

PACIFIC BAUXITE LIMITED

9 May 2018

Dear Shareholder,

Invitation to Participate in Share Purchase Plan

On behalf of the board of directors (**Board**) of Pacific Bauxite Limited (**PBX** or **Company**), I am pleased to offer all eligible PBX Shareholders the opportunity to purchase up to \$15,000 worth of fully paid ordinary shares in PBX (**Shares**), irrespective of the size of their shareholding, without incurring brokerage or transaction costs under a Share Purchase Plan (**Plan**).

The offer under the Plan (**Offer**) will raise up to \$1 million on the terms and conditions (**Terms and Conditions**) contained in this letter and is in addition to the recently completed placement, which raised approximately \$2.5 million (**Placement**).

The Plan issue price is 2.9 cents per Share. The issue price represents a 7.57% discount to the volume weighted average price of Shares over the last 5 days on which sales of the Shares were recorded by ASX prior to the date of the announcement of the Plan on 4 May 2018 and a 19.44% discount to the last closing price of the Shares prior to the date of the announcement of the Plan.

In addition, Eligible Shareholders (defined below) who participate in the Plan will be entitled to participate in the issue of new options (**Options**) on the basis of one (1) new Option for every two (2) Shares applied for and received under the Plan. The Options will be exercisable at \$0.06 on or before 25 June 2021. The issue of the Options will occur under an entitlement issue to be conducted after the close of the Plan.

The proceeds of the Plan, together with those from the Placement, will be used to accelerate exploration at the Company's Nendo Bauxite Project and South-West New Georgia Bauxite Project in the Solomon Islands, as well as for Resource estimation work and general working capital.

The right to participate under the Plan is optional and is available exclusively to shareholders who are registered as holders of Shares at 7.00pm (Sydney time) on the Record Date of 3 May 2018 and whose registered address is in Australia or New Zealand (**Eligible Shareholders**).

The Company reserves the right to scale back applications in its absolute and sole discretion. When determining the amount (if any) by which to scale back a Plan application, the Company may take into account a number of factors, including the size of an applicant's shareholding in the Company, the extent to which an applicant has sold or bought additional shares in the Company after the Plan record date and the date on which an application was made.

Details of the Plan are set out in the Terms and Conditions and the personalised application form enclosed with this letter. The Board urges you to read these Terms and Conditions carefully and in their entirety before deciding whether or not to participate in the Plan. If you are uncertain whether Shares are a suitable investment for you, then you should consult your financial or other professional adviser.

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Indicative Timetable

Record Date for Share Purchase Plan	3 May 2018
Announce Share Purchase Plan	4 May 2018
Section 708A "Cleansing Notice" lodged with ASX	Friday, 11 May 2018
Dispatch Share Purchase Plan booklet to shareholders and release Offer Letter on the ASX	Friday, 11 May 2018
Share Purchase Plan Opens	Friday, 11 May 2018
Closing date for Share Purchase Plan	Monday, 21 May 2018
Lodge Appendix 3B, Issue of new shares under the Share Purchase Plan	Friday, 25 May 2018
Quotation on ASX of new shares under the Share Purchase Plan	Friday, 25 May 2018

These dates are indicative only. PBX may vary the dates and times of the Offer without notice. Accordingly, shareholders are encouraged to submit their Application Forms as early as possible.

On behalf of the Board, I invite you to consider this opportunity to increase your investment in the Company.

Yours faithfully



John Ciganek
Non-Executive Chairman
Pacific Bauxite Limited

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Shareholder Share Purchase Plan - Terms and Conditions

Share Purchase Plan

The Plan entitles Eligible Shareholders, irrespective of the size of their shareholding, to purchase up to \$15,000 worth of Shares priced at \$0.029 per Share (**Price**) representing a discount of 7.57% to the volume weighted average market price (**VWAP**) for the Shares over the last 5 days on which sales in the shares were recorded before the day on which the issue was announced of \$0.03137. This Price is the same price as Shares were offered to sophisticated and professional investors under the Placement. In addition, Eligible Shareholders who participate in the Plan will be entitled to participate in the issue of new Options on the basis of one (1) new Option for every two (2) Shares applied for and received under the Plan. The Options will be exercisable at \$0.06 on or before 25 June 2021. The issue of the Options will occur under an entitlement issue to be conducted after the close of the Plan.

The Company reserves the right to scale back applications in its absolute and sole discretion. When determining the amount (if any) by which to scale back a Plan application, the Company may take into account a number of factors, including the size of an applicant's shareholding in the Company, the extent to which an applicant has sold or bought additional shares in the Company after the Plan record date and the date on which an application was made.

