

PACIFIC BAUXITE LIMITED
ACN 112 914 459

SPP OPTIONS PROSPECTUS

For a non-renounceable offer of one (1) Option (exercisable at \$0.06 on or before 25 June 2021) for every two (2) Shares subscribed for and issued to Eligible Shareholders who participated under the Company's recent Share Purchase Plan (**Entitlement Offer**).

This Entitlement Offer is made only to and is only being sent to Eligible Shareholders who participated in the Plan.

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Options offered by this Prospectus should be considered as highly speculative.

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1. CORPORATE DIRECTORY

Directors

John Ciganek
Non-Executive Chairman

Peter Lewis
Non-Executive Director

Pippa Coppin
Non-Executive Director

Brett Smith
Non-Executive Director

Registered Office

Level 3, 33 Ord Street
West Perth, WA 6005

Telephone: (08) 9481 4478
Facsimile: (08) 9486 4833
Website: www.pacificbauxite.com.au/

Company Secretary

Mr. Suraj Sanghani

ASX Code

PBX

Share Registry*

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Tce.
Perth, WA 6000

Telephone: (08) 9323 2000

Facsimile: (08) 9323 2033

Auditor*

Rothsay Chartered Accountants
4 Ventnor Ave.

West Perth, WA 6005

Telephone: (08) 9486 7094

Solicitors

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

*These entities are included for information purposes only. These entities have not been involved in the preparation of this Prospectus.

2. TIMETABLE

Lodgement of Prospectus with the ASIC	3 August 2018
Prospectus despatched to eligible shareholders	7 August 2018
Last date to receive Entitlement Forms from Eligible Shareholders who do not wish to participate in the Offer*	21 August 2018
Issue Date	22 August 2018

* These dates are indicative only and the closing date may be extended at the discretion of the Directors.

3. IMPORTANT NOTES

This Prospectus is dated 3 August 2018 and was lodged with the ASIC on that date. The ASIC, ASX and their officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Options may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The Options the subject of this Prospectus should be considered highly speculative.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

3.1 Risk factors

Potential investors should be aware that subscribing for Options in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in section 7 of this Prospectus. These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Options in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Options pursuant to this Prospectus.

4. DETAILS OF THE OFFER

4.1 The Offer

As announced on 4 May 2018, the Company has recently undertaken a Share Purchase Plan (**Plan**). As set out in the Plan, Eligible Shareholders that took up their rights under the Plan were entitled to participate in an offer of one (1) Option for every two (2) Shares subscribed for and issued under the Plan. On 27 June 2018, Shareholders approved the issue of the Options for this purpose in accordance with the Listing Rules. The Offer therefore is open to the Company's Shareholders who participated in the Plan (**Eligible Shareholders**).

No amount is payable for the Options.

The Offer is one (1) Option (exercisable at \$0.06 on or before 25 June 2021) for every two (2) Shares subscribed for and issued to Eligible Shareholders under the Company's recent Plan. Fractional Entitlements will be rounded up to the nearest whole number.

23,813,105 Shares from 102 Shareholders were applied for and issued under the Plan, meaning that approximately 11,906,553 Options will be issued under the Offer, subject to rounding.

All of the Options offered under this Prospectus will be issued on the terms and conditions set out in section 6.1 of this Prospectus. All of the Shares issued upon the future exercise of the Options offered under this Prospectus will rank equally with the Shares on issue at the date of this Prospectus. Please refer to section 6.2 for further information regarding the rights and liabilities attaching to the Shares.

(a) **What is my SPP Entitlement?**

The number of Options for which you are entitled to apply and receive is set out on your Entitlement Form accompanying this Prospectus.

No payment is required to take up your Entitlement.

Entitlements are non-renounceable. Accordingly, there will be no trading of rights on the ASX and you will be unable to transfer your Entitlement to another party.

If you choose to accept your Entitlement to Options under the Offer, you must accept your Entitlement in full.

(b) **How do I accept my Entitlement?**

Detailed instructions on how to accept your Entitlement are set out in Section 4.2 below.

If you choose not to accept your Entitlement under the Offer then your Entitlement will lapse at the Closing Date.

All applications, once received, are irrevocable.

(c) **Why should you apply for Options**

The Options, if applied for, will be issued for nil consideration. There are no brokerage fees or other costs payable by Eligible Shareholders to acquire

Options. It is noted that in order to be entitled to these Options, Eligible Shareholders paid \$0.01 for each Share subscribed for in the Plan.

