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**PACIFIC BAUXITE LIMITED**

**ABN 62 112 914 459**

**(FORMERLY IRON MOUNTAIN MINING LIMITED)**

**INTERIM FINANCIAL  
REPORT 2016**

**For the Half-Year Ended 31 December 2016**

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# PACIFIC BAUXITE LIMITED

## CORPORATE DIRECTORY

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### **Directors**

Mark Gwynne  
Brett Smith  
Pippa Coppin  
John Ciganek

### **Auditors**

Rothsay Chartered Accountants  
Level 1, Lincoln House  
4 Ventnor Avenue  
West Perth WA 6005

### **Company Secretary**

Suraj Sanghani

### **Legal Advisors**

Hopgood Ganim  
Level 27  
Allendale Square  
77 St Georges Terrace  
Perth Western Australia 6000

### **Registered Office**

Level 3, 33 Ord Street  
West Perth WA 6005  
Phone: (08) 9481 4478  
Fax: (08) 9486 4833

### **Share Registry**

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

### **Head Office**

Level 3, 33 Ord Street  
West Perth WA 6005

### **Website Address**

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

### **Email**

[info@pacificbauxite.com.au](mailto:info@pacificbauxite.com.au)

### **Country of Incorporation**

Pacific Bauxite Limited is domiciled and incorporated in Australia

### **Stock Exchange Listing**

Pacific Bauxite Limited is listed on the Australian Securities Exchange  
(ASX Code: PBX)

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# PACIFIC BAUXITE LIMITED

## DIRECTORS' REPORT

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Your directors submit their report for the half year ended 31 December 2016.

### DIRECTORS

The directors that held office during the whole of the half year (unless otherwise stated) and up to the date of this report were:

Mark Gwynne  
Brett Smith  
Pippa Coppin  
John Ciganek (Appointed 11 July 2016)

### REVIEW AND RESULTS OF OPERATIONS

The principal activity of the entity during the course of the financial period was mineral exploration. A summary of the revenues and results for the half year is set out below.

The net loss of the entity for the half year after tax was \$826,363 (2015: loss of \$397,759) with total revenues of \$11,024 (2015: \$180,578). Major costs were administration \$224,797 (2015: \$181,737), employment costs of \$422,030 (2015: \$286,622) which included an expense for directors, employees and consultants options of \$225,209 (2015: Nil) and the Group's share of the losses of its associate \$109,848 (2015: Nil).

### PROJECT EXPLORATION REVIEW

#### SOLOMON ISLAND PROJECT

##### Nendo Bauxite Project

During the half-year, Pacific Bauxite Limited ("**Pacific Bauxite**" or "**Company**") completed a comprehensive auger drilling and pit sampling program which identified the presence of widespread high-quality bauxite mineralisation over a large area on the western end of Nendo Island, located in the Temotu Province of the eastern Solomon Islands ("**Nendo Project**") (refer to Figures 1 and 2) (ASX announcements dated 19 May 2016, 7 July 2016 and 25 August 2016).

The Company's findings confirmed the Nendo Project as a quality asset prospective for direct shipping ore ("**DSO**") bauxite mineralisation, and satisfying the condition precedent for acquiring a 50% interest in Au Capital Mining Pty Ltd. The main target area presently defined by this work is approximately 12km by 2km and remains open to the east, within similar terrain.

This exploration program commenced in May 2016 (ASX announcement dated 19 May 2016) formed part of the Company's due diligence process for its option agreement to acquire a 50% interest in Au Capital Mining Pty Ltd (ASX announcement 30 March 2016), holder of the mineral tenure over the Project.

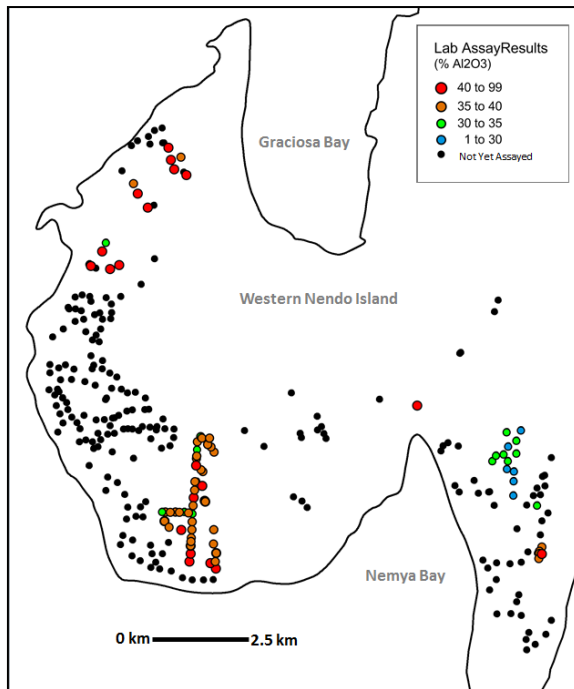
Results indicate the tenor of Al<sub>2</sub>O<sub>3</sub> content is fairly consistent, with little variation throughout the soil profile and, importantly, show that mineralisation has low impurities and low reactive silica content.

