
PACIFIC BAUXITE LIMITED

ABN 62 112 914 459

**INTERIM FINANCIAL
REPORT 2017**

For the Half-Year Ended 31 December 2017

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

Chief Executive Officer

Mark Gwynne

Legal Advisors

Steinepreis Paganin
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Perth Western Australia 6000

Company Secretary

Suraj Sanghani

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
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Perth WA 6000

Head Office

Level 3, 33 Ord Street
West Perth WA 6005

Website Address

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Email

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Country of Incorporation

Pacific Bauxite Limited is domiciled and incorporated in Australia

Stock Exchange Listing

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

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PACIFIC BAUXITE LIMITED

DIRECTORS' REPORT

The directors of Pacific Bauxite Limited (**Pacific Bauxite** or **Company**) submit their report for the half-year ended 31 December 2017.

DIRECTORS

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

John Ciganek – Non-Executive Chairman¹
Brett Smith – Non-Executive Director
Pippa Coppin – Non-Executive Director
Peter Lewis – Non-Executive Director (Appointed 30 January 2018)
Mark Gwynne - Chief Executive Officer²

¹ Effective 30 September 2017, Mr Ciganek transitioned from the role of a Non-Executive Director to Non-Executive Chairman.

² Effective 30 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.

REVIEW AND RESULTS OF OPERATIONS

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

The net loss of the entity for the half-year after tax was \$1,745,972 (2016: loss of \$826,363) with total revenues of \$74,710 (2016: \$11,024). Major costs were administration \$187,153 (2016: \$224,797), employment costs of \$221,096 (2016: \$422,030) which included an expense for directors, employees and consultants options of nil (2016: \$225,209), and the Group's share of the losses of its associate \$453,695 (2016: losses \$109,848).

PROJECT REVIEW

SOLOMON ISLANDS

Nendo Bauxite Project

The Nendo Bauxite Project (**Nendo**) located in the Solomon Islands (Figure 1) has demonstrated extensive areas of potentially high-grade direct shipping ore (**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 km by 2 km.

Recent work by the Company at Nendo has focused on strengthening its relationships with the local communities and establishing frameworks of engagement between the parties. Exploration proposed for the end of 2017 was delayed due to poor weather that affected access to the island and ongoing awareness programs with traditional owners. Exploration work is expected to continue within the March 2018 quarter.

To date, the Company has completed first phase reconnaissance prospecting at Nendo and has identified significant areas of bauxite mineralisation (ASX announcements 19th May, 7th July and 25th 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 of the Company's activities and provided the opportunity to educate and inform the local communities of the resources existing on their land.

The Company looks forward to progressing its activities at Nendo. The next phase of exploration will target identified higher-grade areas of bauxite mineralisation and is intended to generate sufficient data to determine an exploration target, and possibly an Interim Resource estimate. Exploration to test prospective new areas with auger drilling is ongoing.

PACIFIC BAUXITE LIMITED DIRECTORS' REPORT



Figure 1 – Solomon Islands Project Locations

South West New Georgia Bauxite Project

During the September Quarter, Pacific Bauxite completed the acquisition of the South West New Georgia Bauxite Project (**SWNG**) in the Solomon Islands (ASX announcement 4th 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 (**Prospecting Licence**).

The Company believes SWNG is prospective for large tonnage direct shipping ore (**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 new 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 km and included 39 auger holes for 101 samples. This work identified substantial tonnages of material with grades of between 40% and 45% total Al₂O₃ and 5% to 10% total SiO₂.

The Prospecting Licence has been granted to Pacific Bauxite 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.

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

High-grade bauxite regions identified at SWNG

Soon after acquiring SWNG, the Company identified three high-grade bauxite targets during its reconnaissance-sampling program (ASX announcements 8th August and 7th 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% Al₂O₃ (alumina).

The program resulted in the discovery of three distinct high grade targets, each returning peak results of between 55% and 57% Al₂O₃ (Figure 2).

