

21 September 2018

ASX Announcement

ANNUAL REPORT UPDATED - COMPETENT PERSON SIGN OFF

Pacific Bauxite Limited (**Pacific Bauxite** or **Company**) (ASX: PBX) wishes to provide an addendum to the recently released annual report to include the competent person sign off as required by the JORC Code 2012:

Competent Person Statement

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

No other changes have been made. An updated annual report is attached to this release.

END

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PACIFIC BAUXITE LIMITED
ABN 62 112 914 459

ANNUAL REPORT

For the year ended
30 June 2018

PACIFIC BAUXITE LIMITED

CORPORATE DIRECTORY

Directors

Brett Smith
Pippa Coppin
John Ciganek
Peter Lewis

Auditors

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

Company Secretary

Suraj Sanghani

Legal Advisors

Steinepreis Paganin
Level 4
The Read Buildings
16 Milligan Street
Perth WA 6000

Registered Office

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West Perth WA 6005
Phone: (08) 9481 4478
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Share Registry

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

Head Office

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West Perth WA 6005

Website Address

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Email

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)

PACIFIC BAUXITE LIMITED

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PACIFIC BAUXITE LIMITED

CHAIRMAN'S LETTER

CHAIRMAN'S LETTER TO SHAREHOLDER

Dear Shareholders,

I am pleased to present the review of Pacific Bauxite Limited's (ASX: PBX) (**Pacific Bauxite** or **Company**) operations for the year ended June 30, 2018, during which the Company refined its strategy of acquiring and developing high-value, low-cost direct shipping ore (**DSO**) bauxite assets in targeted jurisdictions, to take advantage of a forecast near term growth in global bauxite demand.

The immediate future for bauxite remains positive, driven by China where a substantial fall in domestic reserves, quality/grades and production will require an equivalent increase in bauxite imports. Existing global bauxite supplies, together with planned developments, are expected to satisfy global demands until approximately 2020, after which new projects will be required to meet the forecast demand, with an anticipated supply deficit of more than 25 million tonnes by 2025 and over 50 million tonnes by 2030.

The Company's Nendo Bauxite Project (**Nendo**) (Solomon Islands) has demonstrated extensive areas of potentially high-grade DSO bauxite mineralisation. While much of Nendo remains unexplored, the Company has delineated an initial priority target area of approximately 12 km by 2 km.

After the commencement of new-phase exploration at Nendo, the Company recently received an unexpected letter from the Solomon Islands' Minister of Mines, Energy and Rural Electrification (**Minister**), advising that the prospecting license over Nendo was cancelled (**Minister's Letter**). In accordance with the requirements of the Minister's Letter, exploration and project work at Nendo was immediately suspended.

The Company is strongly of the view that the Minister's grounds for cancellation, including unsatisfactory level of prospecting at Nendo and failure to establish amicable relations with the local communities, are factually incorrect and therefore unjustified.

Post period-end, the Company formally submitted its appeal documents with the Solomon Islands' High Court regarding the cancellation of the Nendo prospecting licence. The Company will keep the market informed regarding the appeal process and will continue to seek certainty and transparency in its dealings with Government Authorities and the Minister.

The suspension of Nendo's operations enabled the Company to re-deploy personnel and equipment to the South West New Georgia Bauxite Project (**SWNG**) (Solomon Islands), which is unaffected by the current situation at Nendo.

Pacific Bauxite has already defined a large initial Exploration Target for SWNG as well as sizable areas of high-tenor bauxitic soils, grading +40% Al_2O_3 , with characteristics suitable for DSO quality bauxite. Fast-tracking strategies for SWNG are focused on identifying DSO quality mineralisation of between 5.9 Mt and 10.0 Mt upon which resource studies and subsequent mining lease applications can be based.

Closer to home in January 2018, the Company acquired the Darling Range Bauxite Project which hosts a JORC 2004 Inferred Mineral Resource estimate of **89.3Mt @ 41.75% total Al_2O_3** and 4.43% RSiO_2 (reactive silica), inclusive of nine main resource areas over a strike of approximately 75 kilometres. The acquisition is consistent with the Company's strategy of building high quality bauxite asset portfolio in targeted jurisdictions and provides an exciting focus point for the Company's domestic exploration activities.

Finally, I would like to reiterate our Company's commitment to developing our bauxite interests and I extend our sincere appreciation to our shareholders for your support of Pacific Bauxite.



John Ciganek
Chairman
Pacific Bauxite Ltd
21 September 2018

PACIFIC BAUXITE LIMITED

REVIEW OF OPERATIONS

REVIEW OF OPERATIONS

Pacific Bauxite Limited (ASX: IRM) (**Pacific Bauxite** or **Company**) is pleased to present a review of its operations for the period ended 30 June 2018.

During the period, the Company progressed its exploration work at the Nendo Bauxite Project (**Nendo**) in the Solomon Islands, and acquired the prospecting licence over the South West New Georgia Bauxite Project (**SWNG**) in the Solomon Islands, as well as two exploration licence applications, comprising the Darling Range Bauxite Project (**Darling Range**), located in Western Australia.

Nendo has demonstrated extensive areas of potentially high-grade DSO bauxite mineralisation (ASX announcement 27 September 2016) and, while much of Nendo remains unexplored, the Company has delineated an initial priority target area of approximately 12 km by 2 km.

In June 2018, shortly following the commencement of new-phase exploration at Nendo, the Company received a letter from the Solomon Islands' Minister of Mines, Energy and Rural Electrification (**Minister**), advising that prospecting license over Nendo, held by its 50% owned subsidiary Eight South Pty Ltd (**Joint Venture** or **JV**), was cancelled (**Minister's Letter**). In accordance with the requirements of the Minister's Letter, exploration and project work at Nendo was immediately suspended.

The receipt of the Minister's Letter was completely unexpected by the Company, and the Company is strongly of the view that the Minister's grounds for cancellation, including unsatisfactory level of prospecting at Nendo and failure to establish amicable relations with the local communities, are factually incorrect and therefore unjustified.

Post period-end, the Company has formally submitted its appeal documents with the High Court in the Solomon Islands with respect to the cancelation of the prospecting licence. The Company will keep the market informed regarding the appeal process and will continue to seek certainty and transparency in its dealings with Government Authorities and the Minister.

The suspension of operations at Nendo enabled the Company to re-deploy personnel and equipment to SWNG, which is unaffected by the current situation at Nendo.

Following extensive exploration, the Company's exploration results defined a large initial Exploration Target* for SWNG of **5.92Mt – 10.05Mt @ 41.0% – 48.0% Al₂O₃ (alumina) and 9.5% - 11.8% SiO₂ (silica)**, estimated at the Kindu and Dundee prospects (ASX announcement 27 March 2018), confirming SWNG's potential to host large tonnage, DSO bauxite.

In the June quarter, the Company commenced new-phase exploration at SWNG, recently reporting positive results from laboratory validation assays of samples taken within targeted areas of interest. Large areas of high-tenor bauxitic soils, grading +40% alumina (Al₂O₃) have been defined, with characteristics suitable for DSO quality bauxite.

The Company's fast-tracking strategies for SWNG are focused on identifying DSO quality mineralisation of between 5.9 Mt and 10.0 Mt (refer to Exploration Target*) upon which resource studies and subsequent mining lease applications can be based.

****This Exploration Target is not a mineral resource as defined by JORC 2012. The target is conceptual in nature and, to date, there has been insufficient exploration to define a mineral resource and it is uncertain if further exploration will result in the determination of a mineral resource. Additional details defining the basis for this target are presented within this document.***

In the January quarter, the Company acquired Darling Range which compliments its Solomon Islands assets and hosts a JORC 2004 Inferred Mineral Resource estimate of 89.3Mt @ 41.75% total Al₂O₃ and 4.43% reactive RSiO₂ (reactive silica), inclusive of nine main resource areas over a strike of approximately 75 km. The Acquisition is consistent with the Company's strategy of building high quality bauxite asset portfolio in targeted jurisdictions.

Bauxite Demand

The immediate future for bauxite remains promising. A boom period is considered imminent, driven by demand for China where a substantial fall in domestic reserves and production will require a

PACIFIC BAUXITE LIMITED

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corresponding increase in bauxite imports. In addition to Chinese domestic bauxite reserves being in decline, the average quality/grades of these reserves has been in decline since 2009.

China plans to build several new alumina refineries with the potential capacity of +9 million tonnes per annum by 2019, and in the UAE, Indonesia and Laos there are plans to build new alumina refineries with a potential capacity of +6 million tonnes per annum, also by 2019.

Existing bauxite supplies together with planned developments are expected to satisfy global demands until approximately 2020. Beyond this point in time, new projects will be required to meet the forecast demand, with a supply deficit of more than 25 million tonnes by 2025, and over 50 million tonnes by 2030.

The majority of global demand is based on low temperature (trihydrate) bauxites, which currently represents 75% of Chinese imports. The key Shandong coastal province is 100% dependent on imported bauxite.

The Solomon Islands are potentially well placed to supply high quality low temperature (trihydrate) bauxite to Asian markets.

Bauxite in the Solomon Islands

The presence of bauxite in the Solomon Islands has been known since shortly after World War II. However, until recent mining on West Rennell Island (**Rennell Island**), by Asia Pacific Investment & Development Limited (**APID**), plans to develop these deposits has never proceeded further than the production of bulk samples for pilot plant test work.

Bauxite in the Solomon Islands is predominantly of the favoured gibbsite (low-temperature, trihydrate) type of mineralisation. These bauxite deposits typically occur as discontinuous pockets that fill depressions within the uneven karst surface of the uplifted Pliocene coral limestone basement. Bauxite profile depths vary considerably due to the uneven and discontinuous nature of the pockets, which are typically marked by fern clearings and not the usual tropical flora.

Exploration activity for this style of bauxite deposits has increased significantly in recent years, largely due to the increase in demand for bauxite to feed growing alumina demand in China and the Asia-Pacific region.

Enormous scope remains to explore for and validate historically reported occurrences of bauxite in the Solomon Islands, with a view to establishing premium grade DSO bauxite operations for export into the Asian market.

EXPLORATION: SOLOMON ISLANDS

SOLOMON ISLANDS - ON-GOING COMMUNITY ENGAGEMENT

Prior to, and as a condition of, the granting of prospecting licences at the Nendo Bauxite Project and South West New Georgia Bauxite Project, the Company completed extensive education and awareness presentations with the local communities and landowners. This activity was overseen, documented and photographed by a representative of the Solomon Islands Government's Ministry of Mines, Energy and Rural Electrification (**MMERE**) (National Government). In support of this process, it is the Company's policy to provide ongoing awareness programs and information to the local communities to ensure that all stakeholders are fully informed of the Company's activities on an ongoing basis.

The Company has not conducted sufficient work to warrant a decision to mine bauxite on either of the projects. Should this occur, the Company would be required to submit comprehensive mining, social and environmental studies for scrutiny and approval by the national and provincial governments, as well as (and most importantly) the landowners. As a matter of course, for the benefit of all stakeholders including Pacific Bauxite shareholders, these requirements would be completed to best practice standards as required in the Solomon Islands and Australia.

Regardless of location, the Company's approach is based on long-term sustainable land use, not short-term gain, thereby addressing rehabilitation and sustainability in any proposal for mining. It is one of the Company's beliefs - and a key social and corporate responsibility - that any successful mining operation must identify and provide on-going, long-term benefits for the local communities.

PACIFIC BAUXITE LIMITED

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NENDO BAUXITE PROJECT

The Nendo Bauxite Project (**Nendo**) located in the Solomon Islands (Figure 1) has demonstrated extensive areas of potentially high-grade DSO bauxite mineralisation (ASX announcement 27 September 2016). While much of the project area remains unexplored, the Company has delineated an initial priority target area of approximately 12 kilometres by 2 kilometres.

The Company's work at Nendo has focused on strengthening its relationships with the local communities and establishing frameworks of engagement between the parties. To date, the Company has completed first phase reconnaissance prospecting at Nendo and has identified significant areas of bauxite mineralisation (ASX announcements 19 May, 7 July and 25 August 2016). The work undertaken has included drilling shallow hand auger holes on a wide spaced pattern, with negligible environmental impact.

Prospecting has been carried out with the assistance and employment of local landowners, which provided transparency of the Company's activities and provided the opportunity to educate and inform the local communities of the resources existing on their land.

Exploration proposed for the June 2018 quarter was halted shortly after its commencement, following the unexpected receipt of a letter from the Solomon Islands' Minister of Mines, Energy and Rural Electrification (**Minister**), advising that prospecting license PL 01/16 (**Nendo Prospecting License**) held by its 50% owned subsidiary Eight South Pty Ltd (**Joint Venture** or **JV**) in respect of the Solomon Islands Nendo Bauxite Project was cancelled (**Minister's Letter**) (ASX announcement 6 June 2018).

Following receipt of the Minister's Letter, the Board formed the view that it was appropriate that the Company's securities be placed into a trading halt, and subsequently voluntary suspension, pending clarification of matters raised in that letter. In accordance with the requirements of the Minister's Letter, exploration and project work at Nendo was immediately suspended.

The receipt of the Minister's Letter was completely unexpected by the Company. Reasons provided in the Minister's Letter for the cancellation of the Nendo Prospecting License included unsatisfactory level of prospecting at Nendo and failure to establish amicable relations with the local communities. The Company is of the view that these grounds are factually incorrect and therefore unjustified.

The JV has, and continues to, work closely with the Minister, the Mines and Minerals department and local communities and had initiated jointly determined strategies for on-going community consultation and prospecting at Nendo (and intends to continue to do so).

Minister's decision to be appealed

In the current situation, Solomon Islands law allows the JV to appeal against the Minister's decision to cancel the Nendo Prospecting License. That appeal is an application to the High Court of Solomon Islands by way of a claim for judicial review, seeking an order that the Minister's decision as communicated in the Minister's Letter be quashed. The JV has engaged legal counsel with previous successful experience with similar appeal cases.

The appeal process is estimated to take between six (6) and 12 months. However, in parallel to the appeal process, the Company is investigating whether opportunities for an agreed settlement are available to the JV which may provide an earlier beneficial resolution to the situation.

The Company considers that the process undertaken by the Minister may not have followed all necessary requirements and, as noted, intends to pursue that matter via the appeal process described above.

Post period-end, the Company advised it had formally submitted its appeal documents with the High Court in the Solomon Islands with respect to the cancellation of the Nendo Prospecting License (ASX announcement 17 July 2018). Company and Joint Venture representatives will continue to travel to Honiara as required to continue ongoing out of court negotiations in parallel with the appeals process, with the aim of expediting the reinstatement of the Nendo Prospecting Licence.

The Company will continue to aggressively pursue the matter for the benefit of all stakeholders and will update the market as required.

