS</b>      |      | <b>5,577,354</b> | <b>6,249,245</b> |
| <b>NON-CURRENT ASSETS</b>        |      |                  |                  |
| Other non-current assets         | 15   | -                | 16,792           |
| Exploration and evaluation       | 18   | 2,731,581        | 2,012,272        |
| Property, plant and equipment    | 19   | 28,578           | 33,192           |
| <b>TOTAL NON-CURRENT ASSETS</b>  |      | <b>2,760,159</b> | <b>2,062,256</b> |
| <b>TOTAL ASSETS</b>              |      | <b>8,337,513</b> | <b>8,311,501</b> |
| <b>LIABILITIES</b>               |      |                  |                  |
| <b>CURRENT LIABILITIES</b>       |      |                  |                  |
| Trade and other payables         | 20   | 386,475          | 303,382          |
| Other financial liabilities      | 21   | 240,094          | -                |
| <b>TOTAL CURRENT LIABILITIES</b> |      | <b>626,569</b>   | <b>303,382</b>   |
| <b>TOTAL LIABILITIES</b>         |      | <b>626,569</b>   | <b>303,382</b>   |
| <b>NET ASSETS</b>                |      | <b>7,710,944</b> | <b>8,008,119</b> |
| <b>EQUITY</b>                    |      |                  |                  |
| Share capital                    | 22   | 19,982,993       | 19,134,223       |
| Share based payments reserve     | 23   | 4,914,098        | 4,961,241        |
| Accumulated losses               | 24   | (17,186,147)     | (16,087,345)     |
| <b>TOTAL EQUITY</b>              |      | <b>7,710,944</b> | <b>8,008,119</b> |

The accompanying notes form part of these financial statements.

## Consolidated statement of changes in equity

For the year ended 30 June 2016

|  | Note | Share<br>Capital<br>Ordinary<br>\$ | Accumulated Losses<br>\$ | Share Based<br>Payments<br>Reserve<br>\$ | Total<br>\$ |
|--|------|------------------------------------|--------------------------|--|-------------|
| <b>Balance at 30 June 2014</b>                                   |      | 15,549,138                         | (13,692,278)             | 2,816,550                                | 4,673,410   |
| Loss attributable to members of consolidated entity              | 24   | -                                  | (2,406,967)              | -  | (2,406,967) |
| Share based payments   | 23   | -                                  | -                        | 2,156,591                                | 2,156,591   |
| Transfer from share based payments reserve to accumulated losses | 24   | -                                  | 11,900                   | (11,900)                                 | -           |
| Shares issued during the year                                    | 22   | 3,585,085                          | -                        | -  | 3,585,085   |
| <b>Balance at 30 June 2015</b>                                   |      | 19,134,223                         | (16,087,345)             | 4,961,241                                | 8,008,119   |
| Loss attributable to members of consolidated entity              | 24   | -                                  | (1,224,152)              | -  | (1,224,152) |
| Share based payments   | 23   | -                                  | -                        | 78,207                                   | 78,207      |
| Transfer from share based payments reserve to accumulated losses | 24   | -                                  | 125,350                  | (125,350)                                | -           |
| Shares issued during the year                                    | 22   | 848,770                            | -                        | -  | 848,770     |
| <b>Balance at 30 June 2016</b>                                   |      | 19,982,993                         | (17,186,147)             | 4,914,098                                | 7,710,944   |

The accompanying notes form part of these financial statements.

# Consolidated statement of cash flows

For the year ended 30 June 2016

|   | Note | Consolidated Entity |             |
|---|------|---------------------|-------------|
|   |      | 2016<br>\$          | 2015<br>\$  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b> |      |                     |             |
| Payments to suppliers and employees         |      | (1,035,813)         | (1,136,847) |
| Interest received                           |      | 211,013             | 170,216     |
| Income tax refund                           |      | 54,522              | -           |
| Net cash from operating activities          | 26   | (770,278)           | (966,631)   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b> |      |                     |             |
| Payment for plant and equipment             |      | -                   | (13,042)    |
| Proceeds from deposits                      |      | -                   | 20,000      |
| Payment for deposits                        |      | -                   | (15,500)    |
| Payment for exploration asset               |      | (505,603)           | (503,618)   |
| Net cash from investing activities          |      | (505,603)           | (512,160)   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b> |      |                     |             |
| Proceeds of loan from related entity        |      | 9,201               | -           |
| Loan provided to related entity             |      | (6,842)             | -           |
| Proceeds from convertible notes             |      | 683,966             | 609,300     |
| Proceeds from share issue                   |      | -                   | 2,862,167   |
| Net cash from financing activities          |      | 686,325             | 3,471,467   |
| Net (decrease)/increase in cash held        |      | (589,556)           | 1,992,676   |
| Cash at beginning of financial year         |      | 6,103,305           | 4,110,629   |
| Cash at end of financial year               | 13   | 5,513,749           | 6,103,305   |

The accompanying notes form part of these financial statements.

# Notes to the financial statements for the year ended 30 June 2016

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## 1 Reporting entity

Queensland Bauxite Limited (the 'Company') is a company domiciled in Australia. The address of the company's registered office is 67 Penkivil Street, Bondi NSW 2026. The consolidated financial statements of the Company as at and for the year ended 30 June 2016 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

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

## 2 Basis of preparation

### a Statement of compliance

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

The consolidated financial statements were authorized for issue by the Board of Directors on 30 September 2016. The Board of Directors have the power to amend and reissue the financial statements.

### b Basis of measurement

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

- Other non-derivative financial liabilities

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

### c Functional and presentation currency

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

### d Use of estimates and judgements

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

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

### **3 Significant accounting policies**

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

#### **a Basis of consolidation**

##### **i Business combinations**

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

##### **ii Subsidiaries**

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

##### **iii Transactions eliminated on consolidation**

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

#### **b Financial instruments**

##### **i Non-derivative financial assets**

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

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

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

##### **Loans and receivables**

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

##### **Cash and cash equivalents**

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

##### **ii Non-derivative financial liabilities**



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

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

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

Other financial liabilities comprise trade and other payables and loans.

iii Share capital

Ordinary shares

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

iv Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, when the number of shares to be issued is fixed.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest related to the financial liability is recognised in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognised.

**c Property, plant and equipment**

i Recognition and measurement

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

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

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

ii Subsequent costs

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

iii Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis in profit and loss over the estimated useful lives of each component. Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use.

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

|                    |          |
|--------------------|----------|
| . mining equipment | 10 years |
|--------------------|----------|

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

#### **d Exploration and evaluation expenditure**

Exploration and evaluation expenditure, including the costs of acquiring the licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Company has obtained the legal rights to explore an area are recognised in the statement of profit or loss and other comprehensive income.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

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

activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy (e)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are finalised, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made.

#### **e Impairment**

##### **i Non-derivative financial assets**

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

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

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

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

**ii Non-financial assets**

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

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

Impairment losses are recognized in profit or loss.

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

**f Revenue**

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

**Interest**

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

**g Finance income and finance costs**

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

Finance costs comprise interest expense and other costs of borrowings. All finance costs are recognised in profit or loss using the effective interest method.

**h Tax**

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

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

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

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

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

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

**i Goods and services tax**

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

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

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

**j Going concern basis of accounting**

Notwithstanding the loss for the year, negative cash flow from operations and historical financial performance, the financial report has been prepared on a going concern basis. This assessment is based on a cash at bank balance at balance date, and the directors' understanding of expected cash outflows in the coming financial year.