Sampling to date indicates the mineralisation at SWNG contains slightly higher SiO₂ (silicon dioxide) content than the Company's Nendo Project. However, with results as low as less than 1% total SiO₂ and almost one third of the samples containing below 16% total SiO₂, there is potential to delineate significant tonnages of DSO quality, high value material with lower SiO₂ content.

The critical "reactive silica" content is expected to be substantially less than the total SiO₂ content measured by the hand held XRF. As the "reactive silica" and "available alumina" analysis for these

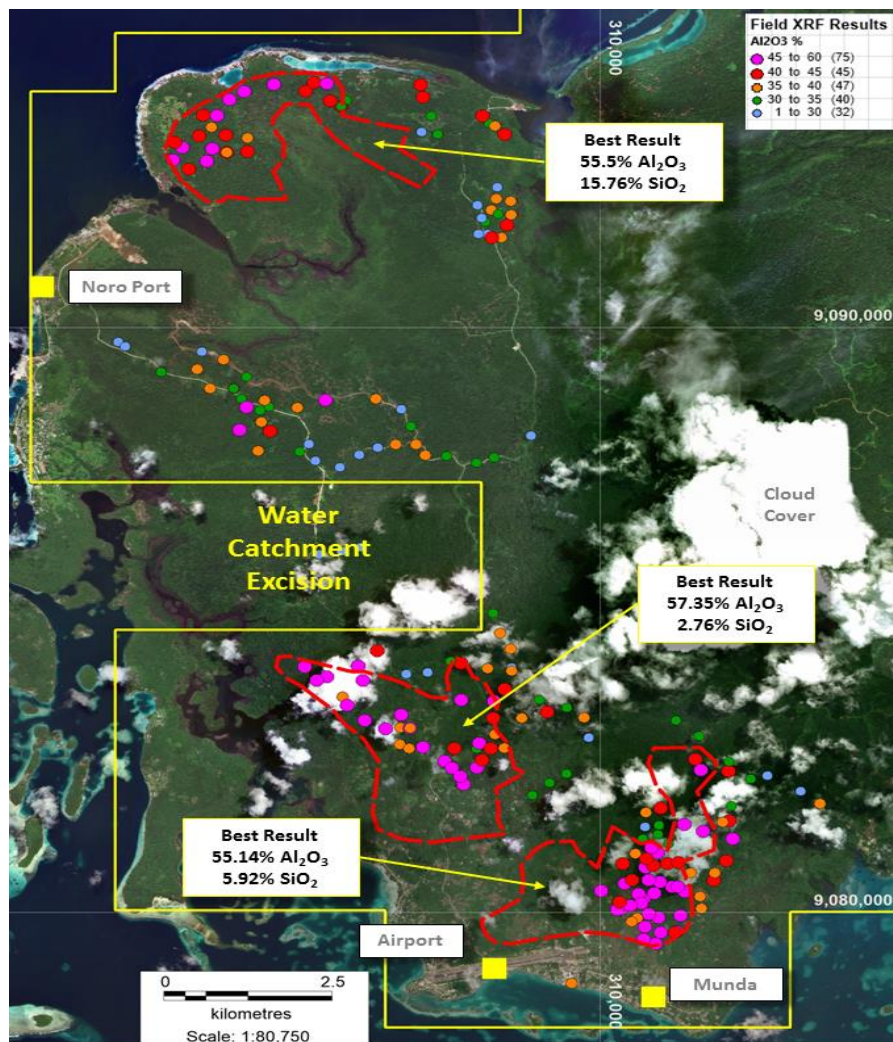


Figure 2 – Landsat imagery of the SNWG Project, including reconnaissance sampling locations, colour coded with grade ranges for field hand-held XRF Al₂O₃ results.

PACIFIC BAUXITE LIMITED

DIRECTORS' REPORT

samples cannot be tested with the handheld XRF tool, representative samples will be sent to a certified Australian laboratory for analysis

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 Prospecting Licence.

On-going Solomon Islands community engagement

Prior to, and as a condition of, the granting of Prospecting Licences at Nendo and SWNG, 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 MMERE (National Government). In support of this process, it is the Company's policy to provide continuing 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 its Solomon Islands 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 addresses 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. The Company's approach would be based on long-term sustainable land use, not short-term gain.