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Pacific Bauxite's previous exploration programs at Nendo confirmed the presence of extensive, high-quality bauxitic soils (ASX announcements 19 May, 7 July and 25 August 2016). The work undertaken included drilling shallow hand auger holes on a wide spaced pattern, with negligible environmental impact. Prospecting has been carried out with the assistance and employment of local landowners, which provided transparency around the Company's activities and the opportunity to educate and inform the local communities of the resources existing on their land.



Figure 1 – Solomon Islands Project Locations

SOUTH WEST NEW GEORGIA BAUXITE PROJECT

During the September quarter, the Company completed its acquisition of the South West New Georgia Bauxite Project (**SWNG**) in the Solomon Islands (ASX announcement 4 August 2017), following the receipt of final approval from the Solomon Islands Government's Ministry of Mines, Energy and Rural Electrification (**MMERE**) for Prospecting Licence PL04/17, which covers the SWNG project area (**SWNG Prospecting Licence**).

The Company believes SWNG is prospective for large tonnage DSO bauxite mineralisation, which appears analogous with deposits in the Nendo and Rennell Islands, both within the Solomon Islands (Figure 1). This style of mineralisation provides the opportunity for quick, cost-effective resource definition and a simple, low cost, dig-load-ship style mining operation.

The SWNG Prospecting Licence covers an area of 236km² and targets bauxitic clays on uplifted limestone reef (averaging more than 100m above sea level). Much of the tenure at SWNG appears unexplored, and represents a significant exploration opportunity for Pacific Bauxite.

The area to be explored within the SWNG Prospecting Licence is three times the area being targeted by the Company at Nendo.

Prior exploration by Australian companies in the early 1970's identified extensive areas of bauxite mineralisation and postulated the potential for economic deposits at SWNG. Historical work targeted the southern part of the application, north of the town of Munda, and included several hand-auger drilling programs and test pitting. The main drilling campaign focused on an area of approximately 3.5 km by 1

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km and included 39 auger holes for 101 samples. This work identified substantial tonnages of material with grades of between 40% and 45% total Al_2O_3 and 5% to 10% total SiO_2 .

The SWNG Prospecting Licence has been granted to the Joint Venture by the MMERE for an initial period of three years and can be extended for two years upon application. A further extension of two years may be applied for.

The Company has received overwhelming widespread local support for its proposed prospecting activities at SWNG. The SWNG Prospecting Licence was granted followed an extensive awareness program, conducted by the Joint Venture and involving all stakeholders including traditional landowners, local communities, and both Provincial and National Government representatives.

Initial Exploration Target Defined, Potential for DSO-Quality Bauxite Confirmed

Shortly after acquisition of the SWNG Prospecting Licence, the Company identified three distinct high-grade bauxite targets during its reconnaissance-sampling program, each returning peak results of between 55% and 57% Al_2O_3 (ASX announcements 8 August and 7 September 2017). The sampling program included 199 hand-auger drill holes and 40 shallow test-pits, for a total of 239 samples. Hand-held XRF results have been completed for all samples, with 130 (54%) samples returning results of more than 40% Al_2O_3 (alumina).

During the March quarter, the Company delineated a large initial Exploration Target at SWNG. The Company's exploration activities resulted in the definition of large areas of high-tenor bauxitic soils, grading +40% Al_2O_3 , (alumina) (Figures 2 and 3). Distinct high-grade targets, with characteristics suitable for DSO quality bauxite, were identified throughout the SWNG area in this phase of exploration.

Two areas in the southern part of the SWNG Prospecting Licence, the Kindu and Dundee prospects, were identified as priority targets due to the high grade Al_2O_3 and low-silica content.

An initial Exploration Target* of **5.92Mt – 10.05Mt @ 41.0% – 48.0% Al_2O_3 and 9.5% - 11.8% SiO_2** (Table 1) has been estimated at the Kindu and Dundee prospects. These two targets are now the priority focus for Resource definition work, scheduled to commence in the near future.

Tonnes		Total Al_2O_3		Total SiO_2	
From	To	From	To	From	To
5,920,000	10,050,000	41.0	48.0	9.5	11.8

Table 1 – Initial Exploration Target for the Kindu and Dundee Prospects, South West New Georgia Project.

****This Exploration Target is not a Mineral Resource as defined by JORC 2012. The target is conceptual in nature and, to date, there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource. Additional details defining the basis for this target are presented within this document.***

The Exploration Target was defined using the results of the Company's recently completed extensive auger drilling and sampling program at the project. A total of 562 hand-auger holes were completed, with 1092 samples taken; of these samples, 979 were analysed at the Company's field laboratory via hand-held XRF.

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Laboratory analysis of samples taken from within the Company's exploration target area (ASX announcement 27 March 2018) (Figure 3) validated field XRF results and defined "available alumina" and "reactive silica" values (Table 1) similar in quality to the Company's Nendo project and other DSO operations in the Southeast Asia-Pacific region.

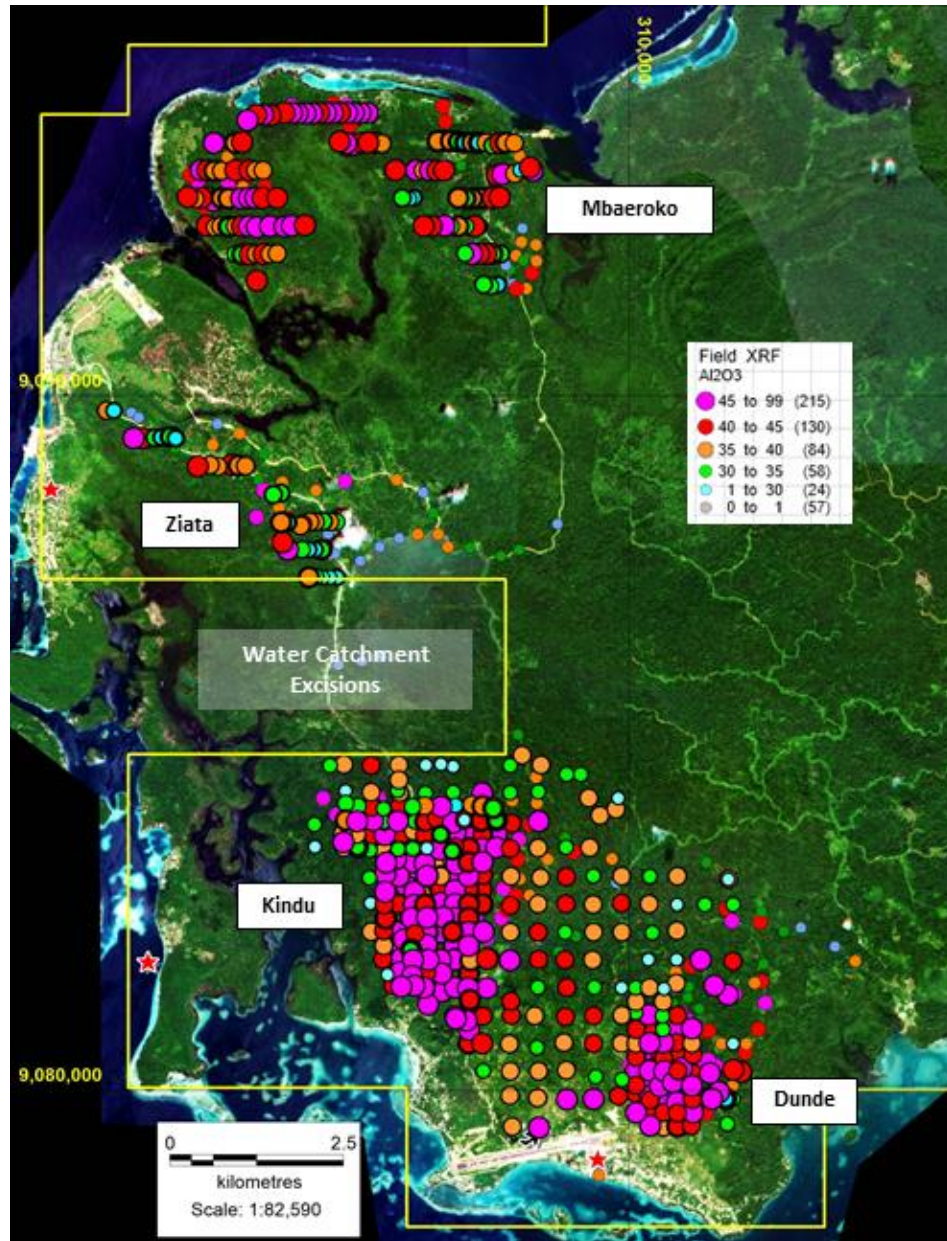


Figure 2 – Satellite Imagery of the SNWG Project, including auger drilling locations, colour-coded with grade ranges for field hand-held XRF Al₂O₃ results.

Significant Infrastructure Requirements in Place

SWNG is adjacent to commercial port facilities offering significant infrastructure advantages for any future export mining operations. The Noro Port can accommodate Handymax and Supermax bulk cargo ships and is subject to an infrastructure upgrade program in the near term. The SWNG project is well serviced by daily domestic flights from Honiara to Munda Airport, which is currently being upgraded to accommodate international flights. Access within the project appears good with extensive logging tracks crisscrossing the SWNG Prospecting Licence.

PACIFIC BAUXITE LIMITED

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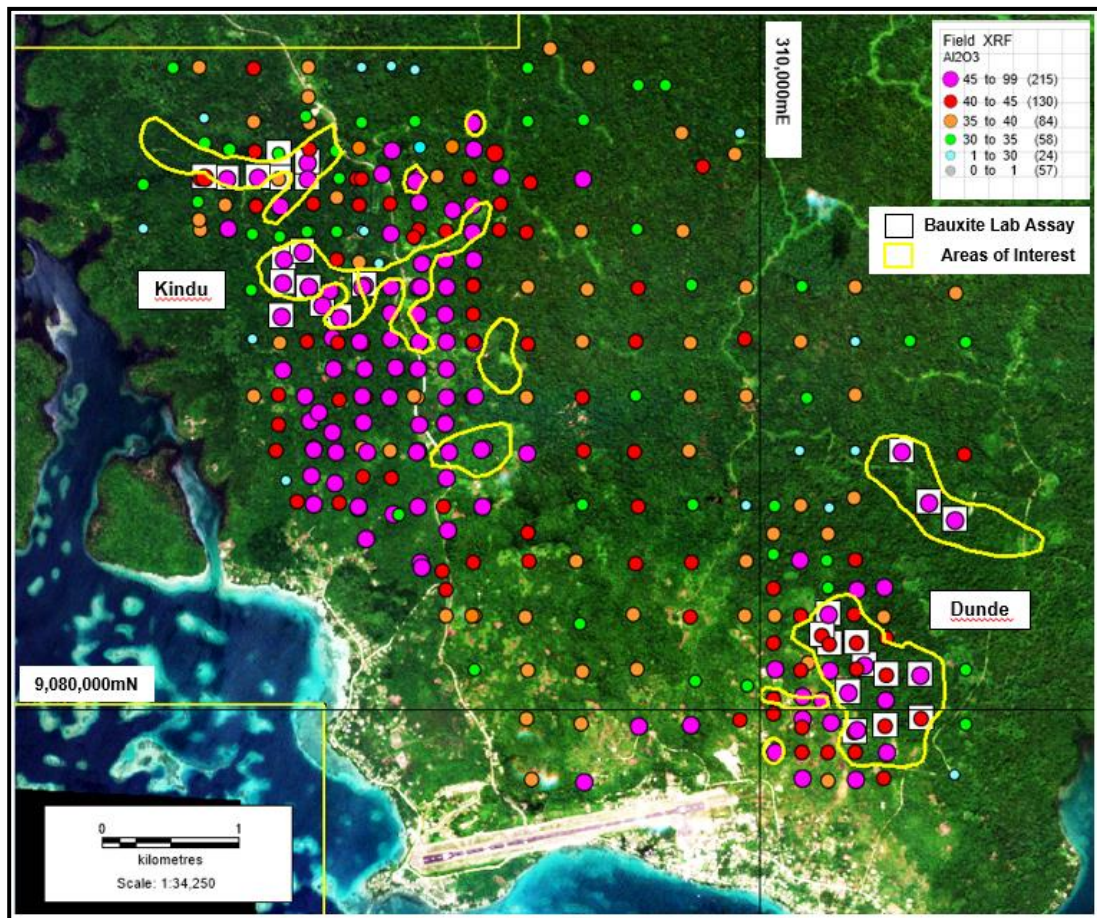


Figure 3 – Satellite Imagery of SNWG (southern area), including auger drilling locations, colour coded with grade ranges from field hand-held XRF Al_2O_3 results, samples submitted for laboratory analysis (white squares) and areas of interest pertaining to the current Exploration Target (yellow polygons).

EXPLORATION: AUSTRALIA

DARLING RANGE BAUXITE PROJECT, WA

During the March quarter, the Company announced its acquisition of the Darling Range Bauxite Project (**Darling Range**) located in the Darling Ranges northeast of Perth, Western Australia (ASX announcement 15 January 2018).

The Darling Range Project comprises two Exploration Licence Applications (ELA 70/5111 and 70/5112), which cover a total area of 405 km² within the Darling Ranges, approximately 60 km northeast of Perth (Figure 4).

The Darling Range Project area hosts a JORC 2004 Inferred Mineral Resource estimate of 89.3Mt @ 41.75% total Al_2O_3 (aluminium oxide) and 4.43% reactive (soluble) SiO_2 (silicon dioxide), inclusive of nine main resource areas over a strike of approximately 75km. See Table 2, below, for Resource details.