The main area tested is believed to be depressions in the ancient reef floor of about four kilometres squared (4 km<sup>2</sup>), with estimated average bauxite thickness of approximately three (3) metres tested in trenches/pits and up to five metres tested with auger.

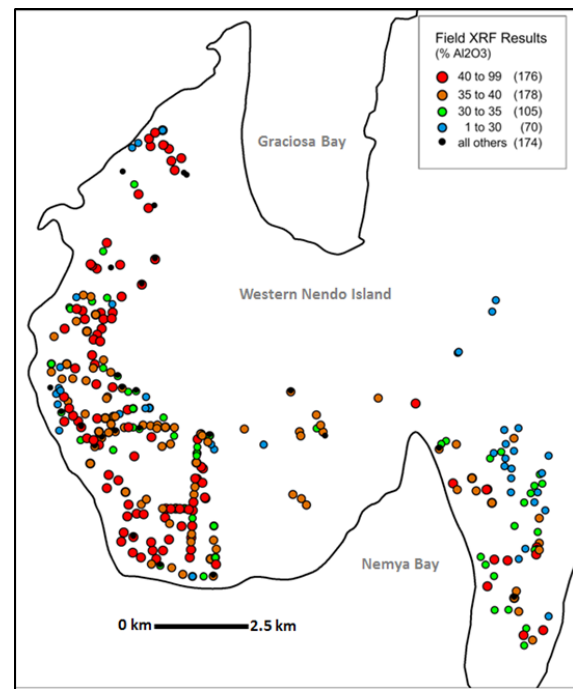
A total of 702 samples were taken across 291 sites, of which 169 were tested with conventional auger and 122 with pit/stick auger. This method of exploration and analysis has provided a quick and cost-effective method of assessing mineralisation within the Project.

# PACIFIC BAUXITE LIMITED

## DIRECTORS' REPORT



**Figure 1:** Field XRF Results for  $\text{Al}_2\text{O}_3$



**Figure 2:** Lab Results ( $\text{Al}_2\text{O}_3$ ) (colour) and all sample sites (black).

Average results returned by Field XRF and Laboratory analysis are summarised in the Table 1, below.

**Table 1:** Average Results from Field XRF and Laboratory Samples

| Category/Criteria                                                    | $\text{Al}_2\text{O}_3$ | av_ $\text{Al}_2\text{O}_3$ | totSiO <sub>2</sub> | rxSiO <sub>2</sub> |
|----------------------------------------------------------------------|-------------------------|-----------------------------|---------------------|--------------------|
| <b>Field XRF Results</b>                                             |                         |                             |                     |                    |
| Samples with <7% SiO <sub>2</sub>                                    | 40.28                   |                             | 4.50                |                    |
| Samples with <7% SiO <sub>2</sub> and +40% $\text{Al}_2\text{O}_3$   | 43.35                   |                             | 4.22                |                    |
| <b>Laboratory Results</b>                                            |                         |                             |                     |                    |
| Samples with <5% rxSiO <sub>2</sub>                                  | 38.91                   | 30.66                       | 5.48                | 2.90               |
| Samples with <5% rxSiO <sub>2</sub> and +40% $\text{Al}_2\text{O}_3$ | 41.21                   | 33.34                       | 4.08                | 2.39               |

**Table 1:** Average of results with respect to analytical method and defined criteria.

$\text{Al}_2\text{O}_3$  = Total Alumina

av\_ $\text{Al}_2\text{O}_3$  = Available Alumina = Gibbsite Alumina + Kaolinite Alumina - Low Temperature Desilication Product.

totSiO<sub>2</sub> = SiO<sub>2</sub> = Total Silica

rxSiO<sub>2</sub> = Reactive Silica

Refer to Table 2 for sample preparation and analytical methodology.

The results from the initial laboratory samples suggest the field XRF results for total  $\text{Al}_2\text{O}_3$  are on average 3.2% higher than the laboratory results and well within acceptable variations for this level of exploration.

It should be noted that the work completed to date is reconnaissance in nature and additional exploration, including drilling, is required before estimation of a resource can be completed. The Company's aim with its initial exploration program was to cover as much ground as possible in the shortest period of time, and there has been no attempt yet to focus on areas of potentially higher-grade mineralisation.

# PACIFIC BAUXITE LIMITED

## DIRECTORS' REPORT

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The Company believes there is good potential to identify large areas of high-grade DSO bauxite mineralisation within the Nendo Project area.

Following receipt of government approvals, the Company aims to complete additional field work at the Project. This work includes infill auger drilling in higher grade areas of the Project area for the purpose of delineating a maiden JORC Resource Estimation, as well as the identification of new areas within the Nendo Project which are favourable for bauxite mineralisation. The Company anticipates commencing these activities in the near term.

The immediate outlook for bauxite as a commodity remains promising, and the Company believes there is good potential to identify and develop a low-capital cost, DSO style bauxite mining operation at the Nendo Project, which potentially offers a simple and very cost effective pathway to development and production.