An application form for the Plan (**Application Form**) and reply paid envelope (or self-addressed envelope for New Zealand investors) are included in this package.

PBX Shares will also be issued without the need to pay brokerage costs and without the need for PBX to issue a Prospectus. The Plan is governed upon such terms and conditions as the board of directors of PBX, in its absolute discretion, sees fit.

Entitlement to Participate in Option Issue

As set out in the announcement on 4 May 2018, the Company intends to seek the approval of Shareholders for the issue of Options, exercisable at \$0.06 on or before 25 June 2021, to participants in the Placement.

The Company also intends to seek approval to enable Eligible Shareholders who participate in the SPP to also receive Options on the same terms as those Options being issued under the Placement.

The issue of these Options will occur after the closing of the SPP and only after Shareholder approval is received for the issue of those Options.

Current Activities

Details of PBX's current activities are set out in the announcements made by PBX to the ASX and are available from the ASX, or PBX's website at www.pacificbauxite.com.au.

The funds raised under the Plan (and the Placement) will be used, as set out in the announcement on 4 May 2018, to accelerate exploration at the Company's Nendo Bauxite Project and South-West New Georgia Bauxite Project in the Solomon Islands, as well as for resource estimation work and general working capital.

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Shareholders Eligible to Participate

Holders of PBX's Shares that are registered with an Australian or New Zealand address at the relevant record date are eligible shareholders (**Eligible Shareholders**) and may participate in the Plan, unless such registered shareholder holds shares on behalf of another person who resides outside Australia or New Zealand. Due to foreign securities laws, it is not practical for shareholders resident in other countries to be offered the opportunity to participate in the Plan.

Participation in the Plan is optional and is subject to these Terms and Conditions. Offers made under the Plan are non-renounceable (i.e. Eligible Shareholders may not transfer their rights to any PBX Shares offered under the Plan). Eligible Shareholders who wish to take up PBX Shares issued under the Plan agree to be bound by PBX's constitution in respect of PBX Shares issued under the Plan.

An offer may, at the discretion of the directors of PBX (**Directors**), be made under the Plan once a year. The maximum amount which any shareholder may subscribe for in any consecutive 12 month period is \$15,000. The Directors may also determine in their discretion the minimum amount for participation, the multiple of Company Shares to be offered under the Plan and the period the offer is available to Eligible Shareholders.

How much can you invest?

Eligible Shareholders may each apply for a maximum of \$15,000 worth of Shares under the Plan.

Eligible Shareholders may participate by selecting only one of the following offers to purchase Shares under the Plan:

	Total amount payable	Number of Shares which may be purchased
Offer A	\$15,000	517,241
Offer B	\$10,000	344,828
Offer C	\$5,000	172,414
Offer D	\$2,500	86,207
Offer E	\$1,000	34,483

Subscription and Application Procedure

If you would like to participate in the Offer, you can either:

- complete the enclosed Application Form and send it together with your payment by cheque made payable to "Pacific Bauxite Limited" and drawn in Australian currency for the correct amount, to PBX's share registry, Computershare Investor Services Pty Ltd at Level 11, 172 St Georges Terrace, Perth, WA, 6000 to be received by the share registry no later than 5:00pm on the **Closing Date of Monday, 21 May 2018**. No late applications will be accepted; or

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- make a BPAY^{®1} payment from your cheque or savings account by using the Biller Code and Reference Number shown on your Application Form which is required to identify your holding. If you have multiple holdings you will have multiple BPAY Reference Numbers. To ensure you receive your Shares under the Offer in respect of that holding you must use the specific Biller Code and Reference Number shown on each personalised Application Form when paying for any Shares that you may wish to apply for in respect of that holding. If you inadvertently use the same Reference Number for more than one of your applications, you will be deemed to have applied only for that application to which that Reference Number applies and any excess amount will be refunded. **If you make your payment using BPAY[®] you do not need to return your Application Form.** New Zealand holders will not be able to make a payment using BPAY[®] unless they have an Australian dollar bank account. Payments made by BPAY[®] received after 5:00pm **on Monday, 21 May 2018** will not be accepted. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. You may also have your own limit on the amount that can be paid via BPAY. It is your responsibility to check that the amount you wish to pay via BPAY does not exceed your limit.

Applicants should not forward cash and direct bank transfers are not permitted.

Once an application has been made it cannot be revoked. All valid applications shall be deemed accepted if received before the **Closing Date of Monday, 21 May 2018**. If the exact amount of money is not tendered with your application, PBX reserves the right to either:

- (a) return your Application Form and/or payment and not allot any Shares to you; or
- (b) allot to you the number of Shares that would have been allotted had you applied for the highest designated amount that is less than the amount of your payment and refund the excess application money to you by cheque as soon as possible, without interest.