Darling Range	Tonnes (MT)	Total Al_2O_3 %	Available Al_2O_3 %	Reactive SiO_2 %	LOI %
Total Inferred Resource	89.3	41.75	28.51	4.43	19.21

Table 2: Published JORC (2004) compliant resource estimate (IRM, 2011) at a cut-off of 26% Available Al_2O_3

PACIFIC BAUXITE LIMITED

REVIEW OF OPERATIONS

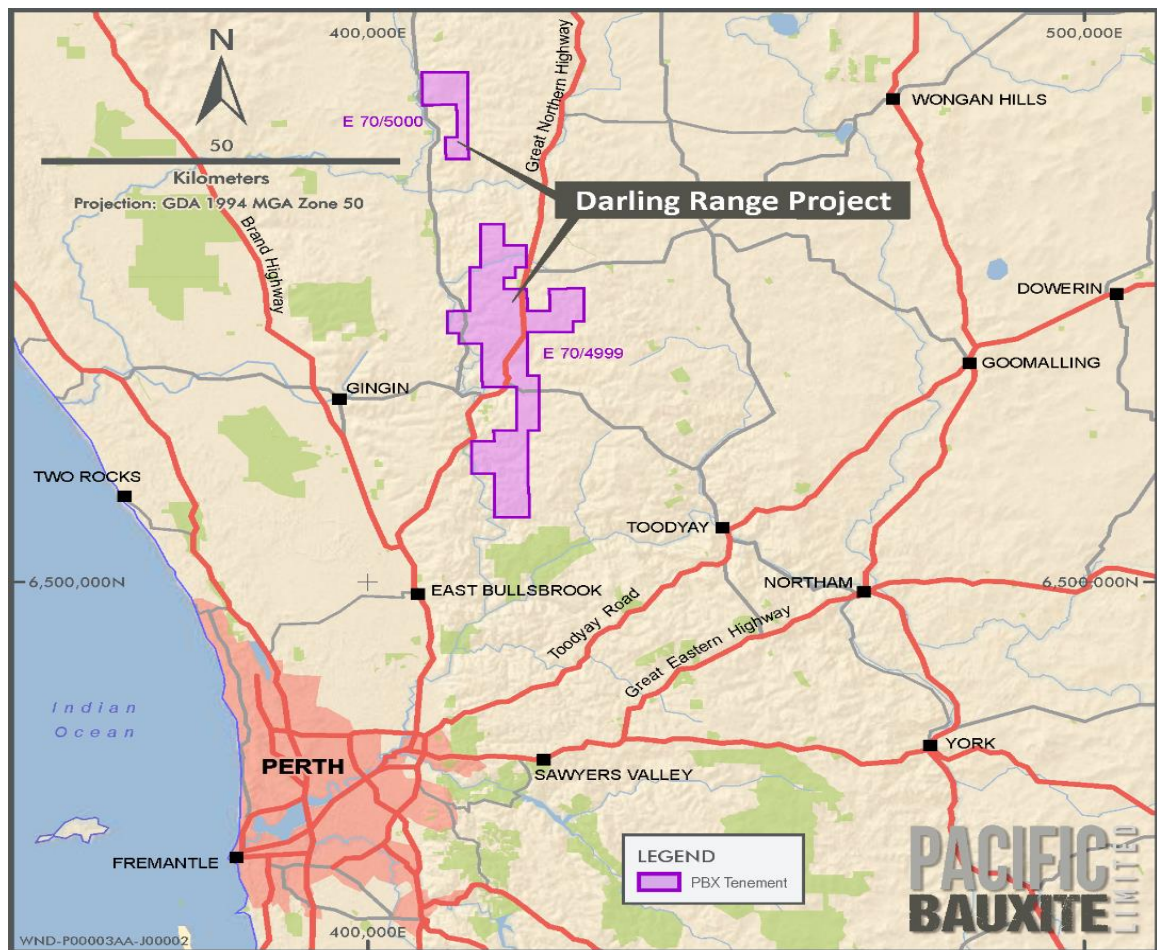


Figure 4: Darling Range Bauxite Project Location

The tenements covering Darling Range were previously held by Pacific Bauxite (under its former name, Iron Mountain Mining (ASX:IRM)). The Company sold the Darling Range tenements to Chinese-backed private mineral resources investment company Alpha Bauxite Pty Ltd (**Alpha**) in 2012 (IRM ASX announcements, 6 March and 24 August 2012). Alpha subsequently surrendered its tenure in June 2017.

Given the Company's previous exposure and understanding of the Darling Range Project area, it viewed the opportunity to acquire the asset as a highly attractive, low-cost entry point to a potentially high quality, advanced bauxite project with significant upside, in a major, established bauxite region.

The Darling Ranges host extensive bauxite resources and have a long history of exploration and mining. Production commenced in the region in the 1960's and it currently hosts major bauxite mining operations including South 32's Worsley Alumina and Alcoa.

Proposed Strategy and Activity

Upon the successful granting of the Exploration Licence Applications by the Western Australia Department of Mines, Industry Regulation and Safety, Pacific Bauxite plans to assess and review the JORC resource estimates, with a view to upgrading the Mineral Resource to JORC 2012 compliance as a priority. The Company will also plan fieldwork programs designed to define and expand the extent of the mineralised area within the Darling Range Project.

The Darling Range Project tenements are subject to multiple and varied land-use stakeholders. The Company will undertake an extensive review of any conflicting land-uses, access issues and infrastructure in its assessment of the Darling Range Project's existing Mineral Resource prior to the commencement of any ground disturbing fieldwork.

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GOLDEN CAMEL PROJECT, VIC

Pacific Bauxite retains a royalty of A\$2/t on all gold ore mined after the first 20,000oz has been produced from the Golden Camel Project, which 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 and the Company will report updates to the market as they are received from GCM.

MT RICHARDSON PROJECT, WA

Cliffs Asia Pacific Iron Ore Pty Ltd is the owner of E29/571 following finalisation of the sale of the Mt Richardson Project on 13 July 2010. 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.

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 mining commencing at Rogetta. Mining Lease ML1996P/M was granted on 4 June 2015 for a proposed magnetite iron ore mine at Rogetta.

Competent Person Statement

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.

CORPORATE

Board Changes

Effective 4 September 2017, Mr Ciganek transitioned from the role of a Non-Executive Director to Non-Executive Chairman.

Effective 4 September 2017, Mr Gwynne transitioned from the role of Executive Chairman to Executive Director and Chief Executive Officer. Effective 30 January 2018, Mr Gwynne resigned as Executive Director, remaining in the role of Chief Executive Officer. Effective 27 April 2018, Mr Gwynne resigned from the role as Chief Executive Officer.

On 30 January 2018, Mr Peter Lewis was appointed as a Non-Executive Director of the Company.

Appointment of Project Manager

On 30 April 2018, the Company announced the appointment of Mr Andrew Harwood of CSA Global as Project Manager for the its projects in the Solomon Islands.

Annual General Meeting

The Company's Annual General Meeting was held on 30 November 2017 (**AGM**). All resolutions put to the meeting were passed on a show of hands.

General Meetings

The Company held a General Meeting of Shareholders on 18 August 2017 (**18 August 2017 GM**). All resolutions put to the meeting were passed unanimously.

The Company held a General Meeting on 27 June 2018 (**27 June 2018 GM**). All resolutions put to the meeting were passed on a show of hands.

PACIFIC BAUXITE LIMITED

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Capital Raisings

First Placement

On 15 September 2017 Pacific Bauxite issued 73,076,919 ordinary shares pursuant to a capital raising for \$1,900,000 (before costs) at an issue price of \$0.026 per share to advance the Company's high-grade DSO-prospective projects in the Solomon Islands (**First Placement**).

Second Placement

Following its announcement in 4 May 2018, the Company completed a placement of \$2,401,400 in two separate tranches at an issue price of \$0.029 per share (**Second Placement**), as follows:

- first tranche of the Second Placement for \$2,066,207:
 - 42,349,104 shares issued to sophisticated investors under the Company's Listing Rule 7.1 capacity (issued 11 May 2018); and
 - 28,899,403 shares issued to sophisticated investors under the Company's Listing Rule 7.1A capacity (issued 11 May 2018),being a total of 71,248,507 shares (**Tranche 1 Second Placement**); and
- second tranche of the Second Placement for \$335,193:
 - 5,738,390 shares issued to sophisticated investors (issued 5 July 2018); and
 - 5,820,000 shares issued to directors (issued 5 July 2018),being a total of 11,558,390 shares (**Tranche 2 Second Placement**).

Of the Tranche 2 Second Placement funds totaling \$335,193, at 30 June 2018:

- \$207,930 had been received by the Company (included in restricted cash) (refer note 9); and
- \$127,263 had not yet been received by the Company (included in receivables) (refer note 10).

Participants in the Second Placement were entitled to receive 1 unlisted option for every 2 shares issued (being 41,403,450 options) (**Placement Options**). In connection with the capital raising, 15,000,000 unlisted options were issued to a broker that assisted with the Second Placement (**Broker Options**). The Placement Options and Broker Options were issued 5 July 2018 and have an exercise price of \$0.06 each, expiring 25 June 2021.

Shareholder approval was received at the 27 June 2018 GM ratifying the issue of Tranche 1 Second Placement shares and approving the issue of the Tranche 2 Second Placement shares, the Placement Options and the Broker Options.

Share Purchase Plan

During May 2018, Company invited eligible Shareholders to apply for up to \$15,000 worth of shares in the Company, at \$0.029 per share to raise up to \$1,000,000 pursuant to a share purchase plan (**SPP**). Participants in the SPP were entitled to apply, under a separate offer, for 1 unlisted option for every 2 shares that they applied for to be issued under the SPP, such that they were participating on the same terms as participants in the Second Placement. The SPP closed on 21 May 2018, with a total of \$690,580 raised from existing eligible shareholders who applied for 23,813,105 shares (issued 25 May 2018; 11,906,594 Options under the SPP were issued on 22 August 2018).

Eight South Acquisition (50%)

As detailed in the Company's 30 June 2017 Annual Report, Pacific Bauxite issued 20,000,000 shares in part consideration of 50% of Eight South Investments Pty Ltd (previously named AU Capital Mining Pty Ltd) (**Eight South**) during the year ended 30 June 2017 (**Tranche 1 Eight South**).

During the year ended 30 June 2018, following receipt of shareholder approval at the 18 August 2017 GM, the Company completed its acquisition of 50% of Eight South via the issue of a further 20,000,000 consideration shares (**Tranche 2 Eight South**).

PACIFIC BAUXITE LIMITED

REVIEW OF OPERATIONS

Darling Range Project acquired

As announced on 15 January 2018, Pacific Bauxite acquired two exploration license applications (ELA70/4999 and 70/5000) which comprise the Darling Range Project, located in the Darling Ranges northeast of Perth in Western Australia. In consideration for assisting the Company to acquire the Darling Range Project, Pacific Bauxite agreed to:

- (a) issue 1,000,000 fully paid ordinary shares in the Company to Nearology Pty Ltd (**Nearology**); and
- (b) pay Nearology a cash payment of \$30,000, with payment deferred subsequent to any future equity capital raising by Pacific Bauxite (included in trade and other payables at balance date).

Issue of Shares

During the year, the Company issued the following:

- 73,076,919 shares pursuant to the First Placement;
- 71,248,507 shares pursuant to the Second Placement (being the Tranche 1 Second Placement shares);
- 23,813,105 shares pursuant to the SPP;
- 20,000,000 shares being the final consideration shares (Tranche 2 Eight South) payable in respect of the acquisition of a 50% interest in Eight South;
- 1,000,000 shares in respect of the acquisition of the Darling Range Project; and
- 1,000,000 shares upon exercise of unlisted options with an exercise price of \$0.03 each.

At 30 June 2018, the Company was obliged to issue 11,588,390 shares in respect of the \$335,193 Tranche 2 Second Placement funds received or receivable at balance date (included in unissued capital reserve at balance date).

Option Movements

During the year, a total of 1,000,000 unlisted options with an exercise price of \$0.03 each with an expiry date of 30 December 2017 were exercised.

During the year, a total of 5,250,000 unlisted options with an exercise price of \$0.09 and an expiry date of 28 November 2017 lapsed.

Debt Recovery

Proceedings for the recovery of legal fees paid on behalf of former director Mr Zohar have ceased during the year following the receipt of \$47,990 as the first and final dividend from the bankrupt estate in October 2017.

PACIFIC BAUXITE LIMITED

DIRECTORS' REPORT

The Directors of Pacific Bauxite Limited (**Pacific Bauxite**) (**Company**) submit their report, together with the consolidated financial statements comprising Pacific Bauxite and its controlled entities (**Group**) for the financial year ended 30 June 2018.

DIRECTORS

The following persons were Directors of the Company during the whole of the financial year and up to the date of this report, unless otherwise noted.

JOHN CIGANEK (Appointed 11 July 2016)

BA Eng MBA

Non-Executive Chairman

Mr Ciganek's career of more than 25 years in the mining sector has been spent across mining engineering, executive management and corporate finance. He is currently Executive Director of BurnVoor Corporate Finance, a corporate finance advisory firm. Mr. Ciganek's advisory roles include project finance, mergers and acquisitions, equity capital markets, corporate and commercial advisory. Mr Ciganek has worked in bauxite mining operations with Comalco/CRA (now Rio Tinto) and has provided corporate finance advice to companies in the bauxite, alumina and aluminium sectors. Mr Ciganek was previously a director of Boulder Steel Ltd in the last three years.

Effective 4 September 2017, Mr Ciganek transitioned from the role of a Non-Executive Director to Non-Executive Chairman.

Mr Ciganek indirectly holds 1,720,000 ordinary shares, 1,860,000 options and 1,500,000 performance rights in Pacific Bauxite.

BRETT SMITH (Appointed 13 May 2014)

BSc (Hons), MAusIMM, MAIG, MAICD

Non-Executive Director

Mr Smith has acquired more than 30 years of experience in the mining and exploration industry as a geologist, manager, consultant and Director in Australia, North and South America and Africa. His industry experience is broad, dominated by exploration and resource definition for mining operations. He is currently the Managing Director of Corazon Mining Ltd and Non-Executive Director of Battery Minerals Ltd. Other directorships of listed companies held in the past three years include, Jacka Resources Ltd and Cauldron Energy Ltd.

Mr. Smith indirectly holds 1,351,713 ordinary shares, 2,500,000 options and 3,000,000 performance rights in Pacific Bauxite.

PIPPA COPPIN (Appointed 24 March 2016)

LLB BSc,

Non-Executive Director

Ms. Coppin is a corporate lawyer based in Perth. She specialises in equity capital raisings, all forms of acquisitions and divestments, governance and corporate compliance. Ms Coppin graduated from the University of Western Australia in 2004 with a Bachelor of Laws and Science. She also has a Graduate Diploma of Applied Corporate Governance and a Diploma of Business Studies. Ms Coppin has not held any other directorships of listed companies in the last three years.

Ms. Coppin indirectly holds 1,000,000 options and 1,500,000 performance rights in Pacific Bauxite.

PETER LEWIS (Appointed 30 January 2018)

Non-Executive Director

Mr Lewis is a Queensland based businessman with a long and successful career predominantly in the property industry. He is a former director of Ray White, Richard Ellis Group, founder and Managing Director of Savills (QLD), founder and Managing Director of Unity Pacific (formerly Trinity Ltd), Director of Eumundi Brewing Group Ltd and CEC Ltd. Mr Lewis is the chairman of Aurum Pacific Group, a private mining company with diverse interest both in Australia and internationally that is associated with the vendors of Eight South Investment Pty Ltd. He has also previously served as Chairman of the Queensland Rugby Union. Mr Lewis has not held any other directorships of listed companies in the last three years.

PACIFIC BAUXITE LIMITED

DIRECTORS' REPORT

Mr. Lewis indirectly holds 4,100,000 ordinary shares and 2,050,000 options in Pacific Bauxite.