## **4 New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2016, and have not been applied in preparing these consolidated financial statements of the Group. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

## **5 Determination of fair values**

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

Other non-derivative financial liabilities

Other non-derivative financial liabilities are measured at fair value, at initial recognition and for disclosure purposes, at each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date. In respect of the liability component of convertible notes, the market rate of interest is determined with reference to similar liabilities that do not have a conversion option.

## **6 Financial risk management**

### **Overview**

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

liquidity risk; and

market risk.

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

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

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

#### **Liquidity risk**

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

#### **Market risk**

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

**Note 7: Expenses**

|                                   | 2016<br>\$     | 2015<br>\$     |
|-----------------------------------|----------------|----------------|
| <b>Employee benefits expense:</b> |                |                |
| Directors fees                    | 402,000        | 339,000        |
| Share based payments expense      | -              | 110,000        |
|                                   | <u>402,000</u> | <u>449,000</u> |

**Note 8: Finance costs**

|   | 2016<br>\$       | 2015<br>\$      |
|---|------------------|-----------------|
| Interest income on cash at bank                                     | 211,013          | 171,152         |
| <b>Finance income</b>   | <b>211,013</b>   | <b>171,152</b>  |
| Financial liabilities measured at amortised cost – interest expense | (198,993)        | -               |
| Equity settled (share based payment expense – note 27)              | (20,207)         | (24,091)        |
| Cash settled  | -                | -               |
| Other interest expense  | -                | -               |
| <b>Finance costs</b>  | <b>(219,200)</b> | <b>(24,091)</b> |
| <b>Net finance income/(costs)</b>                                   | <b>(8,187)</b>   | <b>147,061</b>  |

**Note 9: Income tax**

|  | 2016<br>\$  | 2015<br>\$  |
|--|-------------|-------------|
| <b>Major components of income tax expense</b>  |             |             |
| <b>a. Income tax benefit</b>   |             |             |
| Accounting loss  | (1,224,152) | (2,406,967) |
| Prima facie tax benefit on the loss from ordinary activities before income tax at 30% (2015: 30%) differs from the income tax provided in the financial statements as follows: |             |             |
| Tax benefit at 30%   | (367,246)   | (722,090)   |
| Add/(Less) tax effect  |             |             |
| - Non-deductible expenses  | 69,481      | 430,512     |
| - Exploration expenditure capitalised  | (156,330)   | (151,323)   |

|   |         |         |
|---|---------|---------|
| Deferred tax asset not brought to account         | 454,095 | 442,901 |
| Income tax benefit attributable to operating loss | -       | -       |

|   | 2016      | 2015      |
|---|-----------|-----------|
| <b>b. Unrecognised deferred tax assets</b>  | <b>\$</b> | <b>\$</b> |
| Deferred tax assets have not been recognised<br>In respect of the following item: |           |           |
| Tax losses - income   | 3,821,738 | 3,367,643 |
| Tax losses - capital  | 147,356   | 147,356   |

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

#### Note 10: Key management personnel disclosures

Names and positions held of economic and parent entity key management personnel in office at any time during the financial year are:

| Key management person | Position                           |
|-----------------------|------------------------------------|
| Pnina Feldman         | Chairperson                        |
| Sholom Feldman        | Director / Chief Executive Officer |
| Meyer Gutnick         | Non-Executive Director             |
| David Austin          | Alternate Director                 |

The key management personnel remuneration has been included in the remuneration report section of the director's report.

### Options and rights over equity instruments granted as compensation

The movement during the reporting period in the number of options over ordinary shares in QBL held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2016

|                | Held at<br>1 July 2015 | Granted as<br>compensation | Expired | Held at<br>30 June 2016 | Vested during<br>the year | Vested and<br>exercisable at<br>30 June 2016 |
|----------------|------------------------|----------------------------|---------|-------------------------|---------------------------|--|
| Directors      |                        |                            |         |                         |                           |  |
| Pnina Feldman  | -                      | -                          | -       | -                       | -                         | -  |
| Sholom Feldman | -                      | -                          | -       | -                       | -                         | -  |
| Meyer Gutnick  | -                      | -                          | -       | -                       | -                         | -  |
| David Austin   | -                      | -                          | -       | -                       | -                         | -  |

2015

|                | Held at<br>1 July 2014 | Granted as<br>compensation | Expired | Held at<br>30 June 2015 | Vested during<br>the year | Vested and<br>exercisable at<br>30 June 2015 |
|----------------|------------------------|----------------------------|---------|-------------------------|---------------------------|--|
| Directors      |                        |                            |         |                         |                           |  |
| Pnina Feldman  | -                      | -                          | -       | -                       | -                         | -  |
| Sholom Feldman | -                      | -                          | -       | -                       | -                         | -  |
| Meyer Gutnick  | -                      | -                          | -       | -                       | -                         | -  |
| David Austin   | -                      | -                          | -       | -                       | -                         | -  |

No options held by key management personnel are vested but not exercisable.

### Movements in shares

The movement during the reporting period in the number of ordinary shares in QBL held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:



## 2016

|                       | Held at<br>1 July 2015 | Acquired | Disposed | Held at<br>30 June 2016 |
|-----------------------|------------------------|----------|----------|-------------------------|
| Directors             | -                      | -        | -        | -                       |
| Pnina Feldman (1)(2)  | 129,065,208            | -        | -        | 129,065,208             |
| Sholom Feldman (1)(2) | 129,065,208            | -        | -        | 129,065,208             |
| Meyer Gutnick         | 5,000,000              | -        | -        | 5,000,000               |
| David Austin          | -                      | -        | -        | -                       |

## 2015

|                       | Held at<br>1 July 2014 | Acquired   | Disposed  | Held at<br>30 June 2015 |
|-----------------------|------------------------|------------|-----------|-------------------------|
| Directors             | -                      | -          | -         | -                       |
| Pnina Feldman (1)(2)  | 107,252,166            | 26,813,042 | 5,000,000 | 129,065,208             |
| Sholom Feldman (1)(2) | 107,252,166            | 26,813,042 | 5,000,000 | 129,065,208             |
| Meyer Gutnick         | -                      | 5,000,000  | -         | 5,000,000               |
| David Austin          | -                      | -          | -         | -                       |

- (1) Pnina Feldman and Sholom Feldman are each directors of L'Hayyim Pty Ltd which currently holds 2,815,208 Shares and 281,521 options exercisable at 0.10 cents each on or before 31 July 2016 in its capacity as trustee of the 770 Unit Trust; and
- (2) Pnina Feldman and Sholom Feldman are each directors of Volcan Australia Corporation Pty Ltd which currently holds 126,250,000 shares and 13,125,000 options exercisable at 0.10 cents each on or before 31 July 2016.

**Note 11: Auditors' remuneration**

|  | 2016<br>\$ | 2015<br>\$ |
|--|------------|------------|
| Remuneration of the auditor (Nexia Court & Co) of the parent entity for: |            |            |
| An audit or review of the financial report of the Company                |            |            |
| - Current year   | 38,909     | 34,670     |
| - Half-year  | 28,413     | 29,219     |
| Other services   |            |            |
| - Taxation services  | 3,000      | 3,000      |
|  | 70,322     | 66,889     |

**Note 12: Earnings per share**

|   | 2016        | 2015        |
|---|-------------|-------------|
| <b>Basic Earnings per Share</b>                                 |             |             |
| a. Basic loss per share (cents)                                 | (0.16)      | (0.43)      |
| Loss attributable to ordinary shareholders (\$)                 | (1,224,152) | (2,406,967) |
| Earnings used to calculate basic EPS (\$)                       | (1,224,152) | (2,406,967) |
|   | No.         |             |
| b. Issued ordinary shares at 1 July                             | 737,908,636 | 403,104,263 |
| Effect of shares issued during the year                         | 33,735,093  | 153,715,131 |
| Weighted average number of ordinary shares at 30 June           | 771,643,729 | 556,819,394 |
| <b>Diluted Earnings per Share</b>                               |             |             |
| a. Basic loss per share (cents)                                 | (0.16)      | (0.43)      |
| Loss attributable to ordinary shareholders (\$)                 | (1,224,152) | (2,406,967) |
| Earnings used to calculate diluted EPS (\$)                     | (1,224,152) | (2,406,967) |
|   | No.         | No          |
| b. Weighted average number of ordinary shares (basic)           | 771,643,729 | 556,819,394 |
| Weighted average number of ordinary shares (diluted) at 30 June | 771,643,729 | 556,819,394 |

As at 30 June 2016, 208,994,871 options (2015: 272,498,825) were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive.