There is no obligation to apply for or exercise any of the Options that you are entitled to. However, Eligible Shareholders should note that they will be deemed to have accepted their respective Entitlement if the Company does not receive notice to the contrary prior to the Closing Date in response to an Entitlement Form accompanying this Prospectus.

Eligible Shareholders should seek and rely on their own taxation advice regarding the exercise of Options as the taxation consequences will depend on the particular circumstances of the individual.

(d) **Offer Period: Opening and Closing Dates**

The Offer opens for receipt of acceptances on 7 August 2018 and closes at 5:00pm (WST) on 21 August 2018, subject to any variation of the Closing Date by the Directors.

4.2 How to accept the Offer

Applications for Options can only be made by Eligible Shareholders at the direction of the Company.

No subscription monies are payable for the Options offered pursuant to this Prospectus as the Options are being issued as an entitlement to Eligible Shareholders on the basis of one (1) Option for every two (2) Shares subscribed for and issued under the Plan.

Eligible Shareholders will be deemed to have accepted their respective Entitlement if the Company does not receive notice to the contrary prior to the Closing Date in response to an Entitlement Form accompanying this Prospectus. Accordingly, an Eligible Shareholder does not need to do anything to accept the Offer applicable to them.

4.3 Minimum subscription

There is no minimum subscription.

4.4 No ASX listing

The Company will not be seeking Official Quotation of the Options offered pursuant to this Prospectus.

The Company will apply for any Shares issues on exercise of the Options to be quoted on ASX.

4.5 Issue

Options issued pursuant to the Offer will be issued in accordance with the timetable set out at the commencement of this Prospectus.

Holding statements for Options issued under the Offers will be mailed in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus.

4.6 Overseas shareholders

The Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such offers or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Options these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offers are not being extended and Options will not be issued to Shareholders with a registered address which is outside Australia or New Zealand.

New Zealand

The Options are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the transitional provisions of the Financial Markets Conduct Act 2013 (New Zealand) and the Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand).

This Prospectus has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

4.7 Enquiries

Any questions concerning the offers made under this Prospectus should be directed to Suraj Sanghani, Company Secretary, on (08) 9481 4478 or email ssanghani@pacificbauxite.com.au.

5. PURPOSE AND EFFECT OF THE OFFER

5.1 Purpose of the Offer

The purpose of the Offer was to incentivise Eligible Shareholders to participate in the Plan, as set out in the terms and conditions of the Plan. No funds will be raised from the issue of the Options under the Offer.

5.2 Effect of the Offer

The principal effect of the Offer, assuming all Options offered under the Prospectus are issued, will be to increase the number of Options on issue in the Company by approximately 11,906,553 Options from 64,903,450 to 76,810,003.

5.3 Effect on capital structure

The effect of the Offers on the capital structure of the Company, assuming all Options offered under the Prospectus are issued and no existing Options are exercised, is set out below.

Shares

	Number
Shares currently on issue ¹	396,614,034
Shares offered pursuant to the Offer	Nil
Total Shares on issue after completion of the Offer	396,614,034

Options

	Number
Exercisable at \$0.08 on or before 1 December 2019	8,500,000
Exercisable at \$0.06 on or before 25 June 2021	56,403,450
Options to be issued under the Offer ¹	11,906,553
Total Options on issue after completion of the Offer	76,810,003

Notes:

1 The full terms and conditions of the Loyalty Options are set out in section 6.1.

Performance rights

	Number
Performance rights currently on issue	10,500,000
Performance rights offered under the Offer	Nil
Total Options on issue after completion of the Offer	10,500,000

5.4 Details of substantial holders

Based on publicly available information as at the date of this Prospectus, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

Shareholder	Shares	%
Scott James Dodd as Trustee for the Scott Dodd Family Trust	30,800,000	7.77%

The Offers will have no effect on the quantity of Shares held by these substantial shareholders as only Options are being issued.

6. RIGHTS AND LIABILITIES ATTACHING TO SECURITIES

6.1 Options

(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (i), the amount payable upon exercise of each Option will be \$0.06 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on 25 June 2021 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(j) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(k) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(l) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

6.2 Shares

The following is a summary of the more significant rights and liabilities attaching to Shares being the underlying securities of the Options to be issued pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) **General meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

(b) **Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) **Dividend rights**

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

(e) **Shareholder liability**

As the Shares issued will be fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of shares**

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the ASX Listing Rules.