The maximum investment any shareholder may apply for will remain \$15,000 even if a shareholder receives more than one Offer (whether in respect of a joint holding or because the shareholder has more than one holding under a separate account). It is the responsibility of the applicant to ensure that the aggregate of the application price paid for the Shares the subject of the application and any other shares and interests in the class applied for by you under the Plan or any similar arrangement in the 12 months prior to the date of submission does not exceed \$15,000.

Custodians and Nominees

Eligible Shareholders who hold Shares as Custodian or Nominee (**Custodian**) for one or more persons on the Record Date (**Beneficiary**) may apply for up to a maximum amount of A\$15,000 worth of Shares in respect of each Beneficiary who is resident in Australia or New Zealand, subject to providing a Custodian Certificate to PBX, as described in the Terms and Conditions enclosed with this letter. Please refer to the Terms and Conditions for more details.

¹ [®] Registered to BPAY Pty Ltd, ABN 69 079 137 518

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Acceptance of Risk Factors

On the last trading day immediately prior to the announcement date of the Offer, the closing price of the Shares traded on ASX was \$0.036. The market price of Shares in PBX may rise and fall between the date of the Offer and the date that any Shares are issued to you as a result of your application under this Offer.

By making an application under this Offer and applying for Shares under the Plan, each Eligible Shareholder will be acknowledging that although the purchase Price is at a discount, Shares are a speculative investment and the price of Shares on ASX may change between the date of PBX announcing its intention to make an Offer and the date of issue of Shares under that Offer and that the value of the Shares received under the Plan may rise or fall accordingly.

The Board recommends that you obtain your own financial advice in relation to the Offer and consider price movements of Shares in PBX prior to making an application under this Offer.

Additional Information

The offer of Shares under the Plan is made in accordance with ASIC Class Order 09/425 and therefore does not require a prospectus for the purposes of Chapter 6D of the Corporations Act (2001) (Cth).

The Offer cannot be transferred and the Directors of PBX reserve the right in their absolute discretion to reject, or scale back, on an equitable basis, any application. Shares allotted under the Plan will be issued no later than 10 business days after the Closing Date of the Offer. Application for quotation on ASX of the new Shares will be made immediately following the issue of those Shares.

The maximum amount proposed to be raised under the Offer is \$1 million. PBX, however, reserves absolute discretion regarding the final amount raised under the Plan, subject to the ASX Listing Rules.

In the event of oversubscription by the Closing Date the Directors may, in their absolute discretion, scale-back applications on an equitable basis. Scale-back for Shares held by Custodians will be applied at the level of the underlying Beneficiary. Directors may also, in their absolute discretion, decide to increase acceptances in the event of oversubscriptions.

If PBX rejects or scales-back an application or purported application, PBX will promptly return to the shareholder the relevant application monies, without interest.

Foreign offer restrictions

This document may not be released or distributed in any country other than Australia and New Zealand. This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in any other country. In particular, any securities described in this document have not been, and will not be, registered under the US Securities Act of 1933 (as amended) and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

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New Zealand Shareholders

The Shares offered under the Plan are not being offered or sold to the public within New Zealand other than to existing shareholders of PBX with registered addresses in New Zealand and to whom the Offer is being made in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2013* (New Zealand).

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the *Securities Act 1978* (New Zealand). This document is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

Shortfall Placement

In the event that less than \$1 million is applied for, the full amount of the shortfall may be placed at the discretion of the Board subject to compliance with the necessary legal requirements.

Custodians, trustees and nominees

Eligible Shareholders who hold Shares as Custodian or Nominee (**Custodian**) for one or more persons on the Record Date (**Beneficiary**) may apply for up to a maximum amount of A\$15,000 worth of Shares in respect of each Beneficiary who is resident in Australia or New Zealand, subject to providing a Custodian Certificate to PBX, as described in the Terms and Conditions enclosed with this letter.