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the year.

**Note 13: Cash and cash equivalents**

|  | 2016<br>\$ | 2015<br>\$ |
|--|------------|------------|
| <b>CURRENT</b>   |            |            |
| Cash on hand   | 100        | 100        |
| Cash at bank   | 5,513,649  | 6,103,205  |
| Cash and cash equivalents in the statement of cash flows | 5,513,749  | 6,103,305  |

**Note 14: Trade and other receivables**

|                                  | 2016<br>\$    | 2015<br>\$     |
|----------------------------------|---------------|----------------|
| <b>CURRENT</b>                   |               |                |
| Deposits                         | 10,000        | 10,000         |
| Other debtors                    | -             | 54,522         |
| Less impairment of other debtors | -             | -              |
| GST receivable                   | 53,605        | 81,418         |
|                                  | <u>63,605</u> | <u>145,940</u> |

**Note 15: Other assets**

|  | 2016<br>\$  | 2015<br>\$    |
|--|-------------|---------------|
| <b>CURRENT</b>   |             |               |
| Loan to Volcan Australia Corporation Pty Ltd -<br>Unsecured# | 1,200,000   | 1,200,000     |
| Less impairment of loan                                      | (1,200,000) | (1,200,000)   |
| Loan to Volcan Australia Corporation Pty Ltd – Unsecured     | 79,258      | 72,416        |
| Less impairment of loan                                      | (79,258)    | (72,416)      |
|  | <u>-</u>    | <u>-</u>      |
| <b>NON-CURRENT</b>   |             |               |
| Deposits   | -           | 15,500        |
| Loan to Australian Iron Ore Pty Ltd – Unsecured              | -           | 1,292         |
|  | <u>-</u>    | <u>16,792</u> |

# The loan to Volcan Australia Corporation Pty Ltd (VAC) was not a cash loan from QBL to VAC, but the amount that was to be paid by VAC in consideration for the transfer to Volcan Australia Corporation Pty Ltd of a sapphire mining project ML1492 from the company pursuant to the transactions completed on 14th December 2010 as approved at the time by shareholders at an EGM. VAC was to have invested in the development of that asset and monetised that asset within that time period, and pay QBL the above amount. This amount was unsecured, due for payment in cash on 14<sup>th</sup> December 2012 from the proceeds of the mine, and there was no interest payable on the amount due. Following the transactions in 2010, although VAC did invest in the asset as contemplated, the markets for sapphires worsened and VAC was not able to monetise the asset prior to 14<sup>th</sup> December 2012. The directors have agreed that it is in QBL's interest to allow VAC further time to endeavour to monetise the asset to make the agreed payment from that asset. 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.

**Note 16: Controlled entities**

|   | Country of incorporation | Percentage owned (%) |      |
|---|--------------------------|----------------------|------|
|   |                          | 2016                 | 2015 |
| Controlled entities consolidated            |                          |                      |      |
| Parent entity:                              |                          |                      |      |
| Queensland Bauxite Limited                  | Australia                |                      |      |
| Subsidiaries of Queensland Bauxite Limited  |                          |                      |      |
| Pilbara Gold Holdings Pty Ltd #             | Australia                | -                    | 100% |
| South Johnstone Bauxite Pty Ltd             | Australia                | 100%                 | 100% |
| Volcan Queensland Bauxite Pty Ltd           | Australia                | 100%                 | 100% |
| New England Bauxite Pty Ltd (Refer note 17) | Australia                | 100%                 | -    |

\* Percentage of voting power is in proportion to ownership.

# This subsidiary was deregistered by the Australian Securities and Investments Commission on 18 November 2012.

**Note 17: Acquisition of subsidiary**

On 5 February 2016, the Group acquired 100 percent of the shares and voting interests in New England Bauxite Pty Limited ("NEB"). As a result, the Group obtained control of NEB.

Taking control of NEB will enable the Group to hold an 81% beneficial interest in the mining tenement EL 7301, as NEB holds a 31% beneficial interest in EL 7301.

\$

**A. Consideration transferred**

The following consideration was transferred:

|   |                |
|---|----------------|
| Equity instruments (28,315,195 ordinary shares) | <u>198,206</u> |
|---|----------------|

The value of the ordinary shares issued was based on the listed share price of the Company on 5 February 2016 of \$0.007.

**B. Identifiable assets acquired and liabilities assumed**

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

|  |                |
|--|----------------|
| Exploration assets                     | <u>198,206</u> |
| Total identifiable net assets acquired | <u>198,206</u> |

**C. Cash outflow on acquisition**

The following table summarises the cash outflow on acquisition.

|  |   |
|--|---|
| Net cash acquired with the controlled entity | - |
| Cash paid                                    | - |
| Net cash outflow                             | - |

**D. Details relating to acquisition**

The acquisition of NEB made no contribution to net profit before tax or to revenue, as NEB was incorporated on 5 February 2016 and has not traded since incorporation.

**Note 18: Exploration and evaluation**

|  | 2015<br>\$ | 2014<br>\$ |
|--|------------|------------|
| <b>NON-CURRENT</b>   |            |            |
| Balance as at 30 June  | 2,012,272  | 835,794    |
| Mining permits, tenement acquisition and administration and geologist expenses | 719,309    | 1,848,618  |
| Impairment of exploration assets   | -          | (672,140)  |
| Balance as at 30 June  | 2,731,581  | 2,012,272  |
| Exploration expenses written off during the year                               | 108,597    | 220,344    |

The value of the Company's interest in exploration expenditure is dependent upon the:

- continuance of the economic entity's right to tenure of the areas of interest;
- results of future exploration, and
- recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

The exploration and evaluation asset balance relating to the mining tenement EL 7301 is \$1,611,246 as at 30 June 2016 (2015 \$1,356,946). The mining tenement EL 7301 expired on 23 February 2016. Application forms have been lodged to renew and transfer the tenement to Queensland Bauxite Limited ("QBL") for a further 5 years to 23 February 2021. This process has not yet been finalised with the NSW Department of Industry. The Directors of QBL consider the renewal and transfer of EL 7301 to be processed in the ordinary course of business and therefore QBL holds current rights to tenure over its exploration and evaluation assets.

The exploration and evaluation asset balance relating to the mining tenement EPM 18463 is \$1,120,335 as at 30 June 2016 (2015 \$655,326). The mining tenement EPM 18463 expired on 25 May 2016. Application forms have been lodged to renew the tenement to Queensland Bauxite Limited ("QBL") for a further 2 years to 25 May 2018. This process has not yet been finalised with the QLD Department of Natural Resources and Mines. The Directors of QBL consider the renewal of EPM 18463 to be processed in the ordinary course of business and therefore QBL holds current rights to tenure over its exploration and evaluation assets.