MARK GWYNNE (Appointed 13 May 2014) (Resigned 30 January 2018) **Executive Director**

Mr Gwynne has 24 years of experience in senior and corporate management of resource companies registered and listed in Australia and the United Kingdom, with operations in Australia, Africa, South America and the Former Soviet Union. Mr Gwynne has extensive experience in project acquisition and development in precious and base metals and oil and gas and has undertaken extensive capital raising and marketing for several companies. Mr Gwynne has previously been a director of listed companies Fe Limited and Cauldron Energy Limited in the last three years.

Effective 4 September 2017, Mr Gwynne transitioned from the role of Executive Chairman to Executive Director and Chief Executive Officer. Effective 30 January 2018, Mr Gwynne resigned as Executive Director, remaining in the role of Chief Executive Officer. Effective 27 April 2018, Mr Gwynne resigned from the role as Chief Executive Officer.

At the date of his resignation as a Director on 30 January 2018, Mr Gwynne indirectly held 1,351,713 ordinary shares, 2,500,000 options and 3,000,000 performance rights in Pacific Bauxite.

COMPANY SECRETARY

The following person was the Company Secretary of the Company during the whole of the financial year and up to the date of this report.

SURAJ SANGHANI (Appointed 19 February 2014) **BCom CA ACIS**

Mr. Sanghani has over 11 years of experience in the assurance, accounting and corporate governance profession. He has held roles with Ernst & Young, as well as company secretary and directorship roles with a number of ASX listed exploration companies operating domestically and internationally.

Mr. Sanghani has a Bachelor of Commerce Degree from the University of Western Australia and is a Chartered Accountant and Chartered Company Secretary. He is currently a member of the Institute of Chartered Accountants Australia and New Zealand and the Governance Institute of Australia.

Principal Activities

The principal activity of the Group during the course of the financial year was mineral exploration.

Dividends

No dividends were paid or declared during the financial year. No recommendation for payment of dividends has been made.

Review of Operations

Information on the operations of the Group and its corporate activities is set out in the Review of Operations.

Financial Position

The loss after tax for the year ended 30 June 2018 amounted to \$4,190,711 (2017: \$1,771,940). This year's results are broadly in line with the previous year with the exception of an increase in the exploration expenditure. At the end of the 2018 financial year the group has net assets of \$2,296,863 (2017: \$901,988) including cash reserves of \$2,062,108 (2017: \$455,324).

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Group other than those disclosed in the Review of Operations.

Matters Subsequent to the End of the Financial Year

The Company issued the following securities subsequent to 30 June 2018:

- 11,558,390 shares (being the Tranche 2 Second Placement shares);
- 41,403,450 unlisted options (being the Placement Options);

PACIFIC BAUXITE LIMITED

DIRECTORS' REPORT

- 15,000,000 unlisted options (being the Broker Options); and
- 11,906,594 unlisted options pursuant to a SPP prospectus lodged 3 August 2018.

No other matters or circumstances have arisen since the end of the 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.

Likely Developments and Expected Results of Operations

The Group will continue to focus on the exploration of minerals. This may or may not include seeking expressions of interest for the sale of non-core projects and assets.

Environmental Regulation

The Directors believe the Group is not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Greenhouse Gas and Energy data reporting requirements

The Group is subject to the reporting requirements of both the Energy Efficiency Opportunities Act 2006 and the National Greenhouse and Energy Reporting Act 2007.

The Energy Efficiency Opportunities Act 2006 requires the group to assess its energy usage, including the identification, investigation and evaluation of energy saving opportunities, and to report publicly on the assessments undertaken, including what action the Group intends to take as a result. The National Greenhouse and Energy Reporting Act 2007 require the Group to report its annual greenhouse gas emissions and energy use.

For the year ended 30 June 2018 the Group was below the reported threshold for both legislative reporting requirements therefore is not required to register or report. The Group will continue to monitor its registration and reporting requirements however it does not expect to have future reporting requirements.

Directors' Meetings

The following table sets out the number of meetings of the Company's Directors held while each Director was in office and the number of meetings attended by each Director:

Director	Board Meetings	
	Number of meetings held while in office	Number of meetings attended
John Ciganek	4	4
Brett Smith	4	4
Pippa Coppin	4	4
Peter Lewis	3	3
Mark Gwynne	1	1

REMUNERATION REPORT (AUDITED)

The information contained in the remuneration report has been audited as required by Section 308(3C) of the *Corporations Act 2001*.

Principles Used to Determine the Nature and Amount of Remuneration

The Group's policy for determining the nature and amount of emoluments of Board members and senior executives are as follows:

Executive Remuneration

The Group's remuneration policy for Executive Directors is designed to promote superior performance and long-term commitment to the Group. Executives receive a base salary which is market related. Overall remuneration policies are subject to the discretion of the Board and can be changed to reflect competitive market and business conditions where it is in the best interests of the Group and its shareholders to do so. The Board's reward policy reflects its obligation to align executives' remuneration

PACIFIC BAUXITE LIMITED

DIRECTORS' REPORT

with shareholders' interests and retain appropriately qualified executive talent for the benefit of the Group. The main principles of the policy are:

- Reward reflects the competitive market in which the Group operates;
- Individual reward should be linked to performance criteria; and
- Executives should be rewarded for both financial and non-financial performance.

Refer below for details of Executive Directors' remuneration.

Non-Executive Remuneration

Shareholders approve the maximum aggregate remuneration for Non-Executive Directors. The Board recommends the actual payments to Directors. The maximum aggregate remuneration approved for Non-Executive Directors is currently \$250,000 (2017: \$250,000). The Group has agreed to pay an insurance premium for Directors and Officers Liability.

The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Refer below for details of Non-Executive Directors' remuneration.

Executives are also entitled to participate in the employee share and option arrangements. Refer to note 26(b) to the financial report for details of all Directors' share and option holdings.

The Executive Directors and Executives receive a superannuation guarantee contribution (where applicable) required by the government, which, as at 30 June 2018 was 9.5%, and do not receive any other retirement benefits.

All remuneration paid to Directors and Executives is valued at the cost to the Group and expensed. Options are valued using either the Black-Scholes or binomial methodologies.

The Board policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required; during the year no advice was sought. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for Non-Executive Directors are not linked to the performance of the Group. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in Pacific Bauxite and are able to participate in an employee option plan (none adopted to date).

Performance Based Remuneration

The Board believes that as the Group is in its start-up phase of development it is not feasible to establish meaningful Key Performance Indicators from which to base Director and Executive remuneration packages. Once the Group is more fully established the Board will reconsider this policy.

Use of Remuneration Consultants

For the year ended 30 June 2018, the Group did not employ any remuneration consultants to provide recommendations on employee remunerations matters.

Remuneration Governance

The Group has not established a remuneration committee due to the relatively small size and early stage of development of the Group. The Board as a whole monitors the activities normally reserved for a remuneration committee. The Corporate Governance Statement provides further information on the role of the Board in this context.

Details of Remuneration

Details of the remuneration of the Directors and key management personnel of the Group are set out below.

PACIFIC BAUXITE LIMITED

DIRECTORS' REPORT

The Key Management Personnel (**KMP**) of the Group include:

Directors:

John Ciganek (Non-Executive Director Chairman) (Appointed as a Director on 11 July 2016) (Appointed Chairman on 4 September 2017)
 Brett Smith (Non-Executive Director) (Appointed 13 May 2014)
 Pippa Coppin (Non-Executive Director) (Appointed 24 March 2016)
 Peter Lewis (Non-Executive Director) (Appointed 30 January 2018)
 Mark Gwynne (Executive Director, CEO) (Appointed as a Director 13 May 2014) (Appointed Executive Director and CEO on 4 September 2017) (Resigned as Executive Director on 30 January 2018) (Resigned as CEO on 27 April 2018)

Company Secretary:

Suraj Sanghani (Appointed 19 February 2014)

Key Management Personnel Remuneration:

2018

Name	Short Term		Post-employment	Share based payments		Total	Value of Share Based payments as a % of total remuneration
	Cash salary and fees \$	Non-monetary benefits \$	Superannuation \$	Options \$	Shares \$		
Directors							
Brett Smith	59,760	-	-	-	-	59,760	-
Pippa Coppin	52,560	-	-	-	-	52,560	-
John Ciganek	73,898	-	-	-	-	73,898	-
Peter Lewis	21,900	-	-	-	-	21,900	-
Mark Gwynne	132,150	-	12,554	-	-	144,704	-
Company Secretary							
Suraj Sanghani	126,000	-	11,970	-	-	137,970	-
Total	466,268	-	24,524	-	-	490,792	-

2017

Name	Short Term		Post-employment	Share based payments		Total	Value of Share Based payments as a % of total remuneration
	Cash salary and fees \$	Non-monetary benefits \$	Superannuation \$	Options \$	Shares \$		
Directors							
Mark Gwynne	75,000	-	7,125	66,238	-	148,363	44.65%
Brett Smith	58,960 ¹	-	-	66,238	-	125,198	52.91%
Pippa Coppin	61,450 ²	-	-	26,495	-	87,945	30.13%
John Ciganek	51,006	-	-	26,495	-	77,501	34.19%
Company Secretary							
Suraj Sanghani	126,000	-	11,970	26,495	-	164,465	16.11%
Total	372,416	-	19,095	211,961	-	603,472	35.12%

¹ This includes an amount of \$6,400 in consultancy fees billed to the Group by Mr Smith for time spent at an exploration site.

² This includes an amount of \$8,890 in legal services billed to the Group by Ms Coppin.

PACIFIC BAUXITE LIMITED

DIRECTORS' REPORT

Share Based Compensation

The terms and conditions of the grant of options affecting remuneration of key management personnel in the current and prior reporting periods are as follows:

KMP	Options issued as compensation	Issue Date / date vested and exercisable	Value per option at grant date (cents)	Exercise price (cents)	Expiry Date
Suraj Sanghani	250,000	30 November 2012	0.17	9	28 November 2017
Suraj Sanghani	500,000	20 November 2014	1.39	3	30 December 2017
Mark Gwynne	2,500,000	25 November 2016	2.65	8	1 December 2019
Brett Smith	2,500,000	25 November 2016	2.65	8	1 December 2019
Pippa Coppin	1,000,000	25 November 2016	2.65	8	1 December 2019
John Ciganek	1,000,000	25 November 2016	2.65	8	1 December 2019
Suraj Sanghani	1,000,000	25 November 2016	2.65	8	1 December 2019

Options issued under the plans contain no dividend or voting rights.

When exercised, each option is converted in to one ordinary share.

The assessed fair value of the options at grant date is calculated in accordance with AASB 2 *Share-based Payments*. The values are determined using a Black-Scholes pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and the expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

During the previous year, Pacific Bauxite issued performance rights to certain KMP as detailed below:

KMP	Performance Rights issued as compensation	Issue Date	Value per performance right at grant date (cents)	Expiry Date
Brett Smith	3,000,000	25 November 2016	-	1 December 2019
Pippa Coppin	1,500,000	25 November 2016	-	1 December 2019
John Ciganek	1,500,000	25 November 2016	-	1 December 2019
Suraj Sanghani	1,000,000	25 November 2016	-	1 December 2019
Mark Gwynne	3,000,000	25 November 2016	-	1 December 2019

The above performance rights vest to one share each following satisfaction of the following milestones:

- Commencement of mining at the Nendo Project; or
- The disposal by Eight South Investments Pty Ltd of the Nendo Project for no less than \$25,000,000. Being a net amount of \$12,500,000 payable to Pacific Bauxite for its 50% interest in Eight South Investments Pty Ltd.

As at the date of this report no performance rights have vested.

Additional Information

The table below sets out the performance of the Group and the consequences on shareholders' wealth for the past five years:

	2018	2017	2016	2015	2014
Quoted price of ordinary shares at period end (cents)	1.6	1.7	3.7	1.1	1.4
Earnings / (loss) per share (cents)	(1.32)	(1.11)	(0.95)	(0.77)	(1.70)
Dividends paid	-	-	-	-	-

Service Agreements and Remuneration Commitments

The following service agreements and remuneration arrangements were in place during the period:

- Non-Executive Director – Chairman John Ciganek – Ciganek Family Trust
Service agreement for no fixed term, remuneration of \$71,175 per annum and a two (2) month notice period.

PACIFIC BAUXITE LIMITED

DIRECTORS' REPORT

- Non-Executive Director Brett Smith – Topaz Corporate Pty Ltd
Service agreement for no fixed term, remuneration of \$52,560 per annum and a two (2) month notice period. Brett is entitled to an additional \$800 per day that he is at an exploration site.
- Non-Executive Director Pippa Coppin – Boscarn Pty Ltd
Service agreement for no fixed term, remuneration of \$52,560 per annum and a two (2) month notice period. From time to time Pippa also provides legal services to the Group and these are provided on a commercial basis.
- Executive Director & CEO Mark Gwynne
Upon change in his role from Executive Chairman to Executive Director and CEO on 4 September 2017, Mr Gwynne's remuneration increased from \$65,000 to \$100,000 per annum plus superannuation. Mark was also entitled to an additional \$800 per day that he is at an exploration site. Effective 1 February 2018, Mr Gwynne's CEO remuneration was revised to \$246,372 per annum plus superannuation.
- Company Secretary – Suraj Sanghani
Service agreement for no fixed term, remuneration of \$126,000 per annum plus statutory superannuation and a two (2) week notice period.

Security Trading Policy

Pacific Bauxite's security trading policy provides guidance on acceptable transactions in dealing in the Company's various securities, including shares, debt notes and options. Pacific Bauxite's security trading policy defines dealing in Company securities to include:

- (a) subscribing for, purchasing or selling Company securities or entering into an agreement to do any of those things;
- (b) advising, procuring or encouraging another person (including a family member, friend, associate, colleague, family Company or family trust) to trade in Company Securities; and
- (c) entering into agreements or transactions which operate to limit the economic risk of a person's holdings in Company securities.

The securities trading policy details acceptable and unacceptable times for trading in Company securities including detailing potential civil and criminal penalties for misuse of "inside information". The Directors must not deal in Company securities without providing written notification to the Chairman. The Chairman must not deal in Company securities without the prior approval of the Board of Directors. The Directors are responsible for disclosure to the market of all transactions or contracts involving the Company's shares.

Pacific Bauxite's Employee Option Plan expired on 8 August 2017. There is no current plan in place.

Voting and Comments Made at the Group's 2017 Annual General Meeting.

Pacific Bauxite received more than 97% of "yes" votes on its remuneration report for the 2017 financial year.

END OF REMUNERATION REPORT (AUDITED)

Shares under Option

Unissued ordinary shares of Pacific Bauxite under option at the date of this report are as follows:

Date options granted	Expiry Date	Issue price of shares	Number under option
25 November 2016	1 December 2019	8 cents	8,500,000
27 June 2018	25 June 2021	6 cents	56,403,450

No option holder has any right under the options to participate in any other share issue of the Company.

During the year, a total of 1,000,000 unlisted options with an exercise price of \$0.03 each with an expiry date of 30 December 2017 were exercised (2017: nil).