(g) **Future increase in capital**

The issue of any new Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of Securities contained in the ASX Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

(h) **Variation of rights**

Under section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(i) **Alteration of constitution**

The Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

7. RISK FACTORS

7.1 Introduction

The Options offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus and to consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

7.2 Company specific

(a) Question as to tenure of Nendo Project

On 6 June 2018, the Company announced that it had received correspondence from the Minister of Mines, Energy and Rural Electrification in the Solomon Islands advising that prospecting licence PL 01/16, held by its 50% owned subsidiary Eight South Investments Pty Ltd, had been cancelled. As set out in the announcement, as at the date of this Prospectus, the Company continues to investigate this matter and is continuing to work with the Minister and has appealed the Minister's decision through the High Court of the Solomon Islands. On 17 July 2018, the Company announced that it had commenced proceedings in the High Court of the Solomon Islands.

As set out in the announcement, the Company continues its exploration activities on its other projects in the Solomon Islands.

(b) Solomon Islands

The Company is conducting its exploration activities predominately in the Solomon Islands and as such the Company's foreign mining investments are subject to the risks normally associated with the conduct of business in foreign countries. The occurrence of one or more of these risks could have a material adverse effect on the Company's profitability or the viability of its affected foreign operations, which could have a material adverse effect on the Company's future cash flows, earnings, results of operations and financial condition. Risks may include, among others, labour disputes, invalidation of governmental orders and permits, uncertain political and economic environments, sovereign risk, war (including in neighbouring states), civil disturbances and terrorist actions, arbitrary changes in laws or policies or particular countries, the failure of foreign parties to honour contractual relations, corruption, foreign taxation, delays in obtaining or the inability to obtain necessary governmental permits, opposition to mining from environmental or other non-governmental organisations, limitations on foreign ownership, limitation on the repatriation of earnings, instability due to economic under-development, inadequate infrastructure and increased financing

costs. In addition, the enforcement by the Company of its legal rights to exploit its properties may not be recognised by the governments of the Solomon Islands or by the court system in that jurisdiction. These risks may limit or disrupt the Company's operations, restrict movement of funds or result in the deprivation of contractual rights or taking of property by nationalisation or expropriation without fair compensation.

The economy and political system of the Solomon Islands should be considered by investors to be less predictable than those countries in which the majority of Shareholders are likely to be resident. The possibility that the current or future government of the Solomon Islands may adopt substantially different policies in respect to foreign exploration, development or ownership of mineral resources, take arbitrary action which might halt exploration, extend to cancellation of contracts, the cancellation of exploration or mining rights and/or changes in taxation treatment cannot be ruled out, the happening of any of which could result in a material and adverse effect on the Company's results or exploration and financial condition.

(c) **Infrastructure and Environment**

The Company's principal operations are located in remote areas some of which are difficult to access, resulting in technical and logistical challenges for conducting geological exploration and mining. Reliable roads, bridges, power sources and water supplies are important determinants which affect capital and operating costs and the Company's ability to maintain expected levels of progress with its exploration activities. Unusual weather or other natural phenomena, sabotage or governmental or other interference in the maintenance or provision of such infrastructure could impact on the development of the Company's projects, increase in exploration costs or delay the transportation of supplies, equipment or machinery to the Company's projects. Any such issues could materially and adversely affect the Company's business, results of exploration, financial condition and prospects.

(d) **Exploration costs**

The exploration costs of the Company are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.

(e) **Exploration success**

Potential investors should understand that mineral exploration and development are high-risk undertakings.

There can be no assurance that exploration of the Tenements, or any other licenses that may be acquired in the future, will result in the discovery of an economic deposits. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

There is no assurance that exploration or project studies by the Company will result in the definition of an economically viable mineral deposit.

(f) **Exploration target**

Given the high risk nature of exploration and development there can be no assurances that exploration targets previously disclosed will be met.

(g) **Appointment of a Chief Executive Officer**

The Company is currently recruiting for a Chief Executive Officer. No assurances can be given as to the success of this activity or the timing of the appointment.

7.3 Industry specific

(a) **Environmental**

The operations and proposed activities of the Company are subject to State and Federal and Solomon Islands laws and regulations concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

Mining operations have inherent risks and liabilities associated with safety and damage to the environment and the disposal of waste products occurring as a result of mineral exploration and production. The occurrence of any such safety or environmental incident could delay production or increase production costs. Events, such as unpredictable rainfall or bushfires may impact on the Company's ongoing compliance with environmental legislation, regulations and licences. Significant liabilities could be imposed on the Company for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous operations or non-compliance with environmental laws or regulations.