**Note 19: Property, plant and equipment**

|                           | 2016<br>\$ | 2015<br>\$ |
|---------------------------|------------|------------|
| <b>NON-CURRENT</b>        |            |            |
| Mining Equipment          |            |            |
| At cost                   | 188,074    | 188,074    |
| Accumulated depreciation  | (159,496)  | (154,882)  |
| Total written down amount | 28,578     | 33,192     |

**Movements in carrying amounts**

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

| 2016 | Mining Equipment<br>\$ | Total<br>\$ |
|------|------------------------|-------------|
|------|------------------------|-------------|

**Consolidated Entity:**

|   |         |         |
|---|---------|---------|
| Carrying amount year ended 30 June 2015 | 33,192  | 33,192  |
| Additions                               | -       | -       |
| Disposals                               | -       | -       |
| Depreciation expense                    | (4,614) | (4,614) |
| Impairment loss                         | -       | -       |
| Carrying amount year ended 30 June 2016 | 28,578  | 28,578  |

| 2015 | Mining Equipment<br>\$ | Total<br>\$ |
|------|------------------------|-------------|
|------|------------------------|-------------|

**Consolidated Entity:**

|   |         |         |
|---|---------|---------|
| Carrying amount year ended 30 June 2014 | 25,050  | 25,050  |
| Additions                               | 13,042  | 13,042  |
| Disposals                               | -       | -       |
| Depreciation expense                    | (4,900) | (4,900) |
| Impairment loss                         | -       | -       |
| Carrying amount year ended 30 June 2015 | 33,192  | 33,192  |

**Note 20: Trade and other payables**

|                       | 2016<br>\$     | 2015<br>\$     |
|-----------------------|----------------|----------------|
| <b>CURRENT</b>        |                |                |
| Unsecured liabilities |                |                |
| Trade payables        | 293,906        | 243,132        |
| Accrued expenses      | 84,613         | 60,250         |
| Other creditors       | 7,956          | -              |
|                       | <u>386,475</u> | <u>303,382</u> |

**Note 21: Other financial liabilities**

|   | 2016<br>\$     | 2015<br>\$ |
|---|----------------|------------|
| <b>CURRENT</b>                                      |                |            |
| Loan Australian Gemstone Mining Pty Ltd - Unsecured | 9,201          | -          |
| Convertible notes - Unsecured                       | 230,893        | -          |
|   | <u>240,094</u> | <u>-</u>   |

**Note 22: Issued capital**

|   | 2015<br>\$ | 2014<br>\$ |
|---|------------|------------|
| 854,592,485 (2015: 737,908,636) fully paid ordinary shares (no par value) | 19,982,993 | 19,134,223 |

The Company has no authorised capital.

|  | 2016<br>No. | 2016<br>\$ | 2015<br>No. | 2015<br>\$. |
|--|-------------|------------|-------------|-------------|
| <b>a. Ordinary shares</b>                            |             |            |             |             |
| At the beginning of reporting period                 | 737,908,636 | 19,134,223 | 403,104,263 | 15,549,138  |
| Share based payments (note 26)                       | 7,000,000   | -          | 80,517,070  | -           |
| Conversion of convertible notes into ordinary shares | 81,368,654  | 650,564    | 50,989,654  | 722,918     |
| Placement under NRRI                                 | -           | -          | 127,297,649 | 1,782,167   |
| Placement CTBIC                                      | -           | -          | 65,000,000  | 910,000     |
| Placement @ 0.02                                     | -           | -          | 1,000,000   | 20,000      |



|   | 2016<br>No. | 2016<br>\$ | 2015<br>No. | 2015<br>\$. |
|---|-------------|------------|-------------|-------------|
| Placement shares @ 0.015                  | -           | -          | 10,000,000  | 150,000     |
| Investment in New England Bauxite Pty Ltd | 28,315,195  | 198,206    | -           | -           |
| At reporting date                         | 854,592,485 | 19,982,993 | 737,908,636 | 19,134,223  |

### Terms and Conditions of Issued Capital

#### a. Ordinary Shares

Ordinary shares have the right to receive dividends as declared by the board and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle the holder to one vote either in person or by proxy at a meeting of the Company.

#### b. Options on issue

The following reconciles the outstanding share options at the beginning and year end of the financial year:

|   | 2016<br>No.        | 2015<br>No.        |
|---|--------------------|--------------------|
| <b>Description</b>                              |                    |                    |
| At the beginning of reporting period            | 272,498,825        | 169,200,000        |
| Granted during the financial year               | 2,846,046          | 103,648,825        |
| Forfeited during the financial year             | -                  | -                  |
| Exercised during the financial year             | -                  | -                  |
| Expired during the financial year               | (66,350,000)       | (5,000,000)        |
| <b>Balance at the end of the financial year</b> | <b>208,994,871</b> | <b>169,200,000</b> |
| Exercisable at the end of the financial year    | 208,994,871        | 272,498,825        |

Each of the options entitles the holder to one fully paid ordinary share in the Company. The terms of the options on issue are:

- 12,500,000 exercisable at \$0.03 on or before 2 July 2016;
- 63,648,825 exercisable at \$0.10 on or before 31 July 2016;
- 90,000,000 exercisable at \$0.03 on or before 12 November 2016
- 10,000,000 exercisable at \$0.08 on or before 16 September 2017;
- 10,000,000 exercisable at \$0.10 on or before 16 September 2017;
- 5,000,000 exercisable at \$0.15 on or before 16 September 2017;
- 5,000,000 exercisable at \$0.20 on or before 16 September 2017;
- 10,000,000 exercisable at \$0.03 on or before 28 February 2018; and
- 2,846,046 exercisable at \$0.06 on or before 31 August 2018.

**Note 23: Share based payments reserve**

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

|   | Consolidated Entity |            |
|---|---------------------|------------|
|   | 2016<br>\$          | 2015<br>\$ |
| Balance as at 1 July  | 4,961,241           | 2,816,550  |
| Equity settled share based payment – non-executive directors fees – Shares issued in lieu of directors fees to Meyer Gutnick              | -                   | 110,000    |
| Equity settled share based payment – consulting fees – shares   | 30,000              | 635,500    |
| Equity settled share based payment – shares issued to employees of related entity Australian Gemstone Mining Pty Ltd                      | 28,000              | 42,000     |
| Equity settled share based payment – Acquisition of 50% EL7301 – shares and options   | -                   | 1,345,000  |
| Equity settled share based payment – finance costs – shares issued in respect to finance costs relating to the issue of convertible notes | 20,207              | 24,091     |
| Transfer to accumulated losses for expired options  | (125,350)           | (11,900)   |
| Balance as at 30 June   | 4,914,098           | 4,961,241  |

**Note 24: Accumulated losses**

|  | 2015<br>\$   | 2014<br>\$   |
|--|--------------|--------------|
| Balance as at 1 July   | (16,087,345) | (13,692,278) |
| Loss for the year  | (1,224,152)  | (2,406,967)  |
| Transfer from share based payments reserve for expired and forfeited options | 125,350      | 11,900       |
| Balance as at 30 June  | (17,186,147) | (16,087,345) |

**Note 25: Commitments for expenditure**

|   | 2016<br>\$ | 2015<br>\$ |
|---|------------|------------|
| <b>Exploration and evaluation</b>             |            |            |
| – not later than 1 year                       | -          | 955,500    |
| – later than 1 year but no later than 5 years | -          | -          |
|   | -          | 955,500    |