During the year, a total of 5,250,000 unlisted options with an exercise price of \$0.09 and an expiry date of 28 November 2017 lapsed.

PACIFIC BAUXITE LIMITED

DIRECTORS' REPORT

Performance Rights

There were no performance rights issued during the year (2017: 10,500,000). Details of the performance rights on issue at the date of this report are as follows:

Date performance rights granted	Expiry Date	Issue price	Number of performance rights
25 November 2016	1 December 2019	-	10,500,000

None of these performance rights have vested as at the date of this report. Refer to the remuneration report above for the terms of these performance rights.

Indemnifying Officers

During the financial year, the Group paid a premium in respect of a contract insuring the directors and company secretary to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Group or any related body corporate against a liability incurred as such an officer.

Proceedings on Behalf of the Group

No person has applied for leave of Court, under section 237 of the *Corporations Act 2001*, to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is party for the purpose of taking responsibility on behalf of the Group for all or part of these proceedings. The Group was not a party to any such proceedings during the year.

Non-Audit Services

No non-audit services were provided to the Group by the Group's auditors during the year ended 30 June 2018. Non-audit services are only provided by the Group's auditors where the Board of Directors is satisfied that the provision of non-audit related services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

Auditor's Independence Declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001*, for the year ended 30 June 2018 has been received and is set out on page 22.

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



John Ciganek
Chairman

21 September 2018
Perth, Western Australia



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

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

Dear Directors

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 of the 30 June 2018 financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Graham Swan FCA (Lead auditor)

Rothsay Auditing

Dated 21 September 2018



Chartered Accountants

PACIFIC BAUXITE LIMITED

CORPORATE GOVERNANCE STATEMENT

In March 2014, the ASX Corporate Governance Council released a third edition of the ASX Corporate Governance Council's Principles and Recommendations (**ASX Principles**).

The Company's Corporate Governance Statement for the year ended 30 June 2018 (which reports against these ASX principles) may be accessed from the Company's website at www.pacificbauxite.com.au.

PACIFIC BAUXITE LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2018

	Note	2018 \$	2017 \$
Revenue from continuing operations	4	14,659	20,337
Other Income	4	72,126	50,620
Administration		(420,993)	(334,982)
Exploration costs		(159,029)	(37,767)
Depreciation	12	(25,719)	(4,780)
Employment costs		(543,260)	(654,740)
Impairment of available for sale financial assets	11	-	(59,089)
Impairment of loan to associate	23	(1,779,008)	(501,026)
Impairment of investment in associate	23	(459,983)	-
Share of net loss of associate	23	(889,504)	(250,513)
(Loss) before Income Tax		(4,190,711)	(1,771,940)
Income tax (expense) / benefit	5	-	-
(Loss) for the Year		(4,190,711)	(1,771,940)
Profit is attributable to			
Owners of Pacific Bauxite Limited		(4,190,711)	(1,771,940)
Other comprehensive income		-	-
Total comprehensive (loss) for the year		(4,190,711)	(1,771,940)
(Loss) per share attributed to the Owners of Pacific Bauxite Limited			
Basic loss per share (cents)	18	(1.49)	(1.11)

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

PACIFIC BAUXITE LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

	Note	2018 \$	2017 \$
CURRENT ASSETS			
Cash and Cash Equivalents	7	2,062,108	455,324
Restricted Cash	9	207,930	-
Trade and Other Receivables	10	230,739	35,679
TOTAL CURRENT ASSETS		2,500,777	491,003
NON-CURRENT ASSETS			
Available for Sale Financial Assets	11	-	3,110
Property, Plant and Equipment	12	145,258	24,525
Investment accounted for using the equity method	23	-	889,487
TOTAL NON-CURRENT ASSETS		145,258	917,122
TOTAL ASSETS		2,646,035	1,408,125
CURRENT LIABILITIES			
Trade and Other Payables	13	269,660	124,834
Provisions	14	53,967	41,303
Deferred consideration acquisition of associate	23	-	340,000
TOTAL CURRENT LIABILITIES		323,627	506,137
NON-CURRENT LIABILITIES			
Trade and Other Payables	13	25,545	-
TOTAL NON-CURRENT LIABILITIES		25,545	-
TOTAL LIABILITIES		349,172	506,137
NET ASSETS		2,296,863	901,988
EQUITY			
Issued Capital	15	19,846,155	14,729,880
Reserves	16	1,959,733	1,490,422
Accumulated Losses		(19,509,025)	(15,318,314)
TOTAL EQUITY		2,296,863	901,988

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

PACIFIC BAUXITE LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the year ended 30 June 2018

2018	Issued Capital \$	Accumulated Losses \$	Unissued Capital Reserve \$	Option Reserve \$	Total \$
Balance as at 1 July 2017	14,729,880	(15,318,314)	-	1,490,422	901,988
Total comprehensive income for the year					
Loss for the year	-	(4,190,711)	-	-	(4,190,711)
Total comprehensive loss for the year	-	(4,190,711)	-	-	(4,190,711)
First Placement	1,900,000	-	-	-	1,900,000
Acquisition of 50% Eight South Investments Pty Ltd	800,000	-	-	-	800,000
Exercise of options	30,000	-	-	-	30,000
Acquisition of Darling Ranges exploration licenses	71,000	-	-	-	71,000
Second Placement	2,066,207	-	335,193	-	2,401,400
SPP	690,580	-	-	-	690,580
Options issued	(134,118)	-	-	134,118	-
Share issue costs	(307,394)	-	-	-	(307,394)
Balance as at 30 June 2018	19,846,155	(19,509,025)	335,193	1,624,540	2,296,863
2017	Issued Capital \$	Accumulated Losses \$	Unissued Capital Reserve \$	Option Reserve \$	Total \$
Balance as at 1 July 2016	13,186,212	(13,546,374)	-	1,265,212	905,050
Total comprehensive income for the year					
Loss for the year	-	(1,771,940)	-	-	(1,771,940)
Total comprehensive loss for the year	-	(1,771,940)	-	-	(1,771,940)
Issue of shares – placement	779,668	-	-	-	779,668
Share issue costs	(36,000)	-	-	-	(36,000)
Issue of shares – acquisition of associate	800,000	-	-	-	800,000
Options issued	-	-	-	225,210	225,210
Balance as at 30 June 2017	14,729,880	(15,318,314)	-	1,490,422	901,988

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

PACIFIC BAUXITE LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2018

	Note	2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		10,212	8,560
Receipt from bankrupt trustees for debt recovery		47,990	-
Receipts from customers		14,659	12,894
Payments for exploration and evaluation		(1,848,752)	(517,189)
Payments to suppliers and employees		(984,041)	(762,600)
NET CASH (OUTFLOWS) FROM OPERATING ACTIVITIES	8	<u>(2,759,932)</u>	<u>(1,258,335)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the sale of projects		-	50,000
Proceeds from sale of property, plant and equipment		-	2,000
Payments for property, plant and equipment		(94,610)	(7,634)
Proceeds from sale of available for sale financial assets		17,101	-
NET CASH INFLOW / (OUTFLOWS) FROM INVESTING ACTIVITIES		<u>(77,509)</u>	<u>44,366</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of capital		4,686,787	779,668
Payments for share issue costs		(233,139)	(36,000)
Payments for finance lease		(9,423)	-
NET CASH (OUTFLOWS) FROM FINANCING ACTIVITIES		<u>4,444,225</u>	<u>743,668</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		<u>1,606,784</u>	<u>(470,301)</u>
Cash and cash equivalents at the beginning of the financial year		455,324	925,625
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	7	<u>2,062,108</u>	<u>455,324</u>

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

PACIFIC BAUXITE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (**AASB**), Australian Accounting Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

The financial statements of the Group also comply with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**). Pacific Bauxite Ltd is a for profit entity for the purpose of preparing the financial statements.

Adoption of New and Revised Accounting Standards

In the Current period, the Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective or reporting periods beginning on 1 July 2017.

The Group has not elected to early adopt any new standards or amendments.

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. The Group does not anticipate that there will be a material effect on the financial statements from the adoption of these standards.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 Revenue from Contracts with Customers	1 January 2018	30 June 2019
AASB 16 Leases	1 January 2019	30 June 2020
AASB 2014-5 Amendment to Australian Accounting Standards arising from AASB 15	1 January 2018	30 June 2019
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an investor and its Associate or Joint Venture	1 January 2018	30 June 2019
AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15	1 January 2018	30 June 2019
2016-5 Amendments to Australian Accounting Standards – Classification and measurement of Share-based Payment Transactions	1 January 2018	30 June 2019
AASB Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019	30 June 2020

Historical Cost Convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and certain classes of property, plant and equipment.

PACIFIC BAUXITE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Critical Accounting Estimates and Significant Judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

(b) Principles of Consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Pacific Bauxite as at 30 June 2018 and the results of all subsidiaries for the year then ended. Pacific Bauxite and its subsidiaries together are referred to in this financial report as either the Consolidated Entity or Group.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group.

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals to non-controlling interests result in gains and losses for the Group that are recorded in the consolidated statement of profit or loss and other comprehensive income. Purchases from non-controlling interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and statement of changes in equity respectively.

Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Pacific Bauxite.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

PACIFIC BAUXITE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Associates

Associates are all entities over which the group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The group's investment in associates includes goodwill identified on acquisition.

The group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as reduction in the carrying amount of the investment.

When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

(c) Business Combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(d) Exploration and Evaluation Expenditure

Exploration, evaluation expenditure is expensed in respect of each identifiable area of interest held in the name of the entity. Acquisition costs are capitalised and recognised on the statement

PACIFIC BAUXITE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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of financial position only to the extent that there exists evidence of the capitalised expenditure to be recouped through the successful development or sale of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves. Accumulated acquisition costs in relation to an abandoned area are written off in full to the statement of profit or loss and other comprehensive income in the year in which the decision to abandon the area is made.

When production commences, the accumulated exploration, acquisition and development costs for the relevant area of interest will be amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. Any costs of site restoration are provided for during the relevant production stages (where the liabilities exist) and included in the costs of that stage. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(e) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(f) Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the statement of profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss.

(g) Property, Plant & Equipment

Each asset of property, plant and equipment is carried at cost, less where applicable, any accumulated depreciation and impairment losses. Plant and equipment are measured on the cost basis less depreciation and impairment losses.

Property

Buildings are shown at cost less subsequent depreciation for buildings.

PACIFIC BAUXITE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Depreciation

Items of plant and equipment are depreciated using the diminishing value method over their estimated useful lives to the consolidated entity. Depreciation on other classes of assets is done using the straight-line method. The depreciation rates used for each class of asset for the current period are as follows:

- | | |
|-------------------------|--------------|
| • Buildings | 2.5% |
| • Property Improvements | 2.5% |
| • Plant and Equipment | 10% - 66.67% |

Assets are depreciated from the date the asset is ready for use. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the assets continual use or subsequent disposal. The expected cash flows have been discounted to their present value in determining the recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the consolidated statement of profit or loss and other comprehensive income. When re-valued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(h) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the end of the reporting period.

Deferred income tax is accounted for using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax from the initial recognition of an asset or liability, in a transaction other than a business combination is not accounted for if it arises that at the time of the transaction it affects neither accounting or taxable profit nor loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the asset is realised or liability is settled. Deferred tax is credited in the consolidated statement of profit or loss and other comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The Group's entitlement to the Research and Development tax rebate is recognised as Other Income in accordance with AASB 120.

PACIFIC BAUXITE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(i) Investment allowances

The Group may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

(i) Employee Benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(j) Share-Based Payments

The Consolidated entity provides benefits to employees (including Directors) of the Consolidated Entity in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'). The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option-pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

Refer to note 17 for further information.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(k) Cash and Cash Equivalents

For the purpose of the Consolidated Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within three months, net of outstanding bank overdrafts.

(l) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Option Fee

Option Fee revenue is recognised at the time the Group receives notification from the contracting party that all conditions required for payment under the agreement have been met and the fee is due and payable.

Other income

Sale of assets is calculated with reference to the carrying value of the asset less the consideration received to arrive at the profit on sale.

(m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Consolidated Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Consolidated Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(n) Contributed Equity

Ordinary issued share capital is recognised at the fair value of the consideration received by the Group. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction in share proceeds received.

Where any Group purchases the entity's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Pacific Bauxite as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Pacific Bauxite.

(o) Trade and Other Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity. Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

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(p) Joint Ventures

Jointly Controlled Assets

Interest in the joint venture operation is brought to account by including in the respective classifications, the share of individual assets employed and share of liabilities and expenses incurred.

(q) Provisions

Provisions for legal claims and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(r) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

(s) Earnings Per Share

Basic earnings per share

Basic earnings per share is determined by dividing profit attributable to owners of the Company, excluding any costs of service equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figure used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financial costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(t) Investments and Other Financial Assets

Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Recognition

Financial instruments are initially measured at fair value on trade date, which includes transaction

PACIFIC BAUXITE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets initially recognised at fair value with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Subsequent Measurement

Available-for-sale financial assets are subsequently measured at fair value. Changes in the fair value of available-for-sale financial assets are recognised in the consolidated statement of profit or loss and other comprehensive income.

Loans and receivables are carried at amortised cost using the effective interest method. Details on how the fair-value of financial instruments are determined are disclosed in note 2.

Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of profit or loss and other comprehensive income. Impairment losses recognised in the statement of profit or loss and other comprehensive income on equity instruments classified as available-for-sale are not reversed through the statement of comprehensive profit or loss and other income.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the statement of profit or loss and other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in note 2.

(u) Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(v) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

(w) Non-Current Assets (or Disposal Groups) Held for Sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee

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benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

(x) Intangible Assets

Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments.

(y) Going Concern

The Directors believe that it is appropriate to prepare the consolidated financial statements on a going concern basis. As at 30 June 2018, the Group's current working capital was \$2,177,150 and the Group has cash and cash equivalents of \$2,062,108. The Group will continue to manage its exploration and operating activities and will put in place financing arrangements to ensure that it has sufficient cash reserves for the next 12 months.

PACIFIC BAUXITE LIMITED

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2. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk in these areas is not significant enough to warrant a formalised specific risk management program.

Risk management is carried out by the Board in their day-to-day function as the overseers of the business. Where necessary the Board provides principles for overall risk areas, as well as defined policies for specific risks such as foreign exchange and credit risk.

The Consolidated Entity holds the following financial instruments:

Financial Assets	Available for Sale \$	Financial assets at amortised cost \$	Total \$
2018			
Cash and cash equivalents	-	2,062,108	2,062,108
Restricted cash	-	207,930	207,930
Trade and other receivables	-	230,739	230,739
Available-for-sale financial assets	-	-	-
	-	2,500,777	2,500,777
2017			
Cash and cash equivalents	-	455,324	455,324
Trade and other receivables	-	35,679	35,679
Available-for-sale financial assets	3,110	-	3,110
	3,110	491,003	494,113

Financial Liabilities	Liabilities at amortised cost \$	Total \$
2018		
Trade and other payables	269,660	269,660
	269,660	269,660
2017		
Trade and other payables	124,834	124,834
	124,834	124,834

(a) Market Risk

(i) Foreign Exchange Risk

The entity's operations are limited to activities within Australia and Solomon Islands.