### **Summary of Key Terms of the Acquisition**

During the half-year, Pacific Bauxite completed the transaction to acquire 50% of Au Capital Mining Pty Ltd ("**ACM**") which holds 100% of the Nendo Bauxite and Choiseul Prospecting Licence in the Solomon Islands. The Company and ACM jointly relinquished PL04/13 (Choiseul Project) during the quarter ending 31 December 2016.

ACM is an Australian owned company with extensive business experience operating in the Solomon Islands and the broader South Pacific. Key management personnel of ACM will be engaged by The Company for the provision of ongoing landholder and government relations and project generation.

A non-refundable option fee of AU\$100,000 was paid to the owners of ACM (ASX announcement 30 March 2016) subsequent to a long option period that enabled The Company to complete extensive due diligence on ACM and the projects. The due diligence included exploration which satisfied the condition precedent of the Agreement for the Nendo Project to have the capacity to host economic quantities of DSO bauxite mineralisation.

The consideration payable for 50% of the issued capital of ACM includes:

- 20 million fully paid ordinary PBX shares were issued to the ACM vendors on completion of the acquisition, which occurred on 27 September 2016 ("**Completion**"); and
- A further 20 million fully paid ordinary PBX shares will be issued to the ACM vendors at the first time of either the first commercial shipment of bauxite from the projects or within 12 months from Completion.

Through ACM, the Company will fully fund the Project to mining. All costs associated with administration, infrastructure, exploration, mining, development and project operations will be reimbursed to Pacific Bauxite from mining revenue which is governed by a shareholders' agreement.

### **AUSTRALIAN PROJECTS REVIEW**

#### **Golden Camel Project, Victoria**

Post half-year end, the Company sold its entitlement to milestone payments from the Golden Camel Project for a lump-sum payment of \$50,000. The Company confirmed receipt of this sum in January 2017. Pacific Bauxite retains a royalty of A\$2/t on all gold ore mined after the first 20,000oz has been produced.

The Golden Camel Project currently contains a Measured, Indicated & Inferred JORC (2012) Resource of 266,000t @ 1.7g/t Au within Mining Licence 5548.

Golden Camel Mining Pty Ltd ("**GCM**") is developing the Golden Camel Project with the aim of completing an extraction of a bulk sample for delivery to a nearby processing facility. Subject to satisfactory trial mining results, GCM will then progress to the full-scale development of the Golden Camel Project. Further updates will be announced as provided by GCM or as identified by the Company.

# PACIFIC BAUXITE LIMITED

## DIRECTORS' REPORT

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### Mount Richardson Project

Following finalisation of the Company's sale of the Mt Richardson Project on 13 July 2010, Cliffs Asia Pacific Iron Ore Pty Ltd ("Cliffs") is the owner of E29/571. Pacific Bauxite retains a royalty of 2% on average/tonne FOB sales value of iron ore product that departs E29/571 as well as a one off payment of AUD 0.50 per dry metric tonne on tonnages in excess of independently evaluated Indicated or Measured resources of 10,000,000 tonnes.

### Indicator Project, Victoria (PBX 100%)

The Indicator Project target is a historically mined, high grade indicator/quartz vein mineralized system discovered in 1984 as in-situ gold in quartz mineralisation outcropping at surface on the crown of a small hill. Subsequent to 31 December 2016 the Company has applied to surrender this tenement.

### Rogetta Project, Tasmania

The Rogetta Project (formerly Blythe Iron Ore Project) is owned and operated by Forward Mining Ltd. The Company is entitled to a stream of milestone payments and royalty benefits subject to shipments of product being made. Mining Lease ML1996P/M was granted on 4 June 2015 for a proposed magnetite iron ore mine at Rogetta and is currently has an EPA Assessment in Progress.

### Wandoo Project, Western Australia

Pacific Bauxite retains a royalty of A\$0.75 per Dry Metric Tonne on future production of bauxite ore transported from the Wandoo Project tenements following the sale of the project to Alpha Bauxite Pty Ltd in 2012.

## CORPORATE

### Board Appointment

During the half-year, the Board appointed Mr. John Ciganek as a Non-Executive Director. Mr. Ciganek's career of more than 25 years in the mining sector has been spent across mining engineering, executive management and corporate finance. Mr. Ciganek is currently Executive Director of BurnVoor Corporate Finance, a corporate finance advisory firm and he has been involved in providing corporate finance advice on a range of bauxite, alumina and aluminium transactions.

### Issue of Shares

During the September quarter, the Company issued 20,000,000 fully paid ordinary shares (ASX announcement 27 September 2016) in part consideration for the acquisition of 50% of the share capital in AU Capital Mining Pty Ltd.

### Recovery of Legal Fees

Proceedings for the recovery of legal fees paid on behalf of former director Mr Zohar remains stayed pending the outcome of his bankruptcy proceedings. These proceedings are ongoing and the Company will continue to inform the market of any significant updates as and when they occur.