**Note 26: Reconciliation of cash flows from operating activities**

|   | 2016<br>\$       | 2015<br>\$       |
|---|------------------|------------------|
| <b>a. Cash flows from operating activities</b>  |                  |                  |
| Loss for the year   | (1,224,152)      | (2,406,967)      |
| Non-cash flows in loss  |                  |                  |
| Impairment of exploration assets  | -                | 672,140          |
| Impairment of receivables   | 6,842            | 1,884            |
| Depreciation  | 4,614            | 4,900            |
| Share based payments expense  | 58,000           | 811,591          |
| Realised foreign currency exchange gain/(loss)  | (12,335)         | 28,587           |
| Finance cost  | 219,200          | -                |
| <b>Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries</b> |                  |                  |
| Decrease/(increase) in trade and other receivables  | 1,292            | (1884)           |
| Decrease/(increase) in other debtors  | 54,522           | (54,522)         |
| Decrease/(increase) in GST receivable   | 27,813           | (47,432)         |
| Increase in trade payables and accruals   | 89,888           | 23,712           |
| Increase in other creditors   | 4,038            | 1,360            |
| Net cash from operating activities  | <u>(770,278)</u> | <u>(966,631)</u> |

**Note 27: Share based payment arrangements****Description of the share based payment arrangements**

The following share based payment arrangements exist at 30 June 2016.

***Options granted***

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

| <u>Grant date/ persons entitled</u>                       | <u>Number of options</u> | <u>Vesting conditions</u> | <u>Contractual life of option</u> |
|---|--------------------------|---------------------------|-----------------------------------|
| <b><i>Options granted to convertible note holders</i></b> | 2,846,046                | Nil                       | 3 years                           |

On 14 August 2015

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

***Ordinary shares granted***

On 12 January 2016, the Company issued 3,000,000 ordinary shares as consideration for consulting services. The share price at the grant date was 0.01 cents per share, resulting in consideration for consulting services of \$30,000.

On 25 February 2016, the Company issued 4,000,000 ordinary shares as consideration for consulting services. The share price at the grant date was \$0.007 per share, resulting in consideration for consulting services of \$28,000 in total paid to employees of Australian Gemstone Mining Pty Ltd.

The following share based payment arrangements exist at 30 June 2015.

***Options granted***

The terms and conditions related to the grant of share options to purchase EL7301 are as follows; all options are to be settled by the physical delivery of the shares.

| <u>Grant date/ persons entitled</u>              | <u>Number of options</u> | <u>Vesting conditions</u> | <u>Contractual life of option</u> |
|--|--------------------------|---------------------------|-----------------------------------|
| <b><i>Options granted to purchase EL7301</i></b> | 30,000,000               | Nil                       | 3 years                           |

On 15 September 2014

All share options granted to purchase EL7301, confer a right of one ordinary share for every option held.

***Ordinary shares granted***

On 15 September 2014, the Company issued 37,500,000 ordinary shares as consideration for the purchase of EL7301. The share price at the grant date was \$0.024 per share resulting in consideration of \$900,000.

On 2 July 2014, the Company issued 1,500,000 ordinary shares as consideration for consulting services. The share price at the grant date was \$0.021 per share, resulting in consideration for consulting services of \$31,500.

On 19 August 2014, the Company issued 5,000,000 ordinary shares as consideration for consulting services. The share price at the grant date was \$0.019 per share, resulting in consideration for consulting services of \$95,000.

On 10 September 2014, the Company issued 2,000,000 ordinary shares as consideration for consulting services. The share price at the grant date was \$0.021 per share, resulting in consideration for consulting services of \$42,000 in total paid to employees of Australian Gemstone Mining Pty Ltd.

On 19 September 2014, the Company issued 5,000,000 ordinary shares to Meyer Gutnick in lieu of non-executive director fees. The share price at the grant date was \$0.022 per share, resulting in non-executive directors fees of \$110,000.

On 24 September 2014, the Company issued 5,000,000 ordinary shares as consideration for consulting services. The share price at the grant date was \$0.023 per share, resulting in consideration for consulting services of \$115,000.

On 24 October 2014 the Company issued 3,600,000 ordinary shares as consideration for consulting services. The share price at the grant date was \$0.023 per share, resulting in consideration for consulting services of \$82,800.

On 29 October 2014, the Company issued 1,500,000 ordinary shares as commitment shares as consideration for consulting services. The share price at the grant date was \$0.03 per share, resulting in consideration for consulting services of \$45,000.

On 4 February 2015, the Company issued 3,400,000 ordinary shares as consideration for consulting services. The share price at the grant date was \$0.02 per share, resulting in consideration for consulting services of \$68,000.

On 25 March 2015, the Company issued 5,000,000 ordinary shares as consideration for consulting services. The share price at the grant date was \$0.016 per share, resulting in consideration for consulting services of \$80,000.

On 14 May 2015, the Company issued 3,000,000 ordinary shares as consideration for consulting services. The share price at the grant date was \$0.013 per share, resulting in consideration for consulting services of \$39,000.

On 15 May 2015, the Company issued 6,600,000 ordinary shares as consideration for consulting services. The share price at the grant date was \$0.012 per share, resulting in consideration for consulting services of \$79,200.

On 21 July 2014 and on 7 October 2014 the Company issued a total of 1,417,070 ordinary shares as commitment shares in relation to convertible notes, resulting in finance costs of \$24,091.

#### **Measurement of fair values - Options**

The fair value of the share based payments relating to 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.

#### ***Equity settled share based payment (options) relating to finance costs***

The inputs used in the measurement of the fair values at grant date of the equity settled share based payment was as follows:

|  | <b>2016</b> | <b>2015</b> |
|--|-------------|-------------|
| Fair value at grant date               | \$0.0071    | -           |
| Share price at grant date              | \$0.012     | -           |
| Exercise price                         | \$0.06      | -           |
| Expected volatility (weighted average) | 144%        | -           |

|                                  |         |   |
|----------------------------------|---------|---|
| Expected life (weighted average) | 3 years | - |
| Risk-free interest rate          | 1.71%   | - |

***Equity settled share based payment (options) relating to acquisition of EL7301***

The inputs used in the measurement of the fair values at grant date of the equity settled share based payment was as follows:

|  | <b>2016</b> | <b>2015</b> |
|--|-------------|-------------|
| Fair value at grant date               | -           | \$0.01483   |
| Share price at grant date              | -           | \$0.023     |
| Exercise price                         | -           | \$0.12      |
| Expected volatility (weighted average) | -           | 150%        |
| Expected life (weighted average)       | -           | 3 years     |
| Risk-free interest rate                | -           | 2.84%       |

**Expense recognised in profit or loss**

|   | Consolidated Entity |            |
|---|---------------------|------------|
|   | 2016<br>\$          | 2015<br>\$ |
| Equity settled share based payment transactions   |                     |            |
| Non-executive directors fees – ordinary shares granted (note 22)  | -                   | 110,000    |
| Consulting fees – ordinary shares granted (note 22)   | 30,000              | 635,500    |
| Consulting fees – ordinary shares granted to employees of related entity Australian Gemstone Mining Pty Ltd (note 22) | 28,000              | 42,000     |
| Finance costs – share options granted (note 22)   | 20,207              | -          |
| Finance costs – ordinary shares granted (note 22)   | -                   | 24,091     |
| Total expense recognised for equity settled share based payments  | 78,207              | 811,591    |

**Reconciliation of outstanding share options**

|  | 2016<br>Number of<br>options | 2016<br>Weighted<br>Average<br>Exercise price | 2015<br>Number of<br>options | 2015<br>Weighted<br>average<br>exercise price |
|--|------------------------------|---|------------------------------|---|
| Outstanding at the beginning of the year | 133,850,000                  | 0.05  | 104,200,000                  | 0.03  |
| Granted                                  | 2,846,046                    | 0.06  | 30,000,000                   | 0.12  |
| Forfeited                                | -                            | -   | -                            | -   |
| Exercised                                | -                            | -   | -                            | -   |
| Expired                                  | (1,350,000)                  | 0.26  | (350,000)                    | 0.20  |
| Outstanding at year-end                  | 135,346,046                  | 0.05  | 133,850,000                  | 0.05  |
| Exercisable at year-end                  | 135,346,046                  | 0.05  | 133,850,000                  | 0.05  |

The options outstanding at 30 June 2016 have an exercise price in the range of \$0.03 to \$0.20 (2015: \$0.03 to \$0.30) and a weighted average contractual life of 0.6 years (2015: 1.5 years).