AUSTRALIA

Darling Ranges Bauxite Project

Post Half-Year end, the Company announced it had acquired the Darling Range Bauxite Project (**Darling Range Project**) located in the Darling Ranges northeast of Perth, Western Australia (ASX announcement 15th January 2018).

The acquisition is consistent with the Company's strategy to build a portfolio of high quality bauxite assets in targeted jurisdictions, in order to position itself to help satisfy the forecasted near term growth in global bauxite demand.

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 3).

The Darling Range Project area hosts a JORC 2004 Inferred Mineral Resource estimate of 89.3Mt @ 41.75% total Al₂O₃ (aluminium oxide) and 4.43% reactive (soluble) SiO₂ (silicon dioxide), inclusive of nine main resource areas over a strike of approximately 75km. See Table 1, below, for Resource details.

Darling Range	Tonnes (MT)	Total Al₂O₃ %	Available Al₂O₃ %	Reactive SiO₂%	LOI %
Total Inferred Resource	89.3	41.75	28.51	4.43	19.21

Table 1: Published JORC (2004) compliant resource estimate (IRM, 2011) at a cut-off of 26% Available Al₂O₃.

Pacific Bauxite previously held the tenements covering the Darling Range Project when it was named Iron Mountain Mining (ASX:IRM). The Company sold the Darling Range tenements to Chinese-backed

PACIFIC BAUXITE LIMITED

DIRECTORS' REPORT

private mineral resources investment company Alpha Bauxite Pty Ltd (**Alpha**) in 2012 (IRM ASX announcements, 6 March 2012 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.