### Results of Annual General Meeting

The Company held its Annual General Meeting of Shareholders was held on 25<sup>th</sup> November 2016 and all resolutions put to the meeting were passed unanimously.

### Change of Company Name

The Company's change of name to Pacific Bauxite Ltd was formally registered with ASX on 2<sup>nd</sup> December 2016.

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*The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr. Brett Smith, B.Sc Hons (Geol), Member AusIMM, Member AIG, Mr. Smith is an employee and Director of the company. Mr. Smith has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Smith consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

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# PACIFIC BAUXITE LIMITED

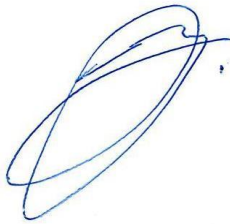
## DIRECTORS' REPORT

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### Auditor's Independence Declaration

The auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* for the half-year ended 31 December 2016 has been received and is set out on page 6.

Signed in accordance with a resolution of Directors and on behalf of the Directors by:



**Mark Gwynne**

Director

14 March 2017

Perth, Western Australia

# PACIFIC BAUXITE LIMITED AUDITORS' INDEPENDENCE DECLARATION

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Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005  
P.O. Box 8716, Perth Business Centre WA 6849  
Phone (08) 9486 7094 [www.rothsayresources.com.au](http://www.rothsayresources.com.au)

The Directors  
Pacific Bauxite Ltd  
Level 3  
33 Ord Street  
West Perth WA 6005

Dear Sirs

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit review of the 31 December 2016 interim financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Graham R Swan FCA (Lead auditor)

Rothsay Auditing

Dated 14 March 2017



Chartered Accountants

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).

**PACIFIC BAUXITE LIMITED**  
**INTERIM CONSOLIDATED STATEMENT OF PROFIT**  
**OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**For the half-year ended 31 December 2016**

|                                                                      | Notes | 31.12.2016<br>\$ | 31.12.2015<br>\$ |
|----------------------------------------------------------------------|-------|------------------|------------------|
| Revenue from continuing operations                                   | 3     | 5,562            | -                |
| Other Revenue                                                        | 3     | 5,462            | 180,578          |
| Administration                                                       |       | (224,797)        | (181,737)        |
| Exploration costs                                                    |       | (29,458)         | (92,438)         |
| Depreciation                                                         |       | (2,739)          | (1,508)          |
| Employment costs                                                     |       | (422,030)        | (286,622)        |
| Impairment of available for sale financial assets                    |       | (48,515)         | (9,981)          |
| Assets written off – Property Plant and Equipment                    |       | -                | (6,051)          |
| Share of net loss of associate accounted for using the equity method |       | (109,848)        | -                |
| <b>(Loss) before income tax</b>                                      |       | <b>(826,363)</b> | <b>(397,759)</b> |
| Income tax expense                                                   |       | -                | -                |
| <b>(Loss) from the half year</b>                                     |       | <b>(826,363)</b> | <b>(397,759)</b> |
| Profit is attributable to:                                           |       |                  |                  |
| Owners of Pacific Bauxite Limited                                    |       | (826,363)        | (397,759)        |
|                                                                      |       | <b>(826,363)</b> | <b>(397,759)</b> |
| <b>Total comprehensive (loss) for the half year</b>                  |       | <b>(826,363)</b> | <b>(397,759)</b> |
| Total comprehensive (loss) is attributable to:                       |       |                  |                  |
| Owners of Pacific Bauxite Limited                                    |       | (826,363)        | (397,759)        |
|                                                                      |       | <b>(826,363)</b> | <b>(397,759)</b> |
| Basic (loss) per share (cents per share)                             | 9     | (0.56)           | (0.29)           |
| Diluted (loss) per share (cents per share)                           | 9     | N/A              | N/A              |

The above interim consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

**PACIFIC BAUXITE LIMITED**  
**INTERIM CONSOLIDATED STATEMENT OF**  
**FINANCIAL POSITION**  
**As at 31 December 2016**