If you are an Eligible Shareholder and hold PBX Shares as a custodian (as defined in ASIC Class Order [CO 09/425] (refer below) (**Custodian**) or in any more specific ASIC relief granted to PBX in relation to the Plan), you may apply for up to the maximum of new Shares for each beneficiary for whom you act as custodian provided you annexe to your Application Form a certificate to PBX (**Custodian Certificate**) with the following information:

- that you held PBX Shares on behalf of one or more other persons who are resident in Australia or New Zealand (each a **Participating Beneficiary**) at 3 May 2018 who have subsequently instructed you to apply for Shares under the Plan on their behalf;
 - the number of Participating Beneficiaries and their names and addresses;
 - the number of Shares that you hold on behalf of each Participating Beneficiary;
 - the dollar amount of Shares that each Participating Beneficiary has instructed you, either directly or indirectly through another custodian, to apply for on their behalf;
 - that the application price for Shares applied under the Offer for each Participating Beneficiary for whom you act plus the application price for any other PBX Shares issued to you as custodian for that Participating Beneficiary under any arrangement similar to the Plan in the prior 12 months does not exceed \$15,000;
 - that a copy of the written offer document was given to each beneficiary; and
 - where you hold shares on behalf of a beneficiary indirectly, through one or more interposed custodians, the name and address of each interposed custodian.
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For the purposes of ASIC Class Order [CO 09/425] you are a 'custodian' if you are a registered holder that:

- holds an Australian financial services licence that allows you to perform custodian or depositary services or operate IDPS accounts;
- is exempt under:
 - (i) paragraph 7.6.01(1)(k) of the *Corporations Regulations 2001* (the **Regulations**); or
 - (ia) paragraph 7.6.01(1)(na) of the Regulations; or
 - (ii) ASIC Class Order CO 14/1000 or ASIC Class Order CO 14/1001; or
 - (iia) ASIC Class Orders CO 03/1099, CO 03/1100, CO 03/1101, CO 03/1102, CO 04/829 or CO 04/1313; or
 - (iib) an individual instrument of relief granted by ASIC to the person in terms similar to one of the class orders referred to in subparagraph (xx); or
 - (iii) paragraph 911A(2)(h) of the Act;from the requirement to hold an Australian financial services licence for the provision of a custodial or depositary service; or
- is a trustee of a self managed superannuation fund;
- is a trustee of superannuation master trusts;
- is a responsible entity of IDPS like schemes; or
- is noted on PBX's register of members as holding the shares on account of another person.

If you hold PBX Shares as a trustee or nominee for another person or persons but are not a Custodian as defined above, you cannot participate for beneficiaries in the manner described above. In this case, the rules for multiple single holdings (above) apply.

Custodians should request a Custodian Certificate when making an application on behalf of Participating Beneficiaries. To request a Custodian Certificate and if you would like further information on how to apply, you should contact Computershare Investor Services Pty Ltd at any time from 8.30am to 5.00pm (WST time) Monday to Friday during the Offer period.

PBX reserves the right to reject any application for PBX Shares to the extent it considers that the application (whether alone or in conjunction with other applications) does not comply with these requirements. PBX reserves the right to reject applications in accordance with these Terms and Conditions.

Applications and Notices

At the discretion of the Directors, PBX will send Eligible Shareholders a letter of offer and acceptance procedures, inviting them to subscribe for PBX Shares under the Plan, and accompanied by these Terms and Conditions of the Plan and an Application Form.

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Applications will not be accepted after the closing date of the offer. Over subscriptions to an offer may be refunded without interest.

Notices and statements made by PBX to participants may be given in any manner prescribed by its Constitution.

Issue of PBX Shares

PBX Shares to be issued under the Plan will be issued as soon as reasonably practicable after the closing date specified by the Directors of PBX in the relevant offer.

PBX Shares issued under the Plan will rank equally in all respects with all other fully paid ordinary shares in PBX from the date of issue.

Shareholding statements or CHESS notification will be issued in respect of all PBX Shares issued under the Plan. PBX will, promptly after the issue of PBX Shares under the Plan, make application for those PBX Shares to be listed for quotation on the official list of ASX.

Modification and Termination of the Plan

PBX may modify or terminate the Plan at any time. PBX will notify ASX of any modification to, or termination of, the Plan. The omission to give notice of any modification to, or termination of, the Plan or the failure of ASX to receive such notice will not invalidate the modification or termination.

Without limiting the above, PBX may issue to any person fewer Company Shares than the person applied for under the Plan if the issue of PBX Shares applied for would contravene any applicable law or the Listing Rules of ASX.

Dispute Resolution

PBX may, in any manner it thinks fit, settle any difficulties, anomalies or disputes which may arise in connection with or by reason of the operation of the Plan, whether generally or in relation to any participant, application or PBX Shares. The decision of PBX in this respect will be conclusive and binding on all shareholders and other persons to whom that determination relates.

PBX reserves the right to waive strict compliance with any provision of these terms and conditions. The powers of PBX under these conditions may be exercised by the directors of PBX or any delegate of the directors of PBX.

Questions and Contact Details

If you have any questions regarding the Plan or how to deal with this Offer, please contact your stockbroker or professional adviser or Company Secretary on 08 9481 4478.