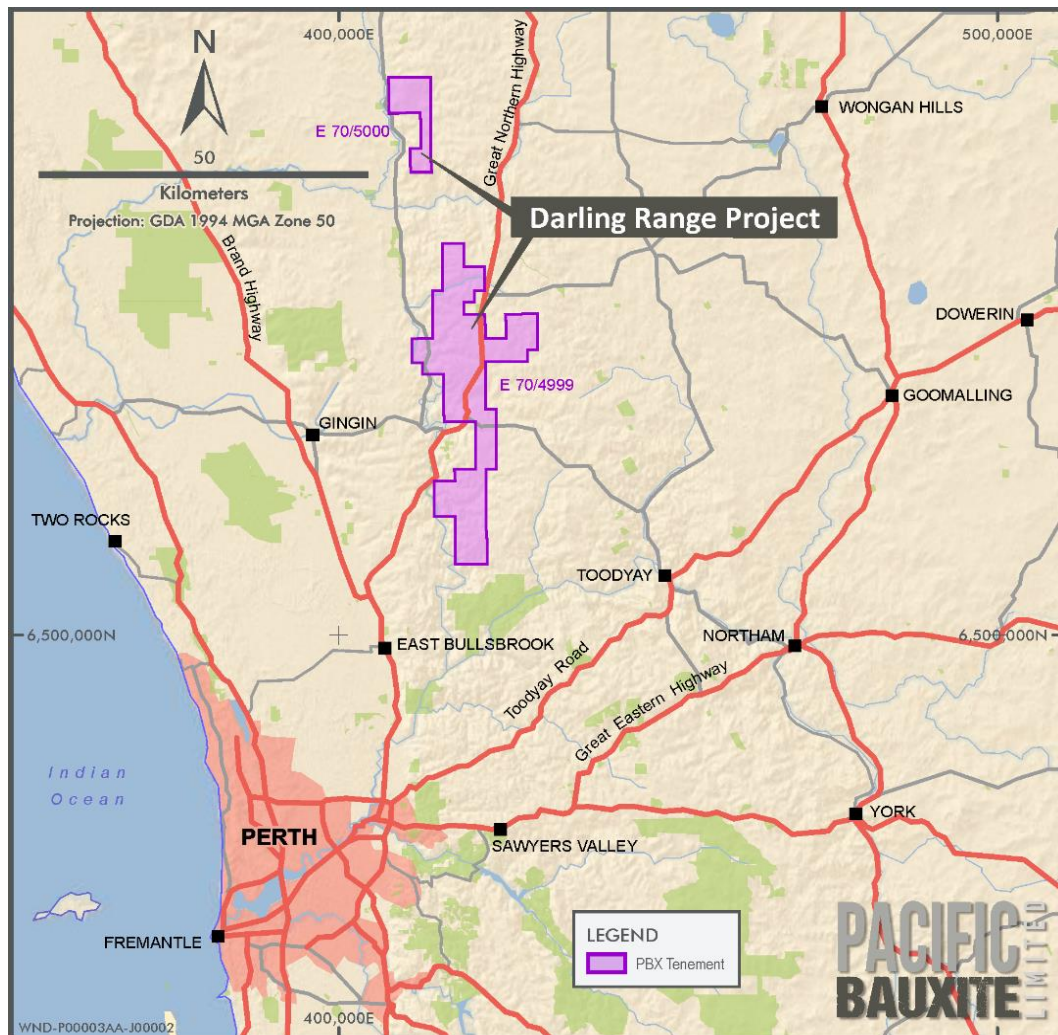


Figure 3: Darling Range Project Location

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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The Darling Range Project Acquisition

The consideration payable by Pacific Bauxite to Nearology Pty Ltd (**Nearology**) for assistance in relation to the acquisition of the Darling Range Project comprised the aggregate of:

- 1,000,000 fully paid ordinary shares in Pacific Bauxite, issued on settlement; and
- a cash payment of \$30,000, with payment deferred subsequent to any future equity capital raising by Pacific Bauxite.

Golden Camel Project, Victoria

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.

Mount Richardson Project

Cliffs Asia Pacific Iron Ore Pty Ltd is the owner of E29/571 following 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 and is currently has an EPA Assessment in Progress.

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 Pacific Bauxite Limited. 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 Restructure

On 4 September 2017, Mr. Mark Gwynne stepped down as the Company's Executive Chairman and assumed the position of Executive Director and CEO. Mr. John Ciganek, formerly a Non-Executive Director of the Company, replaced Mr. Gwynne as Non-Executive Chairman.

Capital Raising

On 15 September 2017 Pacific Bauxite completed 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 (**Placement**).

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**).

PACIFIC BAUXITE LIMITED

DIRECTORS' REPORT

During the period, 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 (**Tranche 2**).

Issue of Shares

During the period, the Company issued the following:

- 73,076,919 shares pursuant to the Placement;
- 20,000,000 shares being the final consideration shares payable in respect of the acquisition of a 50% interest in Eight South; and
- 1,000,000 shares upon exercise of unlisted options with an exercise price of \$0.03 each.

Option Movements

During the period, 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 period, 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 period following the receipt of \$47,990 as the first and final dividend from the bankrupt estate in October 2017.

Results of General Meeting

The Company held a General Meeting of Shareholders on 18 August 2017 and all resolutions put to the meeting were passed unanimously.

Results of Annual General Meeting

The Company held its Annual General Meeting of Shareholders on 30 November 2017 and all resolutions put to the meeting were passed unanimously.

Events occurring after the reporting date

Darling Range Project acquired

As announced 15 January 2018, Pacific Bauxite acquired two exploration licence 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 ; and
- (b) pay Nearology a cash payment of \$30,000, with payment deferred subsequent to any future equity capital raising by Pacific Bauxite.

Shares issued

As detailed above, on 15 January 2018 the Company issued 1,000,000 shares to Nearology in connection with the Company's Darling Range Project acquisition.

Board changes and corporate appointment

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

On 30 January 2018, Mr. Mark Gwynne resigned as Executive Director, remaining in the role of Chief Executive Officer.

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

PACIFIC BAUXITE LIMITED

DIRECTORS' REPORT

Auditor's Independence Declaration

The auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* for the half-year ended 31 December 2017 has been received and is set out on page 9.