|                                                    | Notes | 31.12.2016<br>\$ | 30.06.2016<br>\$ |
|----------------------------------------------------|-------|------------------|------------------|
| <b>CURRENT ASSETS</b>                              |       |                  |                  |
| Cash and Cash Equivalents                          |       | 277,182          | 925,625          |
| Trade and Other Receivables                        |       | 19,158           | 29,982           |
| <b>TOTAL CURRENT ASSETS</b>                        |       | <b>296,340</b>   | <b>955,607</b>   |
| <b>NON-CURRENT ASSETS</b>                          |       |                  |                  |
| Property, Plant and Equipment                      |       | 21,155           | 23,051           |
| Available for Sale Financial Assets                | 4     | 13,684           | 62,199           |
| Investment accounted for using the equity method   |       | 1,330,152        | -                |
| Loan to associate for exploration costs incurred   |       | 219,696          | -                |
| <b>TOTAL NON-CURRENT ASSETS</b>                    |       | <b>1,584,687</b> | <b>85,250</b>    |
| <b>TOTAL ASSETS</b>                                |       | <b>1,881,027</b> | <b>1,040,857</b> |
| <b>CURRENT LIABILITIES</b>                         |       |                  |                  |
| Trade and Other Payables                           |       | 95,761           | 99,380           |
| Provisions                                         |       | 41,370           | 36,427           |
| Deferred consideration on acquisition of associate |       | 640,000          | -                |
| <b>TOTAL CURRENT LIABILITIES</b>                   |       | <b>777,131</b>   | <b>135,807</b>   |
| <b>TOTAL NON-CURRENT LIABILITIES</b>               |       | <b>-</b>         | <b>-</b>         |
| <b>TOTAL LIABILITIES</b>                           |       | <b>777,131</b>   | <b>135,807</b>   |
| <b>NET ASSETS</b>                                  |       | <b>1,103,896</b> | <b>905,050</b>   |
| <b>EQUITY</b>                                      |       |                  |                  |
| Contributed Equity                                 | 5     | 13,986,212       | 13,186,212       |
| Reserves                                           | 6     | 1,490,421        | 1,265,212        |
| Accumulated Losses                                 |       | (14,372,737)     | (13,546,374)     |
| <b>TOTAL EQUITY</b>                                |       | <b>1,103,896</b> | <b>905,050</b>   |

The above interim consolidated statement of financial position should be read in conjunction with the accompanying notes.

**PACIFIC BAUXITE LIMITED**  
**INTERIM CONSOLIDATED STATEMENT OF**  
**CHANGES IN EQUITY**  
**For the half year ended 31 December 2016**

| <b>2015</b>                                                                 | <b>Contributed equity<br/>\$</b> | <b>Accumulated Losses<br/>\$</b> | <b>Option Reserve<br/>\$</b> | <b>Total<br/>\$</b> |
|-----------------------------------------------------------------------------|----------------------------------|----------------------------------|------------------------------|---------------------|
| <b>Balance as at 1 July 2015</b>                                            | 13,186,212                       | (12,261,800)                     | 1,265,212                    | 2,189,624           |
| <b>Total comprehensive loss for the half year</b>                           |                                  |                                  |                              |                     |
| Loss for the half year                                                      | -                                | (397,759)                        | -                            | (397,759)           |
| <b>Total comprehensive loss for the year</b>                                | -                                | (397,759)                        | -                            | (397,759)           |
| <b>Balance as at 31 December 2015</b>                                       | 13,186,212                       | (12,659,559)                     | 1,265,212                    | 1,791,865           |
| <b>2016</b>                                                                 | <b>Contributed equity<br/>\$</b> | <b>Accumulated Losses<br/>\$</b> | <b>Option Reserve<br/>\$</b> | <b>Total<br/>\$</b> |
| <b>Balance as at 1 July 2016</b>                                            | 13,186,212                       | (13,546,374)                     | 1,265,212                    | 905,050             |
| <b>Total comprehensive loss for the half year</b>                           |                                  |                                  |                              |                     |
| Loss for the half year                                                      | -                                | (826,363)                        | -                            | 826,363)            |
| <b>Total comprehensive loss for the year</b>                                | -                                | (826,363)                        | -                            | (826,363)           |
| <b>Transactions with equity holders in their capacity as equity holders</b> |                                  |                                  |                              |                     |
| Share based payments acquisition of associate                               | 800,000                          |                                  |                              | 800,000             |
| Issue of options                                                            |                                  |                                  | 225,209                      | 225,209             |
| <b>Balance as at 31 December 2016</b>                                       | 13,986,212                       | (14,372,737)                     | 1,490,421                    | 1,103,896           |

The above interim consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# PACIFIC BAUXITE LIMITED

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the half year ended 31 December 2016

|                                                                | 31.12.2016<br>\$ | 31.12.2015<br>\$ |
|----------------------------------------------------------------|------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                    |                  |                  |
| Receipts from customers – Recharges to Director related entity | 5,562            | -                |
| Interest received                                              | 3,948            | 13,346           |
| Payments for exploration and evaluation                        | (274,197)        | (92,438)         |
| Payment to suppliers and employees                             | (383,533)        | (300,247)        |
| NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES                   | (648,220)        | (379,339)        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                    |                  |                  |
| Payments for property, plant and equipment                     | (2,223)          | -                |
| Proceeds from sale of property, plant and equipment            | 2,000            | 900,126          |
| NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES          | (223)            | 900,126          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                    |                  |                  |
|                                                                | -                | -                |
| NET CASH (OUTFLOW) FROM FINANCING ACTIVITIES                   | -                | -                |
| NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS         | 648,443          | 520,787          |
| Cash and cash equivalents at the beginning of half year        | 925,625          | 1,413,747        |
| <b>CASH AND CASH EQUIVALENTS AT END OF HALF YEAR</b>           | <u>277,182</u>   | <u>1,934,534</u> |

The above interim consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# PACIFIC BAUXITE LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31 December 2016

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#### 1. Basis of Preparation

These condensed interim financial reports for the half-year reporting period ended 31 December 2016 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These interim financial reports do not include all the notes of the type normally included in annual financial reports. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by the entity during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

#### **New accounting standards and interpretations**

In the half-year ended 31 December 2016, the entity has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2016.