Sensitivity

The Group's profit would not be materially different due to changes in exchange rates.

(ii) Price risk

The entity was previously exposed to equity securities price risk arising from investments held by the entity and classified on the statement of financial position as available-for-sale.

All of the Group's equity investments were publicly traded and listed on the ASX.

The Group manages equity securities price risk by only investing in companies where the Board has a detailed understanding of its financial and operating position.

The Group is not exposed to commodity price risk.

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(iii) *Cash flow and fair value interest rate risk*

The Group's main interest rate risk arises from funds on interest bearing deposits. Funds on interest bearing deposits at variable rates expose the Entity to cash flow interest rate risk. During 2018 and 2017, the Entity's funds on deposit at variable rate were denominated in Australian Dollars only.

As at the reporting date, the Entity had the following variable rate funds on deposit:

	30 June 2018		30 June 2017	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Funds on deposit	2.40	91,500	2.36	405,278

The Entity has assessed that the impact of movements in interest rates does not have a material impact on the net profit after tax. Accordingly, the Entity's funds on deposit are managed according to the cash flow requirements of the Entity rather than impact of interest rate risk.

Entity sensitivity

At 30 June 2018, if interest rates had changed by -100/+ 70 basis points (2017 by -100/+ 70 basis points) from the year-end rates with all other variables held constant, post-tax profit for the year would have been \$915 lower / \$641 higher (2017 – change of 100/70 bps: \$4,503 lower / \$2,837 higher), mainly as a result of higher/lower interest income from funds held on deposit. Equity would have been \$915 lower / \$641 higher (2017: \$4,503 lower / \$2,837 higher) mainly as a result of an increase/decrease in the interest income from funds held on deposit.

(b) **Credit Risk**

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions and receivables from Joint Venture and Farm-In operations. The Entity's maximum exposure to credit risk at the reporting date was:

	2018 \$	2017 \$
Financial Assets		
Cash and cash equivalents	2,062,108	455,324
Trade and other receivables	207,930	35,679
Restricted cash	230,739	-
Available for sale financial assets	-	3,110
	<u>2,500,777</u>	<u>494,113</u>

The Directors believe that there is negligible credit risk with the cash and cash equivalents, as funds are held at call with a reputable Australian Banking Institution which has a long term S&P credit rating of AA-.

Other receivables relate to amounts due from the Australian Taxation Office and prepaid expenses and accordingly the Directors believe there to be negligible credit risk with these receivables.

The Group did not have any trade receivables as at 30 June 2018 and no security interests are taken to cover the recoverability of financial assets.

(c) **Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Entity manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in at call interest bearing deposits or in bank bills that are highly liquid and with maturities of less than six months.

PACIFIC BAUXITE LIMITED

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Financing arrangements

The Entity does not have any financing arrangements.

Maturities of financial liabilities

The Entity does not have any debt except for trade payables which are due for payment in less than six months.

(d) Fair Value Measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

Pacific Bauxite has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- 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).

The following tables present the Group's assets measured and recognised at fair value.

2018	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets				
Equity securities	-	-	-	-
Total assets	-	-	-	-
2017	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets				
Equity securities	3,110	-	-	3,110
Total assets	3,110	-	-	3,110

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is 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. These instruments are included in Level 1.

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

3. Critical Accounting Estimates and Judgements

Key estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(i) Impairment

The Entity assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

PACIFIC BAUXITE LIMITED

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During the year ended 30 June 2018, the Group made significant judgement about the impairment of a number of its available-for-sale financial assets.

The Entity follows the guidance of AASB 139 Financial Instruments: Recognition and Measurement on determining when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and near term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

The decline in fair value below cost for some of these assets has been considered to be significant and/or prolonged. There has been no impairment loss recorded during the year ended 30 June 2018 (2017: \$59,089).

(ii) Exploration and evaluation expenditure

The Entity's accounting policy for exploration and evaluation expenditure results in expenditure being expensed with acquisition costs being capitalised for an area of interest where it is considered likely to be recovered by future exploitation or sale or where the activities have reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised the acquisition costs under the policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the statement of profit or loss and other comprehensive income.

(iii) Fair value of available-for-sale financial assets

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(iv) Share based payments

The Entity's accounting policy for share based payments results in the cost of equity-settled transactions with employees being measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model. In undertaking this valuation, the Entity makes certain judgments regarding the model inputs. In determining the model inputs consideration is made of publicly available information of transactions of a similar nature.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

Refer to note 17 for further information.

(v) Recognition of deferred taxes

The Entity's accounting policy for recognising deferred tax assets states that a deferred tax asset may only be recognised where if it is probable that there will be future taxable amounts available to utilise those deferred tax assets.

After reviewing the Entity's current contracts and future revenue and expense estimates, the Group's management have made a judgement that whilst there is an expectation that there will be sufficient future taxable amounts available to utilise the Future Tax Assets, there is insufficient evidence available to recognise the Future Tax Assets at 30 June 2018 as required under AASB 112 Income Taxes.

PACIFIC BAUXITE LIMITED

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(vi) Revenue and contingent assets

The Group has made the judgement to not recognise the revenue or contingent assets relating from the sale of mining projects during the prior years. A judgement was made that the transactions did not meet the revenue or contingent asset recognition criteria. The salient points of these transactions are summarised below.

Rogetta (Blythe)

Payment of A\$1,000,000 upon the first shipment of iron ore extracted from the Blythe Project tenements.

Payment of A\$2,000,000 upon the first anniversary of the first shipment of iron ore extracted from the Blythe Project tenements.

Payment of A\$2,000,000 upon the second anniversary of the first shipment of iron ore extracted from the Blythe Project tenements.

The originally agreed royalty of 1.5% payable on the gross Free on Board revenue from all shipments of iron ore from the Blythe tenements remains intact.

Mt Richardson

The Group 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 A\$0.50 per dry metric tonne on tonnages in excess of independently evaluated Indicated or Measured resources of 10,000,000 tonnes.

Golden Camel Gold Tenements

The Group retains a royalty of A\$2/t on all gold ore mined after the first 20,000oz has been produced.

4. Revenue

	2018 \$	2017 \$
From Continuing Activities		
Sales revenue	14,659	12,894
Other Revenue		
Interest income	10,145	7,443
Other Income		
Profit on sale of assets classified as held of sale	13,991	-
Sale of Golden Camel milestone payments	-	50,000
Profit on sale of property plant and equipment	-	620
Debt recovery (i)	47,990	-
	<u>72,126</u>	<u>50,620</u>

(i) First and final dividend from the bankrupt estate of former director Mr Zohar, received in October 2017.

PACIFIC BAUXITE LIMITED
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5. Income Tax

	2018 \$	2017 \$
(a) Numerical reconciliation of income tax to prima facie tax payable		
Net (Loss) before tax	(4,190,711)	(1,771,940)
Tax expense / (benefit) at the Australian tax rate of 27.5%	(1,152,446)	(487,284)
Tax effect of amounts that are not deductible / taxable in calculating taxable income		
Share of net loss of associate	244,614	68,891
Share based payments	-	61,932
Impairment of available for sale financial assets	-	16,249
Impairment of loan to associate	489,227	137,782
Impairment of investment in associate	126,495	-
Sundry items	(15,627)	(9,952)
Future tax assets not brought to account	307,737	212,382
Income tax expense /(benefit)	-	-
Tax Losses		
Unused tax losses for which no deferred tax asset has been recognised	14,521,229	13,402,188
Potential tax benefit @ 27.5%	3,993,338	3,685,601

2017 Figures have been based on a tax rate of 27.5%.

Included in the Future Tax Assets not brought to account are tax losses for which no deferred tax asset has been recognised, but where a Future Tax Asset had been recognised in a prior year. After reviewing the Group's current contracts and future revenue and expense estimates, the Group's management have made a judgement that whilst there is an expectation that there will be sufficient future taxable amounts available to utilise the deferred tax assets, there is insufficient evidence available to recognise the Future Tax Assets at 30 June 2018 as required under AASB 112 Income Taxes. Accordingly, the tax losses available as at 30 June 2018 have not been recognised as Future Tax Assets.

6. Segment information

Management treats the Australian operations and the Solomon Island operations as a separate operating segment and are reported on as such.

30 June 2018	Solomon Islands \$	Australia	Total \$
Revenue	-	86,785	86,785
Total Segment Revenue	-	86,785	86,785
Segment net operating profit/loss after tax	(1,349,487)	(2,841,224)	(4,190,711)
Interest revenue	-	10,145	10,145
Other revenue	-	76,640	76,640
Depreciation	-	(25,719)	(25,719)
Segment Assets	-	2,646,035	2,646,035
Segment Liabilities	-	(349,172)	(349,172)

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30 June 2017	Solomon Islands \$	Australia	Total \$
Revenue	-	70,957	70,957
Total Segment Revenue	-	70,957	70,957
Segment net operating profit/loss after tax	(248,584)	(1,523,356)	(1,771,940)
Interest revenue	-	7,443	7,443
Other revenue	-	63,514	63,514
Depreciation	(1,143)	(3,637)	(4,780)
Segment Assets	9,095	1,399,030	1,408,125
Segment Liabilities	(26,478)	(442,179)	(506,137)

7. Cash and Cash Equivalents

	2018 \$	2017 \$
Cash at bank and in hand	2,062,108	455,324

The Group's exposure to interest rate risk is discussed in note 2. The minimum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

Of the cash at bank and in hand at 30 June 2018, \$61,500 is held as security for bank guarantees to support the Group's mining tenements (2017: \$71,500) and \$30,000 is held as security for credit cards (2017: \$30,000).

8. Reconciliation of the Operating Loss After Tax to the Net Cash Flows from Operating Activities

Cash Flow Information	2018 \$	2017 \$
(Loss)/Profit after income tax	(4,190,711)	(1,771,940)
Adjustments to reconcile profit after tax to net cash flow		
Depreciation	25,719	4,780
Sale of tenements classified as investment activities	-	(50,000)
Acquisition of exploration licenses	71,000	-
Impairment of available-for-sale financial assets	-	59,089
Profit on sale of Plant and Equipment	-	(620)
Accrued interest	(330)	-
Gain on sale of assets held for sale	(200)	-
Non-cash employee benefits expense	-	225,210
Impairment of investment in associates	459,983	-
Share of net loss of associate	889,504	250,513
Changes in assets and liabilities		
Increase/(decrease) in trade and other payables	167,500	25,454
Decrease/(increase) in trade and other receivables	(195,061)	(5,697)
Increase / (decrease) in provisions	12,664	4,876
Net cash (outflow) from operating activities	(2,759,932)	(1,258,335)
Reconciliation of Cash	2018 \$	2017 \$
Cash balance comprises;		
Cash at bank	2,062,108	455,324
	2,062,108	455,324

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Financing facilities available

As at 30 June 2018 the Group had no financing facilities available.

Non Cash Financing and Investing Activities

During the year, following receipt of shareholder approval at the Company's General Meeting held 18 August 2017, the Company completed its acquisition of 50% of Eight South via the issue of a further 20,000,000 consideration shares.

In January 2018, the Company issued 1,000,000 shares in respect of the acquisition of the Darling Range Project.

There were no other non-cash financing or investing activities.

9. Restricted Cash	2018	2017
	\$	\$
Placement funds (refer note 15)	207,930	-
10. Trade and Other Receivables	2018	2017
	\$	\$
Placement funds receivable (refer note 15)	127,263	-
Accrued interest	330	397
Prepayments	50,211	16,079
GST receivable	52,935	19,203
	<u>230,739</u>	<u>35,679</u>
11. Available-for-sale Financial Assets	2018	2017
	\$	\$
Listed equity securities at fair value	-	3,110
	2018	2017
	\$	\$
Balance at beginning of year	3,110	62,199
Disposal	(3,110)	-
Impairment of available for sale financial assets	-	(59,089)
Balance at end of year	<u>-</u>	<u>3,110</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.

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12. Plant and Equipment

	2018	2017
	\$	\$
At cost	318,762	172,310
Accumulated depreciation	(173,504)	(147,785)
	<u>145,258</u>	<u>24,525</u>
Balance at beginning of year	24,525	23,051
Acquisitions	146,452	7,634
Depreciation expense	(25,719)	(4,780)
Assets sold	-	(1,380)
Balance at end of year	<u>145,258</u>	<u>24,525</u>

13. Trade and Other Payables

	2018	2017
	\$	\$
Current		
Trade payables (a)	173,872	111,334
Accruals & other payables	78,916	13,500
Finance lease liability	16,872	-
	<u>269,660</u>	<u>124,834</u>
Non-Current		
Finance lease liability	<u>25,545</u>	<u>-</u>

(a) The fair value of trade payables approximates the carrying value as presented above due to their short-term nature.

14. Provisions

	2018	2017
	\$	\$
Annual leave provision	37,057	41,303
Long service leave provision	16,909	-
	<u>53,967</u>	<u>41,303</u>

15. Issued Capital

	30-Jun-2018	30-Jun-2017	30-Jun-2018	30-Jun-2017
	Shares	Shares	\$	\$
(a) Issued Capital				
Fully paid ordinary shares	<u>385,055,644</u>	<u>194,917,113</u>	<u>19,846,155</u>	<u>14,729,880</u>

PACIFIC BAUXITE LIMITED
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(b) Movements in issued capital

	Date	Number of shares	Issued Capital \$
Opening balance	1 July 2017	194,917,113	14,729,880
Issue of shares – First Placement (i)	15 September 2017	73,076,919	1,900,000
Issue of shares – Eight South acquisition (ii)	27 September 2017	20,000,000	800,000
Issue of shares – Exercise of options (iii)	19 December 2017	1,000,000	30,000
Issue of shares – Exploration licenses acquired (iv)	15 January 2018	1,000,000	71,000
Issue of shares – Tranche 1 Second Placement (v)	11 May 2018	71,248,507	2,066,207
Issue of shares – SPP (vi)	25 May 2018	23,813,105	690,580
Share issue costs - options to broker (vii)		-	(134,118)
Share issue costs		-	(307,394)
Closing Balance	30 June 2018	<u>385,055,664</u>	<u>19,846,155</u>

- (i) On 15 September 2017 Pacific Bauxite issued 73,076,919 ordinary shares pursuant to a capital raising for \$1,900,000 (before costs) at an issue price of \$0.026 per share to advance the Company's high-grade DSO-prospective projects in the Solomon Islands (**First Placement**).
- (ii) Refer to note 23.
- (iii) During the year 1,000,000 shares were issued upon exercise of unlisted options with an exercise price of \$0.03 each and an expiry date 30 December 2017.
- (iv) As announced 15 January 2018, Pacific Bauxite acquired two exploration license applications (ELA70/4999 and 70/5000) which comprise the Darling Range Project, located in the Darling Ranges northeast of Perth in Western Australia. In consideration for assisting the Company to acquire the Darling Range Project, Pacific Bauxite agreed to:
- issue 1,000,000 fully paid ordinary shares in the Company to Nearology Pty Ltd (**Nearology**); and
 - pay Nearology a cash payment of \$30,000, with payment deferred subsequent to any future equity capital raising by Pacific Bauxite (included in trade and other payables at balance date).
- (v) Following its announcement in 4 May 2018, the Company completed a placement of \$2,401,400 in two separate tranches at an issue price of \$0.029 per share (**Second Placement**), as follows:
- first tranche of the Second Placement for \$2,066,207:
 - 42,349,104 shares issued to sophisticated investors under the Company's Listing Rule 7.1 capacity (issued 11 May 2018); and
 - 28,899,403 shares issued to sophisticated investors under the Company's Listing Rule 7.1A capacity (issued 11 May 2018), being a total of 71,248,507 shares (**Tranche 1 Second Placement**); and
 - second tranche of the Second Placement for \$335,193:
 - 5,738,390 shares issued to sophisticated investors (issued 5 July 2018); and
 - 5,820,000 shares issued to directors (issued 5 July 2018), being total of 11,558,390 shares (**Tranche 2 Second Placement**).