There were no options exercised during the year ended 30 June 2016 (2015: Nil).

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

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

**Related party transactions with Australian Gemstone Mining Pty Limited**

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

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

In respect of each of these executives (Key Management Personnel), AGMPL was paid a retainer for the period ended 30 June 2016. The Company was also reimbursed for all reasonable expenses incurred by or on behalf of the Key Persons.

- AGMPL is a company owned and controlled by Pnina Feldman.

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

AGMPL also provided suitable fully serviced offices to the Company at its Bondi offices at 67 Penkivil St, which includes use of office space, the board room, 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 Company, such as secretarial, accounting and office management services. These services were provided to the Company by AGMPL on reasonable arm's length terms as approved by the independent director(s).

| AGMPL services                   | 2016      | 2015    |
|----------------------------------|-----------|---------|
|                                  | \$        | \$      |
| Rent                             | 108,000   | 84,000  |
| Management and secretarial       | 144,000   | 126,000 |
| Geologist fees                   | 360,000   | 270,000 |
| Executive and corporate services | 312,000   | 264,000 |
| Reimbursement of expenses        | 84,365    | 94,567  |
| Total                            | 1,008,365 | 838,567 |

Amounts owed to AGMPL as at 30 June 2016 is \$9,201 (2015:\$ NIL).



|   | 2016<br>\$  | 2015<br>\$  |
|---|-------------|-------------|
| <u>Other transactions with related parties</u>      |             |             |
| <u>Loans advanced to director related companies</u> |             |             |
| Volcan Australia Corporation Pty Ltd                | 1,200,000   | (1,200,000) |
| Impairment recognised as at 30 June 2016            | (1,200,000) | (1,200,000) |
| Due for repayment on 14 December 2012               |             |             |
| Volcan Australia Corporation Pty Ltd                | 79,258      | 72,416      |
| Impairment recognised as at 30 June 2016            | (79,258)    | (72,416)    |
| No due date for repayment.                          |             |             |
| Australian Iron Ore Pty Ltd                         | -           | 1,292       |
| No due date for repayment.                          |             |             |

The above loans are unsecured and interest free. See note 15 for explanation of Loan to Volcan Australia Corporation Pty Ltd.

## Note 29: Financial instruments

### a. Financial risk management

The Group's financial instruments consist mainly of deposits with banks, trade and other receivables and trade and other payables.

The main risk the Group is exposed to through its financial instruments is foreign currency fluctuation risk.

#### Interest rate risk

The Group's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result in changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities refer Note 28(b).

#### Foreign currency risk

The Group was marginally exposed to fluctuations in foreign currencies during the reporting period.

#### Credit risk

Neither the Group or the Company have any material credit or other risk exposure to any single receivable or group of receivables or payables under financial instruments entered into by the Group.

#### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

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

The following are the remaining contractual maturities at the end of the reporting period of financial liabilities, including estimated interest payments:

| <b>30 June 2016</b>                  |                       | <b>Contractual cash flows</b> |                              |                 |                    |                            |
|--------------------------------------|-----------------------|-------------------------------|------------------------------|-----------------|--------------------|----------------------------|
|                                      | Carrying amount<br>\$ | Total<br>\$                   | Less than<br>12 months<br>\$ | 1-2 Years<br>\$ | 2 to 5 years<br>\$ | More than<br>5 years<br>\$ |
| <hr/>                                |                       |                               |                              |                 |                    |                            |
| Non derivative financial liabilities |                       |                               |                              |                 |                    |                            |
| Convertible notes                    | 230,893               | 230,893                       | 230,893                      | -               | -                  | -                          |

| <b>30 June 2015</b>                  |                       | <b>Contractual cash flows</b> |                           |                 |                    |                         |
|--------------------------------------|-----------------------|-------------------------------|---------------------------|-----------------|--------------------|-------------------------|
|                                      | Carrying amount<br>\$ | Total<br>\$                   | Less than 12 months<br>\$ | 1-2 Years<br>\$ | 2 to 5 years<br>\$ | More than 5 years<br>\$ |
| <hr/>                                |                       |                               |                           |                 |                    |                         |
| Non derivative financial liabilities |                       |                               |                           |                 |                    |                         |
| Convertible notes                    | -                     | -                             | -                         | -               | -                  | -                       |

#### Price risk

The Group's anticipated value of the South Johnstone Bauxite project is affected by the price of bauxite. Any rise or fall of the price of bauxite may affect the project's value accordingly.

**b. Financial Instrument composition and maturity analysis**

The tables below reflect the contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments.

| Consolidated Entity | Weighted average effective interest rate |      | Floating interest rate |      | Within one year |      | 1 to 5 years |      | Non-interest bearing |      | Total |      |
|---------------------|--|------|------------------------|------|-----------------|------|--------------|------|----------------------|------|-------|------|
|                     | 2016                                     | 2015 | 2016                   | 2015 | 2016            | 2015 | 2016         | 2015 | 2016                 | 2015 | 2016  | 2015 |
|                     | %  | %    | \$                     | \$   | \$              | \$   | \$           | \$   | \$                   | \$   | \$    | \$   |

**Financial assets:**

|                             |      |      |           |           |   |   |   |   |        |         |           |           |
|-----------------------------|------|------|-----------|-----------|---|---|---|---|--------|---------|-----------|-----------|
| Cash and cash equivalents   | 3.6% | 3.4% | 5,513,639 | 6,103,205 | - | - | - | - | 100    | 100     | 5,513,759 | 4,110,629 |
| Trade and other receivables | -    | -    | -         | -         | - | - | - | - | 63,605 | 145,940 | 63,605    | 145,940   |
| Other non-current assets    | -    | -    | -         | -         | - | - | - | - | -      | 16,792  | -         | 16,792    |

**Financial liabilities:**

|                             |   |   |   |   |   |   |   |   |         |         |         |         |
|-----------------------------|---|---|---|---|---|---|---|---|---------|---------|---------|---------|
| Trade and other payables    | - | - | - | - | - | - | - | - | 386,475 | 303,382 | 386,475 | 303,382 |
| Other financial liabilities | - | - | - | - | - | - | - | - | 240,094 | -       | 240,094 | -       |

**c. Fair values vs carrying amounts**

The fair values of financial assets and liabilities, together with carrying amounts shown on the statement of financial position, are as follows:

|                              | 2016<br>Total<br>Carrying<br>Amount<br>\$ | 2016<br>Fair<br>Value<br>\$ | 2015<br>Total<br>Carrying<br>Amount<br>\$ | 2015<br>Fair<br>Value<br>\$ |
|------------------------------|---|-----------------------------|---|-----------------------------|
| <b>Financial Assets</b>      |   |                             |   |                             |
| Cash and cash equivalents    | 5,513,749                                 | 5,513,749                   | 6,103,305                                 | 6,103,305                   |
| Trade and other receivables  | 63,605                                    | 63,605                      | 145,940                                   | 145,940                     |
| Other financial assets       | -   | -                           | 16,792                                    | 16,792                      |
| <b>Financial Liabilities</b> |   |                             |   |                             |
| Trade and other payables     | 386,875                                   | 386,875                     | 303,382                                   | 303,382                     |
| Other financial liabilities  | 240,094                                   | 240,094                     | -   | -                           |

**Note 30: Parent entity disclosures**

|  | 2016 | 2015 |
|--|------|------|
|  | \$   | \$   |

As at and throughout the financial year ending 30 June 2016 the parent entity of the Group was Queensland Bauxite Limited.