It has been determined by the entity that the new standards have introduced new disclosures for the interim report but did not affect the entity's accounting policies or any of the amounts recognise in the financial statements.

The entity has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2016. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to the entity's accounting policies.

#### **Going concern**

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The Company has incurred net losses after tax of \$826,363 (2015: \$397,759) and net cash outflows from operating activities of \$648,220 (2015: \$379,339) for the period ending 31 December 2016. The cash balance as at 31 December 2016 was \$227,182 (2015: \$925,625).

The Directors have undertaken a review of the Company's mining tenements and operating structure; they have concluded that a capital raising will need to be undertaken in order to continue the exploration and development of the Company's mining tenements, so as to achieve a position where they can prove exploration reserves.

Should future capital raising and/or asset sales be insufficient to meet the budgeted operational activities of the Company, then the going concern basis of accounting may not be appropriate with the result that the Company may have to realise its assets and extinguish its liabilities other than in the normal course of business and in amounts different from that stated in the financial statements.

These financial statements do not include any adjustments relating to the recoverability or classification of recorded amounts that might be necessary should Pacific Bauxite Ltd not be able to continue as a going concern.

#### 2. Fair Value measurement of financial instruments

Pacific Bauxite Limited has adopted the AASB13 *Fair value Measurement* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

# PACIFIC BAUXITE LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31 December 2016

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

All of the entity's available financial assets are level 1 assets. The fair values of these assets are based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid prices at the end of the financial year.

The carrying value of trade receivables and trade payables are assumed to approximate their fair value due to their short-term nature.

### 3. Revenue

|                                                                                    | 31.12.2016<br>\$ | 31.12.2015<br>\$ |
|------------------------------------------------------------------------------------|------------------|------------------|
| <b>From Continuing Activities</b>                                                  |                  |                  |
| Sales Revenue – Recharging of administration expenses to a Director related entity | 5,562            | -                |
|                                                                                    | <u>5,562</u>     | <u>-</u>         |
| <b>Other Revenue</b>                                                               |                  |                  |
| Interest received                                                                  | 4,842            | 13,135           |
| Gain on sale of Assets held for sale                                               | 620              | 167,443          |
|                                                                                    | <u>5,462</u>     | <u>180,578</u>   |

### 4. Available for Sale Financial Assets

|                                                   | 31.12.2016    | 30.06.2016    |
|---------------------------------------------------|---------------|---------------|
| Listed equity securities at fair value            | 13,684        | 62,199        |
|                                                   | <u>13,684</u> | <u>62,199</u> |
| At beginning of the period                        | 62,199        | 103,279       |
| Impairment of available for sale financial assets | (48,515)      | (41,080)      |
| At end of the period                              | <u>13,684</u> | <u>62,199</u> |

Fair value of investments in listed corporations is assessed as bid price on the Australian Securities Exchange prior to close of business on reporting date.

### 5. Contributed Equity

|                          | 31.12.2016<br>Shares | 30.06.2016<br>Shares | 31.12.2016<br>\$  | 30.06.2016<br>\$  |
|--------------------------|----------------------|----------------------|-------------------|-------------------|
| <b>(a) Share Capital</b> |                      |                      |                   |                   |
| Ordinary Shares          |                      |                      |                   |                   |
| Fully Paid               | 155,933,713          | 135,933,713          | 13,186,212        | 13,186,212        |
|                          | <u>155,933,713</u>   | <u>135,933,713</u>   | <u>13,186,212</u> | <u>13,186,212</u> |

#### (b) Movements in ordinary share capital

| Date        | Details         | Number of shares | Issue Price<br>\$ |
|-------------|-----------------|------------------|-------------------|
| 1 July 2016 | Opening balance | 135,933,713      | 13,186,212        |

# PACIFIC BAUXITE LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31 December 2016

|                   |                                                                            |                    |                   |
|-------------------|----------------------------------------------------------------------------|--------------------|-------------------|
| 27 September 2016 | Part consideration for the acquisition of 50% of AU Capital Mining Pty Ltd | 20,000,000         | 800,000           |
| 31 December 2016  | Closing balance                                                            | <u>135,933,713</u> | <u>13,986,212</u> |

#### 6. Reserves

The Option Reserve is used to recognise fair value of options issued. The available-for-sale investment revaluation reserve recognises the change in value of available-for-sale assets.

|                                           | 31.12.15<br>\$   | 30.06.16<br>\$   |
|-------------------------------------------|------------------|------------------|
| <b>Option Reserve</b>                     |                  |                  |
| Balance at the beginning of the half year | 1,265,212        | 1,265,212        |
| Options expense                           | <u>225,209</u>   | <u>-</u>         |
| Balance at the end of the half year       | <u>1,490,421</u> | <u>1,265,212</u> |

#### 7. Commitments and Contingencies

The Company entered into an operating lease for the use of its office space located at Level 3, 33 Ord Street, West Perth, Western Australia. The lease term is for the period 1 December 2016 – 30 November 2018 with an option for an additional 12 months on terms to be agreed.

|                                             | 31.12.16<br>\$ | 30.06.16<br>\$ |
|---------------------------------------------|----------------|----------------|
| Within one year                             | 40,000         | 16,667         |
| After one year but not more than five years | <u>36,667</u>  | <u>-</u>       |
| More than five years                        | -              | -              |
| Balance at the end of the half year         | <u>76,667</u>  | <u>16,667</u>  |

There are no material contingent liabilities since the last reporting date.