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Of the Tranche 2 Second Placement funds totaling \$335,193, at 30 June 2018:

- \$207,930 had been received by the Company (included in restricted cash) (refer note 9); and
- \$127,263 had not yet been received by the Company (included in receivables) (refer note 10).

- (vi) During May 2018, Company invited eligible Shareholders to apply for up to \$15,000 worth of shares in the Company, at \$0.029 per share to raise up to \$1,000,000 pursuant to a share purchase plan (**SPP**). Participants in the SPP were be entitled to apply, under a separate offer, for 1 unlisted option for every 2 shares that they apply for and are issued under the SPP, such that they are participating on the same terms as participants in the Second Placement. The SPP closed on 21 May 2018, with a total of \$690,580 raised from existing eligible shareholders who applied for 23,813,105 shares (issued 25 May 2018).
- (vii) A total of 15,000,000 unlisted options were issued to a broker that assisted with the Second Placement (**Broker Options**). The Broker Options were approved by shareholders to be issued at the 27 June 2018 General Meeting (subsequently issued 5 July 2018) and have an exercise price of \$0.06 each, expiring 25 June 2021.

(c) Terms and Conditions of Issued Capital

Ordinary shares participate in dividends and the proceeds on winding up of the Group in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has a vote on a show of hands. Ordinary shares have no par value.

(d) Capital Risk Management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern so that the Group can provide returns to shareholders and benefits for other stakeholders whilst maintaining an optimal capital structure to reduce the cost of capital. The Group considers capital to consist of cash reserves on hand and available-for-sale financial assets.

The Group monitors its working capital position against expenditure requirements to undertake its planned exploration program and maintain its ongoing operations. Where required the Group will sell assets, issue new securities, raise debt or modify its exploration program to ensure the Group's working capital requirements are met.

16. Reserves

	2018 \$	2017 \$
Option reserve (a)	1,624,540	1,490,422
Unissued capital reserve (b)	335,193	-
Balance at the end of the year	<u>1,959,733</u>	<u>1,490,422</u>

(a) Option reserve

Movements in option reserve:

	2018 \$	2017 \$
Balance at the beginning of the year	1,490,422	1,265,212
Share based payments (refer note 17)	134,118	225,210
Balance at the end of the year	<u>1,624,540</u>	<u>1,490,422</u>

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The nature and purpose of the option reserve is to recognise the fair value of options issued to directors, employees and consultants.

(b) Unissued Capital Reserve

Movements in unissued capital reserve:

	Number of shares	Unissued capital reserve \$
Opening balance 1 July 2017	-	-
Placement funds received (i)	7,170,000	207,930
Placement funds receivable (i)	4,388,390	127,263
Closing Balance 30 June 2018	11,558,390	335,193

- (i) At 30 June 2018, the Company was obliged to issue 11,588,390 shares in respect of the \$335,193 Tranche 2 Second Placement funds received or receivable at balance date, as referred to in note 15(b)(v). The issue of these shares, which were allotted by the Company on 5 July 2018, have been accounted for in unissued capital reserve at balance date.

17. Share-based Payments

Expenses arising from ordinary share payment transactions

Total expenses arising from share-based payment transactions recognised as an expense during the year:

	2018 \$	2017 \$
Options issued as Director, Employee and Contractor compensation	-	225,210
	-	225,210

(a) Unlisted Options

Movements in unlisted options is summarised as follows:

	2018		2017	
	Number of options	Weighted average exercise price (cents)	Number of options	Weighted average exercise price (cents)
Outstanding at the beginning of the year	14,750,000	8.02	6,250,000	8.04
Granted – share based payments (i)	-	-	8,500,000	8.00
Granted – share based payment expenses recorded through equity (ii)	15,000,000	6.00	-	-
Granted – free attaching options (iii)	41,403,450	6.00	-	-
Exercised (refer note 15)	(1,000,000)	3.00	-	-
Expired	(5,250,000)	9.00	-	-
Outstanding at year end	64,903,450	6.26	14,750,000	8.02
Exercisable at year end	64,903,450	6.26	14,750,000	8.02

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- (i) During the prior year, 8,500,000 options exercisable at \$0.08 each on or before 1 December 2019 were issued to Directors, employees and consultants. These options were accounted for as a share-based payment expense and valued using the Black Scholes Model. The fair value of each option was determined to be 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 %

- (ii) During the current year, 15,000,000 unlisted options were issued to a broker that assisted with the Second Placement, being the Broker Options. The Broker Options have an exercise price of \$0.06 each, expiring 25 June 2021. These options were accounted valued using the Black Scholes Model. The fair value of each option was determined to be 8.94 cents based on the following criteria:

Weighted average exercise price	\$0.06
Weighted average life of the options	3.00 years
Underlying share price	\$0.015
Expected volatility	139 %
Risk free interest rate	2.13 %

- (iii) Participants of the Second Placement were entitled to receive 1 unlisted option for every 2 shares (being 41,403,450 options) (**Placement Options**). The Placement Options were issued 5 July 2018 and have an exercise price of \$0.06 each, expiring 25 June 2021.

(b) Performance Rights

During the year ended 30 June 2017, 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.

18. Earnings Per Share

	2018	2017
(a) Basic loss per share (cents)	(1.49)	(1.11)
(b) Weighted average number of ordinary shares used as the Denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	281,314,341	159,489,504
Adjustments for calculation of diluted earnings per share:		
- Options	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	281,314,341	159,489,504
(c) Earnings used in calculating earnings per share		
Basic earnings per share	(4,190,711)	(1,771,940)

PACIFIC BAUXITE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2018

19. Commitments

The Group entered into a 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 to 30 November 2018 with an option for an additional 12 months on terms to be agreed.

Future Minimum Lease payments as at 30 June 2018 are as follows.

	2018 \$	2017 \$
Within one year	16,665	49,312
After one year but not more than five years	-	19,998
More than five years	-	-
Balance at the end of the half year	<u>16,665</u>	<u>69,310</u>

20. Contingent Liabilities and Assets

The Directors are not aware of any contingent liabilities or contingent assets as at 30 June 2018 other than those disclosed in note 3(vi).

21. Subsidiaries

The consolidated financial statements incorporate assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of Entity	Country of incorporation	Class of shares	Equity Holding	
			2018 %	2017 %
Iron Mountain Bauxite Pty Ltd	Australia	Ordinary	100	100
PBX Aus Pty Ltd	Australia	Ordinary	100	-

22. Parent Entity Information

The following details information related to the parent entity, Pacific Bauxite, at 30 June 2018. The information presented here has been prepared using consistent accounting policies as presented in note 1.

	2018 \$	2017 \$
Current assets	2,500,777	491,002
Non-current assets	4,149,457	1,669,448
Total assets	6,650,234	2,160,450
Current liabilities	349,172	506,137
Total liabilities	349,172	506,137
Contributed equity	20,181,348	14,729,880
Accumulated losses	(15,504,824)	(14,565,987)
Reserves	1,624,538	1,490,420
Total equity	6,301,062	1,654,313
Profit / (Loss) for the year	(938,659)	(1,019,613)
Other comprehensive loss for the year	-	-
Total comprehensive loss for the year	(938,659)	(1,019,613)

The parent company, Pacific Bauxite has lent an amount of \$3,881,345 to 100% owned subsidiary Iron Mountain Bauxite Pty Ltd (**IMB**) which represents the investment in Eight South, all expenditure

PACIFIC BAUXITE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2018

incurred by that entity since acquisition (including its subsidiary Australian Pacific Bauxite Pty Ltd (APB)) and other administration costs incurred by IMB.

Other than those disclosed in note 3(vi) and note 20, the Directors are not aware of any contractual commitments or contingent liabilities or assets as at 30 June 2018.

Pacific Bauxite does not have any financial guarantees over bank overdrafts and loans of subsidiaries as at 30 June 2018.

23. Investments in Associates

As detailed in the Company's 30 June 2017 Annual Report, Pacific Bauxite exercised its option to acquire 50% of Eight South Investments Pty Ltd (previously named AU Capital Mining Pty Ltd) (**Eight South**). Consideration included an initial 20,000,000 shares (issued during the year ended 30 June 2017), with a further 20,000,000 shares to be issued in 12 months' time or first shipment of bauxite, whichever comes first.

During the year ended 30 June 2018, following receipt of approval of shareholders at the Company's General Meeting held 18 August 2017, the Company completed its acquisition of 50% of Eight South via the issue of the second tranche 20,000,000 consideration shares, which were allotted on 27 September 2017.

The investment in Eight South is held in Pacific Bauxite's wholly owned subsidiary. A summary of the carrying value of the Group's investment in Eight South is below.

a) Movement in Carrying Amount

	2018 \$	2017 \$
Carrying amount at the beginning of the year	889,487	-
Shares issued on acquisition of associate	800,000	800,000
Deferred consideration at acquisition date	-	800,000
Reduction in deferred consideration based on market value of PBX securities at balance date	-	(460,000)
Minus: Deferred consideration recorded in prior year	(340,000)	-
Share of losses of associate	(889,504)	(250,513)
Impairment of associate	(459,983)	-
Carrying amount at the end of the year	-	889,487

b) Summarised Financial Information of the Associate

The group's share of the results of its principal associates and its aggregated assets and liabilities are as follows:

	Ownership Interest %	Assets \$	Group's share of: Liabilities \$	Revenues \$	Loss \$
2018					
Eight South Investments Pty Ltd	50%	-	(65,194)	-	(766,197)
		-	(65,194)	-	(766,197)
2017					
Eight South Investments Pty Ltd	50%	-	(250,513)	-	(250,513)
		-	(250,513)	-	(250,513)

Under the terms of the agreement reached Pacific Bauxite is responsible for all costs in maintaining the project and the company itself. All amounts are to be carried as a loan payable to Pacific Bauxite.

PACIFIC BAUXITE LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2018

c) Contingent Liabilities of the Associate

Eight South does not have any contingent liabilities other than those disclosed in note 3(vi).

d) Loan to the Associate

	2018 \$	2017 \$
Carrying amount of loan at the beginning of the year	-	-
Expenditure incurred and carried as a loan to the associate	1,779,008	501,026
Impairment of loan to associate	(1,779,008)	(501,026)
Carrying amount at the end of the year	-	-

As at 30 June 2018 the Group impaired the balance of this loan as it has not reached a stage where it can accurately ascertain the recoverability of this amount.

e) Impairment

The carrying amount of the investment in associate was assessed for impairment at 30 June 2018 resulting in an impairment expense of \$459,983 (2017: Nil). The impairment of the Company's investment in associate is considered prudent given that the Company received a letter from the Solomon Islands' Minister of Mines, Energy and Rural Electrification during the period advising that prospecting license PL 01/16 held by Eight South in respect of the Solomon Islands Nendo Bauxite Project had been cancelled (**Minister's Letter**). The receipt of the Minister's Letter was completely unexpected by the Company. The Company has engaged legal counsel and will continue to aggressively pursue the matter for the benefit of all stakeholders.

24. Joint Ventures

Blythe

Forward Mining Ltd continues to progress project assessment requirements for the proposed development of the Rogetta Project in Tasmania.

Under the amended sale agreement, the following consideration is payable to the Group under the following milestones:

1. Payment of A\$1,000,000 to the Group upon first shipment of iron ore extracted from the Blythe project tenements;
2. Payment of A\$2,000,000 to the Group upon anniversary of first shipment of iron ore extracted from the Blythe project tenements;
3. Payment of A\$2,000,000 to the Group upon second anniversary of first shipment of iron ore extracted from the Blythe project tenements; and
4. A royalty of 1.5% payable on the gross Free on Board revenue from all shipments of iron ore from the Rogetta tenements.

Mt Richardson

Pursuant to the agreement reached on the sale of Mt Richardson, a royalty of 2% on average/tonne FOB sales value of iron ore product that departs E29/571 will be payable to Pacific Bauxite 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.

PACIFIC BAUXITE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2018

25. Business Combination

During the year ended 30 June 2017, the Group incorporated a wholly owned subsidiary, Iron Mountain Bauxite Pty Ltd (**IMB**). The purpose of this entity was to carry the Group's 50% investment in Eight South, the 100% owner of the Nendo and Choiseul projects in the Solomon Islands.

At the time of its incorporation, the subsidiary had no assets or liabilities. The Group incurred \$608 associated with the incorporation.

26. Key Management Personnel Disclosures

(a) Key Management Personnel Compensation:

	2018 \$	2017 \$
Short-term employee benefits	466,268	372,416
Post employment benefits	24,524	19,095
Share-based payment	-	211,961
	<u>490,792</u>	<u>603,472</u>

The detailed remuneration disclosures are provided in the Remuneration Report.

(b) Equity Instruments Disclosure Relating to Key Management Personnel

At reporting date, the relevant interest of each Director in ordinary fully paid shares and options of the Group were:

2018	Fully Paid Ordinary Shares				
	Balance at the beginning of the year	Shares Issued as compensation	Exercise of options	Net change other	Balance at the end of the year
Directors					
Brett Smith	1,351,713	-	-	-	1,351,713
Pippa Coppin	-	-	-	-	-
John Ciganek	-	-	-	1,720,000 ¹	1,720,000
Peter Lewis	-	-	-	4,100,000 ²	4,100,000
Mark Gwynne	1,351,713	-	-	(1,351,713) ³	-
Company Secretary					
Suraj Sanghani	142,000	-	500,000	-	642,000
Total	<u>2,845,426</u>	<u>-</u>	<u>500,000</u>	<u>4,468,287</u>	<u>7,813,713</u>

¹Mr Ciganek participated in the Second Placement to acquire 1,720,000 shares for \$49,880. The shares were issued 5 July 2018.