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



John Ciganek
Non-Executive Chairman
12 March 2018
Perth, Western Australia



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

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

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 review of the 31 December 2017 interim financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Graham R Swan FCA (Lead auditor)

Rothsay Auditing

Dated 12th March 2018



Chartered Accountants

PACIFIC BAUXITE LIMITED
INTERIM CONSOLIDATED STATEMENT OF PROFIT
OR LOSS AND OTHER COMPREHENSIVE INCOME
For the half-year ended 31 December 2017

	Notes	31-Dec-2017 \$	31-Dec-2016 \$
Revenue from continuing operations	3	6,423	5,562
Other Revenue	3	68,287	5,462
Administration costs		(187,153)	(224,797)
Exploration costs		(43,153)	(29,458)
Depreciation		(8,195)	(2,739)
Employment costs		(221,096)	(422,030)
Impairment of available for sale financial assets		-	(48,515)
Share of net loss of associate accounted for using the equity method	7	(453,695)	(109,848)
Impairment of loan to associate		(907,390)	-
(Loss) before income tax		<u>(1,745,972)</u>	<u>(826,363)</u>
Income tax expense		-	-
(Loss) from the half year		<u>(1,745,972)</u>	<u>(826,363)</u>
Profit is attributable to:			
Owners of Pacific Bauxite Limited		(1,745,972)	(826,363)
		<u>(1,745,972)</u>	<u>(826,363)</u>
Total comprehensive (loss) for the half year		<u>(1,745,972)</u>	<u>(826,363)</u>
Total comprehensive (loss) is attributable to:			
Owners of Pacific Bauxite Limited		(1,745,972)	(826,363)
		<u>(1,745,972)</u>	<u>(826,363)</u>
Basic (loss) per share (cents per share)		(0.70)	(0.56)
Diluted (loss) per share (cents per share)		(0.70)	(0.56)

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

PACIFIC BAUXITE LIMITED
INTERIM CONSOLIDATED STATEMENT OF
FINANCIAL POSITION
As at 31 December 2017

	Notes	31-Dec-2017 \$	30-Jun-2017 \$
CURRENT ASSETS			
Cash and Cash Equivalents		897,735	455,324
Trade and Other Receivables		24,020	35,679
TOTAL CURRENT ASSETS		<u>921,755</u>	<u>491,003</u>
NON-CURRENT ASSETS			
Property, Plant and Equipment		155,581	24,525
Available for Sale Financial Assets		-	3,110
Investment accounted for using the equity method	7	895,792	889,487
TOTAL NON-CURRENT ASSETS		<u>1,051,373</u>	<u>917,122</u>
TOTAL ASSETS		<u>1,973,128</u>	<u>1,408,125</u>
CURRENT LIABILITIES			
Trade and Other Payables		113,146	124,834
Provisions		46,609	41,303
Deferred consideration on acquisition of associate		-	340,000
TOTAL CURRENT LIABILITIES		<u>159,755</u>	<u>506,137</u>
NON-CURRENT LIABILITIES			
Trade and Other Payables		34,097	-
TOTAL NON-CURRENT LIABILITIES		<u>34,097</u>	<u>-</u>
TOTAL LIABILITIES		<u>193,852</u>	<u>506,137</u>
NET ASSETS		<u>1,779,276</u>	<u>901,988</u>
EQUITY			
Contributed Equity	4	17,353,140	14,729,880
Reserves		1,490,422	1,490,422
Accumulated Losses		(17,064,286)	(15,318,314)
TOTAL EQUITY		<u>1,779,276</u>	<u>901,988</u>

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

PACIFIC BAUXITE LIMITED

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2017

2017	Contributed equity \$	Accumulated Losses \$	Option Reserve \$	Total \$
Balance as at 1 July 2016	14,729,880	(15,318,314)	1,490,422	901,988
Total comprehensive loss for the half year				
Loss for the half year	-	(1,745,972)	-	(1,745,972)
Total comprehensive loss for the year	-	(1,745,972)	-	(1,745,972)
Transactions with equity holders in their capacity as equity holders				
Issue of shares – Placement	1,900,000	-	-	1,900,000
Issue of shares – acquisition of associate	800,000	-	-	800,000
Issue of shares – exercise of options	30,000	-	-	30,000
Share issue costs	(106,740)	-	-	(106,740)
Balance as at 31 December 2017	17,353,140	1,490,422	(17,064,286)	1,779,276