#### 8. Segment Information

The Company operates in the mineral exploration industry in Australia and in the Solomon Islands. Management treats the Australian operations and the Solomon Island operations as separate operating segment and are reported on as such.

|                                                    | Solomon Islands<br>\$ | Australia<br>\$  | Total<br>\$      |
|----------------------------------------------------|-----------------------|------------------|------------------|
| <b>31 December 2016</b>                            |                       |                  |                  |
| Revenue                                            | -                     | 11,024           | 11,024           |
| <b>Total Segment Revenue</b>                       | <u>-</u>              | <u>11,024</u>    | <u>11,024</u>    |
| <b>Segment net operating profit/loss after tax</b> | <u>(109,848)</u>      | <u>(716,515)</u> | <u>(826,363)</u> |
| Interest revenue                                   | -                     | 4,842            | 4,842            |
| Gain on sale of assets held for sale               | -                     | -                | -                |
| Other revenue                                      | -                     | 6,182            | 6,182            |
| Depreciation                                       | (485)                 | (2,254)          | (2,739)          |

**PACIFIC BAUXITE LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL**  
**STATEMENTS**  
**31 December 2016**

|                                                    | <b>Solomon Islands</b> | <b>Australia</b> | <b>Total</b> |
|----------------------------------------------------|------------------------|------------------|--------------|
|                                                    | <b>\$</b>              |                  | <b>\$</b>    |
| <b>31 December 2015</b>                            |                        |                  |              |
| Revenue                                            | -                      | 180,578          | 180,578      |
| <b>Total Segment Revenue</b>                       | -                      | 180,578          | 180,578      |
| <b>Segment net operating profit/loss after tax</b> | -                      | (397,759)        | (397,759)    |
| Interest revenue                                   | -                      | 13,135           | 13,135       |
| Gain on sale of assets held for sale               | -                      | 167,443          | 167,443      |
| Other revenue                                      | -                      | -                | -            |
| Depreciation                                       | -                      | (1,508)          | (1,508)      |

The following table presents assets and liabilities information for the Group's operating segments as at 31 December 2016 and 30 June 2016

|                         |          |           |           |
|-------------------------|----------|-----------|-----------|
| <b>31 December 2016</b> |          |           |           |
| Segment Assets          | 4,342    | 1,876,685 | 1,881,027 |
| Segment Liabilities     | (15,190) | (761,941) | (777,131) |
| <b>30 June 2016</b>     |          |           |           |
| Segment Assets          | -        | 1,040,857 | 1,040,857 |
| Segment Liabilities     | -        | (135,807) | (135,807) |

**9. Basic earnings /(loss) per share**

|                                                                                                                                                   | <b>31.12.2016</b> | <b>31.12.2015</b> |
|---------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>(a) Basic earnings/(loss) per share (cents)</b>                                                                                                | (0.56)            | (0.29)            |
| <b>(b) Diluted earnings/(loss) per share (cents)</b>                                                                                              | N/A               | N/A               |
| <b>(c) Weighted average number of ordinary shares used as the Denominator</b>                                                                     |                   |                   |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share                                        | 146,316,227       | 135,933,713       |
| Adjustments for calculation of diluted earnings/(loss) per share:                                                                                 | -                 | -                 |
| - Options                                                                                                                                         |                   |                   |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings/(loss) per share | N/A               | N/A               |
| <b>(d) Earnings used in calculating earnings/(loss) per share</b>                                                                                 |                   |                   |
| Basic (loss) / earnings per share                                                                                                                 | (826,363)         | (1,260,110)       |
| Dilutive (loss) / earnings per share                                                                                                              | N/A               | N/A               |

**10. Dividends**

No dividends were paid or proposed during the period.  
The entity has no franking credits available at 31 December 2016.