**Financial Position of parent entity at year end****Assets**

|                     |                  |                  |
|---------------------|------------------|------------------|
| Current assets      | 5,577,354        | 6,249,245        |
| Non-current assets  | 1,639,824        | 1,444,430        |
| <b>Total assets</b> | <b>7,217,178</b> | <b>7,693,675</b> |

**Liabilities**

|                          |                |                |
|--------------------------|----------------|----------------|
| Current liabilities      | 625,760        | 340,072        |
| Non-current liabilities  | -              | -              |
| <b>Total liabilities</b> | <b>625,760</b> | <b>340,072</b> |

**Total equity of the parent entity comprising of:**

|                             |                  |                  |
|-----------------------------|------------------|------------------|
| Issued capital              | 19,982,993       | 19,134,223       |
| Share based payment reserve | 4,914,098        | 4,961,241        |
| Accumulated losses          | (18,305,673)     | (16,741,861)     |
| <b>Total equity</b>         | <b>6,591,418</b> | <b>7,353,603</b> |

**Financial Performance**

|  |                    |                    |
|--|--------------------|--------------------|
| Loss for the year                              | (1,689,162)        | (2,886,713)        |
| Other comprehensive income                     | -                  | -                  |
| <b>Total comprehensive income for the year</b> | <b>(1,689,162)</b> | <b>(2,886,713)</b> |

**Note 31: Company details**

The registered office of the Company and principal place of business is:

Queensland Bauxite Limited  
67 Penkivil Street  
Bondi, NSW 2026

**Note 32: Segment information****OPERATING SEGMENTS****a. Basis for segmentation**

The Group has two reportable segments; mining exploration and evaluation, and corporate. The corporate segment includes all of our initiatives in corporate growth activities and provides administrative, technical and financial support.

**b. Information about reportable segments**

Information related to each reportable segment is set out below.

|                                  | Mining<br>Exploration<br>and<br>Evaluation | Corporate   | Total       |
|----------------------------------|--|-------------|-------------|
| <b>2016</b>                      |  |             |             |
| Segment revenues                 | -  | -           | -           |
| Less: Intersegment revenues      | -  | -           | -           |
| Revenues                         | -  | -           | -           |
| Interest income                  | -  | 211,013     | 211,013     |
| R & D tax rebate                 | -  | -           | -           |
| Depreciation                     | (4,614)                                    | -           | (4,614)     |
| Impairment of exploration assets | -  | -           | -           |
| Impairment of receivables        | -  | (6,842)     | (6,842)     |
| Finance costs                    | -  | (219,200)   | (219,200)   |
| Other costs                      | (108,597)                                  | (1,095,912) | (1,204,509) |
| Loss before tax                  | (113,211)                                  | (1,110,941) | (1,224,152) |
| Income tax expense               | -  | -           | -           |
| Loss after tax                   | (113,211)                                  | (1,110,941) | (1,224,152) |
| Capital expenditures             | 521,102                                    | -           | 521,102     |
| Total assets                     | 2,760,159                                  | 5,577,354   | 8,337,513   |
| Total liabilities                | -  | (626,569)   | (626,569)   |

|                                  | Mining<br>Exploration<br>and<br>Evaluation | Corporate   | Total       |
|----------------------------------|--|-------------|-------------|
| <b>2015</b>                      |  |             |             |
| Segment revenues                 | -  | -           | -           |
| Less: Intersegment revenues      | -  | -           | -           |
| Revenues                         | -  | -           | -           |
| Interest income                  | -  | 171,152     | 171,152     |
| R & D tax rebate                 | -  | 53,586      | 53,586      |
| Depreciation                     | (4,900)                                    | -           | (4,900)     |
| Impairment of exploration assets | (672,140)                                  | -           | (672,140)   |
| Impairment of receivables        | -  | (1,884)     | (1,884)     |
| Finance costs                    | -  | (24,091)    | (24,091)    |
| Other costs                      | (220,344)                                  | (1,708,346) | (1,928,690) |
| Loss before tax                  | (897,384)                                  | (1,509,583) | (2,406,967) |
| Income tax expense               | -  | -           | -           |
| Loss after tax                   | (897,384)                                  | (1,509,583) | (2,406,967) |
| Capital expenditures             | 503,618                                    | -           | 503,618     |
| Total assets                     | 2,045,464                                  | 6,266,037   | 8,311,501   |
| Total liabilities                | -  | (303,382)   | (303,382)   |

**Note 33: Capital management policies and procedures**

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern. The Group monitors capital on the basis of the carrying amount of equity. In order to maintain or adjust the capital, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The amounts managed as capital by the Group for the reporting periods under review are summarised as follow:

|              | 2016      | 2015      |
|--------------|-----------|-----------|
|              | \$        | \$        |
| Total equity | 7,710,944 | 8,008,119 |
| Capital      | 7,710,944 | 8,008,119 |

**Note 34: Events subsequent to balance date**

On 21 July 2016, the Company lodged a prospectus with ASIC pursuant to which the Company proposed to undertake a non-renounceable entitlement issue of one (1) Share for every two (2) shares held by those shareholders registered at the record date at an issue price of \$0.007 per share to raise up to \$3,052,095, together with one free attaching option with an exercise price of \$0.012 and an expiry date of 31 July 2017 for every two shares subscribed for and issued (Offer).

The closing date of the Offer was 5.00 pm (EST) on 17 August 2016.

On the closing date the Company had received applications under the rights issue from eligible shareholders for 156,090,577 shares. Upon close of the rights issue 279,923,122 shares became available for subscription under the shortfall offer. Many shareholders have applied for significant oversubscriptions as part of the shortfall, and since closing the rights issue offer, the company has placed 174,879,556 shortfall shares available exclusively to shareholders who have subscribed for the shortfall.

The amount raised under the prospectus as of the current date totals \$2,316,790.

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



## Directors' Declaration

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In the directors' opinion:

1. the financial statements and accompanying notes set out on pages 31 to 69, and the Remuneration Report on pages 17 to 22 of the Directors' Report, are in accordance with the *Corporations Act 2001* and:
  - a) comply with Accounting Standards and the *Corporations Regulations 2001*; and
  - b) give a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the financial year ended on that date;
2. the financial statements and notes also comply with International Financial Reporting Standards, as disclosed in Note 2(a) to the financial statements;
3. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

The directors have been given the declarations by the chief executive officer and chief financial officer required by Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors. On behalf of the directors:



**Prina Feldman**, Chairperson  
Dated this 30<sup>th</sup> day of September 2016  
Bondi NSW

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

### Report on the Financial Report

We have audited the accompanying financial report of Queensland Bauxite Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the Company and the consolidated entity (the Group), comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

#### ***Directors' Responsibility for the Financial Report***

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

#### ***Independence***

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors as at the time of this auditor's report.

#### **Sydney Office**

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Independent member of Nexia International



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

***Basis for Qualified Opinion***

Included in Note 18 to the Financial Statements is an exploration and evaluation asset with a value of \$1,611,246, being the amount relating to the tenement EL 7301.