2016	Contributed equity \$	Accumulated Losses \$	Option Reserve \$	Total \$
Balance as at 1 July 2016	13,186,212	(13,546,374)	1,265,212	905,050
Total comprehensive loss for the half year				
Loss for the half year	-	(826,363)	-	826,363)
Total comprehensive loss for the year	-	(826,363)	-	(826,363)
Transactions with equity holders in their capacity as equity holders				
Share based payments acquisition of associate	800,000	-	-	800,000
Issue of options	-	-	225,209	225,209
Balance as at 31 December 2016	13,986,212	(14,372,737)	1,490,421	1,103,896

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

PACIFIC BAUXITE LIMITED
INTERIM CONSOLIDATED STATEMENT OF CASH
FLOWS

For the half year ended 31 December 2017

	31-Dec-2017	31-Dec-2016
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	6,423	5,562
Receipt from bankrupt trustees for debt recovery	47,990	-
Interest received	4,844	3,948
Payments for exploration and evaluation	(986,208)	(274,197)
Payment to suppliers and employees	(382,262)	(383,533)
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	(1,309,213)	(648,220)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(88,737)	(2,223)
Proceeds from sale of available for sale financial asset	17,101	-
Proceeds from sale of property, plant and equipment	-	2,000
NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES	(71,636)	(223)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of shares, net of costs	1,823,260	-
NET CASH (OUTFLOW) FROM FINANCING ACTIVITIES	1,823,260	-
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	442,411	648,443
Cash and cash equivalents at the beginning of half year	455,324	925,625
CASH AND CASH EQUIVALENTS AT END OF HALF YEAR	897,735	277,182

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

PACIFIC BAUXITE LIMITED

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

1. Basis of Preparation

These condensed interim financial reports for the half-year reporting period ended 31 December 2017 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 134 *Interim Financial Reporting*.

These interim financial reports do not include all the notes of the type normally included in annual financial reports. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by the entity during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

New accounting standards and interpretations

In the half-year ended 31 December 2017, the entity has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2017.

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

The entity has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2017. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to the entity's accounting policies.

Going concern

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The Company has incurred net losses after tax of \$1,745,972 (2016: \$826,363) and net cash outflows from operating activities of \$1,309,213 (2016: \$648,220) for the period ending 31 December 2017. The cash balance as at 31 December 2017 was \$897,735 (30 June 2017: \$455,324).

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

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

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

PACIFIC BAUXITE LIMITED

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

2. Fair Value measurement of financial instruments

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

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

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

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

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

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

3. Revenue

	31-Dec-2017 \$	31-Dec-2016 \$
From Continuing Activities		
Sales Revenue – Recharging of administration expenses to a Director related entity	6,423	5,562
	<u>6,423</u>	<u>5,562</u>
Other Revenue		
Interest received	6,306	4,842
Gain on sale of Assets held for sale	13,991	620
Recovery of legal fees	47,990	-
	<u>68,287</u>	<u>5,462</u>

4. Contributed Equity

	31-Dec-2017 Shares	30-Jun-2017 Shares	31-Dec-2017 \$	30-Jun-2017 \$
(a) Share Capital				
Ordinary Shares Fully Paid	288,994,032	194,917,113	17,353,140	14,729,880
	<u>288,994,032</u>	<u>194,917,113</u>	<u>17,353,140</u>	<u>14,729,880</u>

(b) Movements in ordinary capital

Date	Details	Number of shares	Issue Price \$
1 July 2017	Opening balance	194,917,113	14,729,880
15 September 2017	Shares issued pursuant to a Placement (i)	73,076,919	1,900,000
27 September 2017	Shares issued in full and final consideration of 50% of Eight South Investments Pty Ltd (ii)	20,000,000	800,000
19 December 2017	Shares issued on exercise of options (iii)	1,000,000	30,000
	Share issue costs	-	(106,740)
31 December 2017	Closing balance	<u>288,994,032</u>	<u>17,353,140</u>

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- (i) On 15 September 2017, Pacific Bauxite completed 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 (**Placement**).
- (ii) 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).