# PACIFIC BAUXITE LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31 December 2016

#### 11. Share Based Payments

The following share based payments existed at 31 December 2016 and 31 December 2015:

|                                               | 2016              |                                 | 2015              |                                 |
|-----------------------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
|                                               | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Outstanding at the beginning of the half year | 6,250,000         | 8.04 Cents                      | 38,250,000        | 17.21 Cents                     |
| Granted                                       | 8,500,000         | 8 Cents                         | -                 | -                               |
| Forfeited                                     | -                 | -                               | -                 | -                               |
| Exercised                                     | -                 | -                               | -                 | -                               |
| Expired                                       | -                 | -                               | -                 | -                               |
| Outstanding at year end                       | 14,750,000        | 8.02 Cents                      | 38,250,000        | 17.21 Cents                     |
| Exercisable at year end                       | 14,750,000        | 8.02 Cents                      | 38,250,000        | 17.21 Cents                     |

A total of 8,500,000 options exercisable at \$0.08 each on or before 1 December 2019 were issued during the half year to Directors, Employees and consultants. Using the Black Scholes Model, the fair value of each option is approximately 2.65 cents based on the following criteria:

|                                      |            |
|--------------------------------------|------------|
| Weighted average exercise price      | \$0.08     |
| Weighted average life of the options | 3.08 Years |
| Underlying share price               | \$0.034    |
| Expected volatility                  | 165 %      |
| Risk free interest rate              | 1.94 %     |

In addition to the above options, a total of 10,500,000 performance rights were issued to Directors Employees and Consultants with various vesting conditions. As at reporting date, none of these conditions have been met and therefore no performance rights have converted to ordinary shares.

#### Expenses arising from ordinary share payment transactions

Total expenses arising from share based payment transactions during the half year ended 31 December 2016 were \$225,209 (31 December 2015: Nil)

#### 12. Investment in Associated Entity

During the Half Year the Company exercised its option to acquire 50% of AU Capital Mining Pty Ltd. A total consideration to be paid was an initial 20,000,000 shares and a further 20,000,000 in 12 months' time or first shipment of bauxite whichever comes first.

A summary of the carrying value of the Company's investment in AU Capital Mining is below

|                                                                              | 31.12.2016       |
|------------------------------------------------------------------------------|------------------|
|                                                                              | \$               |
| Balance at the beginning of the period.                                      | -                |
| Shares issued on acquisition of associate.                                   | 800,000          |
| Deferred consideration at acquisition date.                                  | 800,000          |
| Reduction in deferred consideration based on market value of PBX securities. | (160,000)        |
| Share of losses of associates                                                | (109,848)        |
|                                                                              | <u>1,330,152</u> |

# **PACIFIC BAUXITE LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **31 December 2016**

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#### **13. Related Party Disclosure**

The Company recharged office expenditure to Corazon Mining Ltd, a Director-related entity of Mr. Brett Smith's. This amounted to \$5,562 (2015: \$Nil). All amounts recharged had been paid as at 31 December 2016.

#### **14. Events occurring after the reporting date**

No matters or circumstances have arisen since the end of the half year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in the future financial years.

#### **15. Business Combinations**

During the Half Year, the Company incorporated a wholly owned subsidiary, Iron Mountain Bauxite Pty Ltd. The purpose of this entity was to carry the company's 50% investment in AU Capital Mining Pty Ltd the 100 % owner of the Nendo Project in the Solomon Islands.

As a result at the time of incorporation the Subsidiary had no assets or liabilities. The Company incurred approximately \$600 in costs associated with its incorporation.

# PACIFIC BAUXITE LIMITED

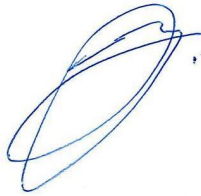
## DIRECTORS' DECLARATION

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In the Directors' opinion:

- (a) the financial statements and notes set out on pages 4 to 16 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the Entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that the Entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and signed on behalf of the board by:



**Mark Gwynne**  
**Director**

14 March 2017  
Perth, Western Australia

# PACIFIC BAUXITE LIMITED

## INDEPENDENT AUDITOR'S REVIEW REPORT

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Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005  
P.O. Box 8716, Perth Business Centre WA 6849  
Phone 9486 7094 [www.rothsayresources.com.au](http://www.rothsayresources.com.au)

### Independent Review Report to the Members of Pacific Bauxite Limited

#### The financial report and directors' responsibility

The interim consolidated financial report comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, cashflow statement, accompanying notes to the financial statements, and the directors' declaration for Pacific Bauxite Limited for the half-year ended 31 December 2016.

The Company's directors are responsible for the preparation and fair presentation of the consolidated financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### Review approach

We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim consolidated financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated financial position as at 31 December 2016 and the performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Pacific Bauxite Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### Independence

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

#### Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim consolidated financial report of Pacific Bauxite Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the consolidated financial position as at 31 December 2016 and of the performance for the half-year ended on that date; and
- complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Chartered Accountants

Liability Limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).

# PACIFIC BAUXITE LIMITED

## INDEPENDENT AUDITOR'S REVIEW REPORT

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### Emphasis of Matter regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 1 in the financial statements wherein the Directors' outline the reason the financial statements have been prepared on a going concern basis. If the consolidated entity is unable to raise sufficient capital or realise assets it may not have the ability to continue as a going concern and extinguish its liabilities in the ordinary course of business and at the amounts stated in the financial statements.

Rothsay Auditing

Graham R Swan  
Partner

Dated 14 March 2017



Chartered Accountants

Liability Limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).