²Mr Lewis participated in the Second Placement to acquire 4,100,000 shares for \$118,900. The shares were issued 5 July 2018.

³At the date of resignation as a Director, Mr Gwynne held 1,351,713 shares.

PACIFIC BAUXITE LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2018

2017

Fully Paid Ordinary Shares

	Balance at the beginning of the year	Shares Issued as compensation	Net change other	Balance at the end of the year
Directors				
Brett Smith	1,351,713	-	-	1,351,713
Pippa Coppin	-	-	-	-
John Ciganek	-	-	-	-
Mark Gwynne	1,351,713	-	-	1,351,713
Company Secretary				
Suraj Sanghani	142,000	-	-	142,000
Total	2,845,426	-	-	2,845,426

2018

Options

	Balance at the beginning of the year	Issued as Compensation	Exercised	Lapsed	Net change other	Balance at the end of the year
Directors						
Brett Smith	2,500,000	-	-	-	-	2,500,000
Pippa Coppin	1,000,000	-	-	-	-	1,000,000
John Ciganek	1,000,000	-	-	-	860,000 ¹	1,860,000
Peter Lewis	-	-	-	-	2,050,000 ²	2,050,000
Mark Gwynne	2,500,000	-	-	-	(2,500,000) ³	2,500,000
Company Secretary						
Suraj Sanghani	1,750,000	-	(500,000)	(250,000)	-	1,000,000
Total	8,750,000	-	(500,000)	(250,000)	410,000	8,410,000

¹In connection with his participation in the Second Placement, Mr Ciganek acquired 860,000 free attaching unlisted options exercisable at \$0.06 each expiring 25 June 2021.

²In connection with his participation in the Second Placement, Mr Lewis acquired 2,050,000 free attaching unlisted options exercisable at \$0.06 each expiring 25 June 2021.

³At the date of resignation as a Director, Mr Gwynne held 2,500,000 options.

2017

Options

	Balance at the beginning of the year	Issued as Compensation	Net change other	Balance at the end of the year
Directors				
Brett Smith	-	2,500,000	-	2,500,000
Pippa Coppin	-	1,000,000	-	1,000,000
John Ciganek	-	1,000,000	-	1,000,000
Mark Gwynne	-	2,500,000	-	2,500,000
Company Secretary				
Suraj Sanghani	750,000	1,000,000	-	1,750,000
Total	750,000	8,000,000	-	8,750,000

PACIFIC BAUXITE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2018

In addition to the above, performance rights were issued to KMP's as follows:

2018	Performance Rights			
	Balance at the beginning of the year	Issued as Compensation	Net change other	Balance at the end of the year
Directors				
Brett Smith	3,000,000	-	-	3,000,000
Pippa Coppin	1,500,000	-	-	1,500,000
John Ciganek	1,500,000	-	-	1,500,000
Peter Lewis	-	-	-	-
Mark Gwynne	3,000,000	-	(3,000,000) ¹	-
Company Secretary				
Suraj Sanghani	1,000,000	-	-	1,000,000
Total	10,000,000	-	(3,000,000)	7,000,000

¹At the date of resignation as a Director, Mr Gwynne held 3,000,000 performance rights.

2017	Performance Rights			
	Balance at the beginning of the year	Issued as Compensation	Net change other	Balance at the end of the year
Directors				
Brett Smith	-	3,000,000	-	3,000,000
Pippa Coppin	-	1,500,000	-	1,500,000
John Ciganek	-	1,500,000	-	1,500,000
Mark Gwynne	-	3,000,000	-	3,000,000
Company Secretary				
Suraj Sanghani	-	1,000,000	-	1,000,000
Total	-	10,000,000	-	10,000,000

Refer to the Directors' Report for further details of the options and performance rights.

27. Related Party Transactions

The Company recharged office expenditure to Corazon Mining Limited, a Director-related entity of Mr Brett Smith. This amounted to \$952 (2017: \$12,894). As at 30 June 2018 no amounts billed remained as receivables (2017: nil).

The Company recharged office expenditure to Topaz Corporate Pty Ltd, Director-related entity of Mr Brett Smith. This amounted to \$13,708 (2017: nil). As at 30 June 2018 no amounts billed remained as receivable (2017: nil).

As detailed in the Company's 2017 Annual Report, prior to the acquisition of 50% of Eight South Pty Ltd (**Eight South**), Eight South had an existing service agreement with International Resources Development Pty Ltd (**IRD**), a director-related entity of Mr Smith and Mr Gwynne. Since acquisition, IRD had not formally billed for its services but agreed to invoice the balance of the amount owing only upon the next successful capital raising conducted by the Group. As at 30 June 2017 the balance that the Group was expected to pay is \$195,500, which was disclosed as a contingent liability at 30 June 2017. During the year ended 30 June 2018, a total of \$385,557 has been paid by the Group to IRD. Payments made during the current year included settlement of the pre-existing contingent liability from the prior year, as well as additional costs incurred in the year ended 30 June 2018. The agreement between Eight South and IRD is at arm's-length and on commercial terms.

PACIFIC BAUXITE LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2018

28. Remuneration of Auditor

	2018	2017
	\$	\$
Amounts received or due and receivable by Rothsays Auditing for:		
- an audit or review of the financial statements of the entity		
	23,000	27,500
	<u>23,000</u>	<u>27,500</u>

29. Events Occurring After the Reporting Period

The Company issued the following securities subsequent to 30 June 2018:

- 11,558,390 shares (being the Tranche 2 Second Placement shares);
- 41,403,450 unlisted options (being the Placement Options);
- 15,000,000 unlisted options (being the Broker Options); and
- 11,906,594 unlisted options pursuant to a SPP prospectus lodged 3 August 2018.

No other matters or circumstances have arisen since the end of the 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.

PACIFICBAUXITE LIMITED

DIRECTORS DECLARATION

30 JUNE 2018

In the Directors' opinion:

1. The financial statements and notes set out on pages of Pacific Bauxite Limited for the year ended 30 June 2018 are in accordance with the *Corporations Act 2001*, including:
 - a. Complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - b. Giving a true and fair view of the entity's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
 - c. Complying with IFRS and interpretations adopted by the International Accounting Standards Board.
2. There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the *Corporations Act 2001*.

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



John Ciganek
Non-Executive Chairman

21 September 2018
Perth, Western Australia



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P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 9486 7094 www.rothsayresources.com.au

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF PACIFIC BAUXITE LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Pacific Bauxite Limited ("the Company") and its subsidiary (the Group) which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended on that date and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration of the Company.

In our opinion the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under these standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of this report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

Cash and cash equivalents

The Group's cash and cash equivalents make up 90% of net assets by value and is considered to be the key driver of the Group's operations and exploration activities. We do not consider cash and cash equivalents to be at a high risk of significant misstatement, or to be subject to a significant level of



Chartered Accountants



judgement. However due to the materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall strategy and allocation of resources in planning and completing our audit.

Our procedures over the existence of the Group's cash and cash equivalents included but were not limited to:

- Documenting and assessing the processes and controls in place to record cash transactions;
- Testing a sample of cash payments to determine they were bona fide payments, were properly authorised and recorded in the general ledger; and
- Agreeing 100% of cash holdings to independent third party confirmations.

We have also assessed the appropriateness of the disclosures included in notes 1, 2 and 6 to the financial report.

Exploration and evaluation expenditure

The Group incurred significant exploration and evaluation expenditure during the year. We do not consider exploration and evaluation expenditure to be at a high risk of significant misstatement, or to be subject to a significant level of judgement. However due to the materiality in the context of the financial statements as a whole, they are considered to be an area which had an effect on our overall strategy and allocation of resources in planning and completing our audit.

Our procedures in assessing the exploration and evaluation expenditure included but were not limited to the following:

- We obtained evidence that the Group had valid rights to explore in the areas represented by the exploration and evaluation expenditure by confirming the Group's tenement holdings;
- We enquired of management and reviewed work programs on exploration and evaluation on the mineral resources in the Group's areas of interest and cross referenced these discussions to ASX announcements and where applicable minutes of directors' meetings;
- We tested a sample of exploration and evaluation expenditure to supporting documentation to ensure they were bona fide payments; and
- Documenting and assessing the processes and controls in place to record exploration and evaluation transactions.

We have also assessed the appropriateness of the disclosures included in Notes 1 and 4 to the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.



Chartered Accountants



In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If based on the work we have performed we conclude there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 the 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/Home.aspx

We communicate with the directors regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe those matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.



Chartered Accountants



Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2018.

In our opinion the remuneration report of Pacific Bauxite Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

Rothsay Auditing

Dated **21** September 2018

**Graham Swan FCA
Partner**



Chartered Accountants

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

PACIFIC BAUXITE LIMITED

SHAREHOLDER INFORMATION

ASX Information

Pacific Bauxite Limited is a listed public company incorporated in Australia and with a registered and principal place of business is Level 3, 33 Ord Street West Perth WA 6152.

The substantial shareholders as at 18 September 2018 were:

Substantial Shareholder	Number Held	Percentage
Mr Scott James Dodd <Scott Dodd Family A/C>	30,800,000	7.77%

Distribution of shareholders as at 18 September 2018

Range of Holding	Holders	Shares
1 - 1,000	34	10,938
1,001 - 5,000	231	678,632
5,001 - 10,000	234	2,166,394
10,001 - 100,000	677	27,208,231
Greater than 100,000	423	366,549,839
	1,599	396,614,034

Shareholders with less than a marketable parcel - minimum \$ 500 parcel at \$ 0.0130 per unit Minimum parcel size of 38,462 made up of 908 holders and 12,461,193 units.

TWENTY LARGEST HOLDERS OF QUOTED ORDINARY SHARES AS AT 18 SEPTEMBER 2018

	Ordinary Shares	
	Number Held	Percentage of issued shares
MR SCOTT JAMES DODD <SCOTT DODD FAMILY A/C>	30,800,000	7.77
L NARRAMORE NOMINEES PTY LTD <L NARRAMORE SUPER FUND A/C>	9,056,234	2.28
MR BRIAN HENRY MCCUBBING + MRS ADRIANA MARIA MCCUBBING <B MCCUBBING SUPER FUND A/C>	9,000,000	2.27
BPM CAPITAL LIMITED	8,100,000	2.04
GANDRIA CAPITAL PTY LTD <THE TEDBLAHNKI FAMILY A/C>	7,666,700	1.93
MR NICHOLAS MICHAEL WIXON WILLIS	7,200,000	1.82
MR DEAN ROBERT MELLERS <DAHRC A/C>	6,200,000	1.56
DAEM NOMINEES PTY LTD <DAEM SUPER FUND A/C>	6,155,250	1.55
SAN ANCONA NO 1 PTY LTD <SAN ANCONA PTY LTD S/F A/C>	5,000,000	1.26
STARLET COURT PTY LTD <MUSGRAVE SUPER FUND A/C>	4,720,000	1.19
BUDWORTH CAPITAL PTY LTD <ROLLING HILLS CAPITAL A/C>	4,700,000	1.19
MR JOHN ROGER DARVALL	4,148,000	1.05
BRUCE BAADE & ASSOCIATES PTY LTD <BRUCE BAADE & ASSOC SUP A/C>	4,122,956	1.04
MR PAUL WINSTON ASKINS	3,865,633	0.97
MR JON RUTHERFORD CHOMLEY + MRS PAMELA CHOMLEY <COLDCHOM SUPER FUND A/C>	3,799,352	0.96
MR NOEL GEORGE SMITH	3,395,228	0.86
MR ROLAND MICHAEL JOHNSTON <THE JOHNSTON FAMILY A/C>	3,300,000	0.83
MR NIKOLAS BURFOOT	3,250,000	0.82
AUSTGROWTH INVESTMENTS PTY LTD	3,200,000	0.81
P B LEWIS & CO PTY LTD	3,100,000	0.78
	130,779,353	32.97

PACIFIC BAUXITE LIMITED

SHAREHOLDER INFORMATION

Voting Rights

In accordance with the Company's constitution, on show of hands every member present in person or by proxy or attorney or duly authorised representative had one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held. Options do not carry a right to vote.

Unquoted Securities

Unquoted securities on issue at 18 September 2018 include:

1. 8,500,000 unquoted options at \$0.08, expiring 1 December 2019. Director Brett Smith holds 2,500,000 options. Directors Pippa Coppin and John Ciganek and Company Secretary Suraj Sanghani each hold 1,000,000 options. Former Director Mark Gwynne holds 2,500,000 options. A consultant holds 500,000 options.
2. 10,500,000 performance rights that each vest to one fully paid ordinary share upon either the:
 - Commencement of mining at the Nendo Project; or
 - The disposal by Eight South Investments Pty Ltd of the Nendo Project for no less than A\$25,000,000. Being a net amount of A\$12,500,000 payable to Pacific Bauxite for its 50% interest in Eight South Investments Pty Ltd.

Each performance right will expire on 1/12/19

Director Brett Smith holds 3,000,000 performance rights. Directors Pippa Coppin and John Ciganek each hold 1,500,000 performance rights. Company Secretary Suraj Sanghani holds 1,000,000 performance rights. Former Director Mark Gwynne holds 3,000,000 performance rights. A consultant holds 500,000 performance rights.

None of these options or performance rights have any voting rights attached to them.

Shares and Options escrowed

No shares or options are under escrow as at 18 September 2018.

On Market Buy-Back

There is currently no on market buy back being conducted by the Company.

PACIFIC BAUXITE LIMITED

INTEREST IN MINING TENEMENTS

Schedule of Mineral Tenements held as at 18 September 2018

Location	Tenement	Holder	Area	Group's beneficial interest (%)
Solomon Islands ^{1,2}	PL 04/17	Australian Pacific Bauxite Pty Ltd ²	236 km ²	50%
Western Australia	ELA 70/5111 EL 70/5112 ³	PBX Aus Pty Ltd	405 km ²	100%

¹During the June 2018 quarter the Minister of Mines, Energy and Rural Electrification, advised that prospecting license PL 01/16 held by its 50% owned subsidiary Eight South Pty Ltd in respect of the Solomon Islands Nendo Bauxite Project was cancelled.

The Company has formally submitted its appeal documents with the High Court in the Solomon Islands with respect to the cancelation of the Nendo Bauxite Project prospecting licence PL 01/16, and out-of-court negotiations are ongoing.

² A wholly owned subsidiary of Eight South Investments Pty Ltd, a Company in which Pacific Bauxite Ltd has a 50% interest.

³ Subject to the execution of the Noongar Standard Heritage Agreement.