
NENDO PROJECT UPDATE

Pacific Bauxite Limited (**Pacific Bauxite** or **Company**) (ASX: PBX) advises that late on 28 May 2018, the Company was provided with a letter from the Minister of Mines, Energy and Rural Electrification (**Minister**) in the Solomon Islands, advising that prospecting license PL 01/16 (**Prospecting License**) held by its 50% owned subsidiary Eight South Investments Pty Ltd (**Joint Venture** or **JV**) in respect of the Solomon Islands Nendo Bauxite Project (**Nendo**) was cancelled (**Minister's Letter**).

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 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). As announced by the Company on 30 April 2018, the JV had recommenced work at Nendo and was gearing up for a more extensive phase of prospecting and drilling. This activity was the result of a successful community consultation process that delivered a highly positive response from the Landowners, facilitating a clear pathway to the next phase of exploration drilling.

Minister's decision to be appealed

In this situation, Solomon Islands law allows the JV to appeal against the Minister's decision to cancel the 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 is preparing its claim in the High Court of Solomon Islands and has engaged legal counsel with previous successful experience with similar cases.

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

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

Ongoing exploration within the Solomon Islands

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

Exploration has been on-going at SWNG since late 2017. The results of recent work has been positive and the Company believes there is good potential for the definition of large tonnage, direct shipping quality (**DSO**) mineralisation, suitable for the supply of sea-borne bauxite into China, greater Asia and the Middle East.

As of last Friday, five exploration field teams are active at SWNG. This is by far the largest deployment of personnel by the Company on any one project in the Solomon Islands.

By focusing solely on SWNG, the Company will aim to fast track the Project. Strategies are focused on identifying DSO quality mineralisation of between 5.9 Mt and 10.0 Mt (refer to Exploration Target - ASX announcement 27 March 2018), upon which mining 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.

The Company will keep the market informed regarding the Nendo Prospecting Licence appeal process, and will continue to seek certainty and transparency in its dealings with Government Authorities and the Minister. In due course, the Company also looks forward to updating the market of its SWNG Project exploration results.

END

For further information, visit www.pacificbauxite.com.au or contact:

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Competent Persons' Statement

The information in this report that relates to Exploration Results and Targets is based on information compiled by Mr Brett Smith, B.Sc Hons (Geol), Member AusIMM, Member AIG 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 that he is undertaking 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 this information in the form and context in which it appears.

Forward Looking Statements

This announcement contains certain statements that may constitute "forward looking statement". Such statements are only predictions and are subject to inherent risks and uncertainties, which could cause actual values, results, performance achievements to differ materially from those expressed, implied or projected in any forward looking statements.

Forward-looking statements are statements that are not historical facts. Words such as "expect(s)", "feel(s)", "believe(s)", "will", "may", "anticipate(s)" and similar expressions are intended to identify forward-looking statements. These statements include, but are not limited to statements regarding future production, resources or reserves and exploration results. All such statements are subject to certain risks and uncertainties, many of which are difficult to predict and generally beyond the control of the Company, that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include, but are not limited to: (i) those relating to the interpretation of drill results, the geology, grade and continuity of mineral deposits and conclusions of economic evaluations, (ii) risks relating to possible variations in reserves, grade, planned mining dilution and ore loss, or recovery rates and changes in project parameters as plans continue to be refined, (iii) the potential for delays in exploration or development activities or the completion of feasibility studies, (iv) risks related to commodity price and foreign exchange rate fluctuations, (v) risks related to failure to obtain adequate financing on a timely basis and on acceptable terms or delays in obtaining governmental approvals or in the completion of development or construction activities, and (vi) other risks and uncertainties related to the Company's prospects, properties and business strategy. Our audience is cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof, and we do not undertake any obligation to revise and disseminate forward-looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of or non-occurrence of any events.

The Company believes that it has a reasonable basis for making the forward looking Statements in the announcement based on the information contained in this and previous ASX announcements.

The Company is not aware of any new information or data that materially affects the information included in this ASX release, and the Company confirms that, to the best of its knowledge, all material assumptions and technical parameters underpinning the exploration results in this release continue to apply and have not materially changed.