During the half-year period to 31 December 2017, 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 (Tranche 2).

- (iii) During the period 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.

5. Commitments and Contingencies

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

	31-Dec-17 \$	30-Jun-17 \$
Within one year	36,663	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	36,663	69,310

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

6. Segment Information

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

	Solomon Islands \$	Australia \$	Total \$
31 December 2017			
Revenue	-	74,710	74,710
Total Segment Revenue	-	74,710	74,710
Segment net operating profit/loss after tax	(453,695)	(1,366,987)	(1,745,972)
Interest revenue	-	6,306	6,306
Gain on sale of assets held for sale	-	13,991	13,991
Other revenue	-	54,413	54,413
Depreciation	-	(8,195)	(8,195)

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

The following table presents assets and liabilities information for the Group's operating segments as at 31 December 2017 and 30 June 2017

31 December 2017			
Segment Assets	895,792	1,077,336	1,973,128
Segment Liabilities	-	(193,852)	(193,852)
30 June 2017			
Segment Assets	898,582	509,543	1,408,125
Segment Liabilities	(26,478)	(442,179)	(506,137)

7. Investment in Associated Entity

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 during the year ended 30 June 2017.

During the half-year period to 31 December 2017, 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.

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

	31-Dec-2017 \$
Balance at the beginning of the period	889,487
Shares issued during the period	800,000
Minus: Deferred considered recorded in prior period	(340,000)
Share of losses of associates	(453,695)
	<u>895,792</u>

8. Related Party Disclosure

The Company recharged office expenditure to Corazon Mining Ltd, a Director-related entity of Mr. Brett Smith. This amounted to \$952 (2016: \$5,562). All amounts recharged had been paid as at 31 December 2017.

The Company recharged office expenditure to Topaz Corporate Pty Ltd, a Director-related entity of Mr. Brett Smith. This amounted to \$5,471 (2016: Nil). All amounts recharged had been paid as at 31 December 2017.

On the 4 September 2017 Mr. Mark Gwynne's role changed from Executive Chairman to Executive Director and CEO his remuneration increased from \$65,000 per annum plus superannuation to \$100,000 per annum plus superannuation.

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9. Events occurring after the reporting date

Darling Range Project acquired

As announced 15 January 2018, Pacific Bauxite acquired two exploration licence 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; and
- (b) pay Nearology a one-off cash payment of \$30,000, with payment deferred subsequent to any future equity capital raising by Pacific Bauxite.

Shares issued

On 15 January 2018, in connection with the Company's Darling Range Project acquisition (detailed above), the Company issued 1,000,000 shares to Nearology.

Board changes and corporate appointment

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

On 30 January 2018, Mr. Mark Gwynne resigned as Executive Director, remaining in the role of Chief Executive Officer.

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

PACIFIC BAUXITE LIMITED

DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 10 to 18 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that the Entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors made pursuant s303(5) of the Corporations Act 2001 and signed on behalf of the board by:



John Ciganek
Non-Executive Chairman
12 March 2018
Perth, Western Australia



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Independent Review Report to the Members of Pacific Bauxite Limited

The financial report and directors' responsibility

The interim consolidated financial report comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, cashflow statement, accompanying notes to the financial statements, and the directors' declaration for Pacific Bauxite Limited for the half-year ended 31 December 2017.

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

Review approach

We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim consolidated financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated financial position as at 31 December 2017 and the performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Pacific Bauxite Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- giving a true and fair view of the consolidated financial position as at 31 December 2017 and of the performance for the half-year ended on that date; and
- complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Chartered Accountants



Emphasis of Matter regarding Continuation as a Going Concern

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

Rothsey

Rothsey Auditing

GRSw

**Graham R Swan FCA
Partner**

Dated *12th* March 2018



Chartered Accountants