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 right of tenure held by Queensland Bauxite Limited in its interest in EL 7301. Consequently, we have not been able to determine whether this amount should be recognised as an exploration and evaluation asset.

***Qualified Opinion***

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion paragraph:

- (a) the financial report of Queensland Bauxite Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in note 2.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 17 to 22 of the directors' report for the year ended 30 June 2016. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

***Opinion***

In our opinion, the Remuneration Report of Queensland Bauxite Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink that reads "Nexia Court & Co".

**Nexia Court & Co**  
Chartered Accountants

A handwritten signature in black ink that reads "Joseph Santangelo".

**Joseph Santangelo**  
Partner

Sydney  
30 September 2016

## Additional Information – as at 26 September 2016

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Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below:

### Distribution schedule and number of holders of equity securities as at 26 September 2016

|                                      | 1 – 1,000 | 1,001 – 5,000 | 5,001 – 10,000 | 10,001 – 100,000 | 100,001 and over | Total |
|--------------------------------------|-----------|---------------|----------------|------------------|------------------|-------|
| Fully Paid Ordinary Shares (QBL)     | 35        | 23            | 63             | 536              | 756              | 1,413 |
| Unlisted Options – 3c 12/11/16       | -         | -             | -              | -                | 1                | 1     |
| Unlisted Options – 8c 16/09/17       | -         | -             | -              | -                | 1                | 1     |
| Unlisted Options – 10c 16/09/17      | -         | -             | -              | -                | 1                | 1     |
| Unlisted Options – 15c 16/09/17      | -         | -             | -              | -                | 1                | 1     |
| Unlisted Options – 20c 16/09/17      | -         | -             | -              | -                | 1                | 1     |
| Unlisted Options – 3 c 28/02/2018    | -         | -             | -              | -                | 1                | 1     |
| Unlisted Options – 6 c 31/08/2018    | -         | -             | -              | -                | 1                | 1     |
| Unlisted Options – 0.12 c 31/07/2017 | -         | -             | -              | -                | 1                | 1     |

The number of holders holding less than a marketable parcel of fully paid ordinary shares as 31 August 2016 is 545.

## 20 largest holders of quoted equity securities as at 26 September 2016

The names of the twenty largest holders of fully paid ordinary shares (ASX code: QBL) as at 26 September 2016 are:

| Rank  | Name  | Units              | % of Units   |
|---|---|--------------------|--------------|
| 1.  | FIRST STATE PTY LIMITED <THE NEW FAMILY A/C>                        | 233,105,638        | 19.38        |
| 2.  | VOLCAN AUSTRALIA CORPORATION PTY LTD                                | 189,375,000        | 15.74        |
| 3   | LAWRENCE CROWE CONSULTING PTY LTD <L C C SUPER FUND A/C>            | 24,000,000         | 2.00         |
| 4   | MR JOHN MCDONALD + MR SHAUN MCDONALD <SOUTHLAND SNIPE SF A/C>       | 20,341,731         | 1.69         |
| 5   | JACOBSON HOLDINGS PROPRIETARY LIMITED <P V & A W JACOBSON S/F A/C>  | 20,000,000         | 1.66         |
| 6   | MR IAN STUART WATSON + MRS CATHERINE JANE WATSON <WATSON SUPER A/C> | 18,655,815         | 1.55         |
| 7   | GLENEAGLE SECURITIES (AUST) PTY LTD                                 | 17,747,826         | 1.48         |
| 8   | BNP PARIBAS NOMS PTY LTD <UOB KAY HIAN PRIV LTD DRP>                | 12,525,000         | 1.04         |
| 9   | MR JOHN SABA  | 10,650,000         | 0.89         |
| 10  | MR ROBERT CAMERON GALBRAITH   | 10,500,000         | 0.87         |
| 11  | MR KARL BAARDA  | 9,000,000          | 0.75         |
| 12  | EUTHENIA TYCHE PTY LTD  | 8,531,999          | 0.71         |
| 13  | SACHA INVESTMENTS PTY LTD   | 8,500,000          | 0.71         |
| 14  | MR IAN WILLIAMS   | 8,500,000          | 0.71         |
| 15  | J P MORGAN NOMINEES AUSTRALIA LIMITED                               | 8,447,120          | 0.70         |
| 16  | MR TODD ANTHONY WILSON + MRS JODIE LEE WILSON                       | 8,000,000          | 0.67         |
| 17  | CAPITA TRUSTEES LIMITED <BAM 2006 PP RE PEGUM A/C>                  | 7,141,127          | 0.59         |
| 18  | LBT CORP PTY LTD  | 7,030,000          | 0.58         |
| 19  | CONSULT4NTS PTY LTD   | 6,600,000          | 0.55         |
| 20  | MR ISRAEL HATOOKA   | 6,354,167          | 0.53         |
| <b>Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)</b> |   | <b>635,005,423</b> | <b>52.79</b> |
| <b>Total Remaining Holders Balance</b>                              |   | <b>567,992,108</b> | <b>47.21</b> |

Stock Exchange Listing – Listing has been granted for all ordinary fully paid shares of the Company on issue on ASX Limited.

## Substantial shareholders

Substantial shareholders in Queensland Bauxite Limited and the number of equity securities over which the substantial shareholder has a relevant interest as disclosed in substantial holding notices given to the Company are listed below:

|                                      | No. Shares Held | % of Issued Capital |
|--------------------------------------|-----------------|---------------------|
| FIRST STATE PTY LIMITED              | 233,105,638     | 19.37               |
| VOLCAN AUSTRALIA CORPORATION PTY LTD | 189,375,000     | 15.74               |

## Unquoted Securities

The number of unquoted securities on issue as at 6 September 2016:

| Unquoted Securities | Number on Issue | Exercise Price | Expiry Date |
|---------------------|-----------------|----------------|-------------|
| Unquoted Options    | 90,000,000      | 3c             | 12/11/16    |
| Unquoted Options    | 10,000,000      | 8c             | 16/09/17    |
| Unquoted Options    | 10,000,000      | 10c            | 16/09/17    |
| Unquoted Options    | 5,000,000       | 15c            | 16/09/17    |
| Unquoted Options    | 5,000,000       | 20c            | 16/09/17    |
| Unquoted Options    | 10,000,000      | 3 c            | 28/02/18    |
| Unquoted Options    | 2,846,046       | 6 c            | 31/08/18    |
| Unquoted Options    | 165,485,067     | 0.12 c         | 31/07/17    |

## Names of persons holding more than 20% of a given class of unquoted securities (other than employee options) as at 26 September 2016

| Security                       | Name                                | Number of Securities |
|--------------------------------|-------------------------------------|----------------------|
| Unlisted Options – 3c 12/11/16 | Gleneagle Securities (Aust) Pty Ltd | 90,000,000           |

## Restricted Securities as at 26 September 2016

There are no restricted shares or options.

## Voting Rights

All fully paid ordinary shares carry one vote per ordinary share without restriction. Unlisted options have no voting rights.

## Schedule of Mineral Tenements as at 26 September 2016

| Project Name                              | Project number | Status                       | Interest Held % | Expiry date |
|---|----------------|------------------------------|-----------------|-------------|
| <b>Eastern Australia Bauxite Projects</b> |                |                              |                 |             |
| Nullumana                                 | EL7301         | Granted –<br>Renewal pending | 81%             | 23/02/2016  |
| South Johnstone                           | EPM18463       | Granted –<br>Renewal pending | 100%            | 25/05/2016  |
| South Johnstone                           | MDL2004        | Pending                      |                 |             |