The disposal of mining and process waste and mine water discharge are under constant legislative scrutiny and regulation. There is a risk that environmental laws and regulations become more onerous making the Company's operations more expensive.

Approvals are required for land clearing and for ground disturbing activities. Delays in obtaining such approvals can result in the delay to anticipated exploration programmes or mining activities.

(b) **Failure to satisfy Expenditure Commitments**

Interests in tenements in Western Australia and the Solomon Islands are governed by the mining acts and regulations that are current in those jurisdictions and are evidenced by the granting of licences or leases. Each licence or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in the Tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.

(c) **Mine development**

Possible future development of a mining operation at any of the Company's projects is dependent on a number of factors including, but not limited to, the acquisition and/or delineation of economically recoverable mineralisation, favourable geological conditions, receiving the necessary approvals from all relevant authorities and parties, seasonal weather patterns, unanticipated technical and operational difficulties encountered in extraction and production activities, mechanical failure of operating plant and equipment, shortages or increases in the price of consumables, spare parts and plant and equipment, cost overruns, access to the required level of funding and contracting risk from third parties providing essential services.

If the Company commences production, its operations may be disrupted by a variety of risks and hazards which are beyond its control, including environmental hazards, industrial accidents, technical failures, labour disputes, unusual or unexpected rock formations, flooding and extended interruptions due to inclement of hazardous weather conditions and fires, explosions or accidents. No assurance can be given that the Company will achieve commercial viability through the development or mining of its projects and treatment of ore.

(d) **Operations**

The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or mining of its tenement interests. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses.

(e) **Resource estimates**

In the event a resource is delineated this would be an estimate only. An estimate is an expression of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Company's operations.

(f) **Tenure and access**

Mining and exploration tenements are subject to periodic renewal. There is no guarantee that current or future tenements or future applications for production tenements will be approved.

Tenements are subject to the applicable mining acts and regulations in Western Australia and the Solomon Islands. The renewal of the term of a granted tenement is also subject to the discretion of the relevant Minister. Renewal conditions may include increased expenditure and work commitments or compulsory relinquishment of areas of the tenements comprising the Company's projects. The imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of the Company.

7.4 General risks

(a) Economic

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's development and future activities, as well as on its ability to fund those activities.

(b) Market conditions

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- general economic outlook;
- introduction of tax reform or other new legislation;
- interest rates and inflation rates;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(c) Litigation Risks

The Company is exposed to possible litigation risks including intellectual property claims, contractual disputes, occupational health and safety claims and employee claims. Further, the Company may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Company's operations, financial performance and financial position. The Company is not currently engaged in any litigation.

(d) Dividends

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors.

No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

(e) **Taxation**

The acquisition and disposal of Shares and/or Options will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares and/or Options from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Options under this Prospectus.

(f) **Reliance on key personnel**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

7.5 Speculative investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Options offered under this Prospectus

Therefore, the Options to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Options.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Options pursuant to this Prospectus.

8. ADDITIONAL INFORMATION

8.1 Litigation

As at the date of this Prospectus, other than as set out elsewhere in this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

8.2 Continuous disclosure obligations

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

This Prospectus is a “transaction specific prospectus”. In general terms a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the annual financial report most recently lodged by the Company with the ASIC;

- (ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in paragraph (i) and before the lodgement of this Prospectus with the ASIC; and
- (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in paragraph (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged by the Company with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with the ASIC are set out in the tables below.

Date	Description of Announcement
31/07/2018	Quarterly Activities Report
31/07/2018	Quarterly Cashflow Report
25/07/2018	Change in substantial holding
17/07/2018	Nendo Update – Claim filed in the Solomon Islands High Court
06/07/2018	Change of Director's Interest Notice – P Lewis
06/07/2018	Change of Director's Interest Notice – J Ciganek
05/07/2018	Appendix 3B & s708A notice
27/06/2018	Results of Meeting
18/06/2018	DSO Bauxite Confirmed at South West New Georgia Project
06/06/2018	Reinstatement to Official Quotation
06/06/2018	Nendo Project Update
31/05/2018	Request for Voluntary Suspension
31/05/2018	Voluntary Suspension
29/05/2018	Trading Halt
25/05/2018	Appendix 3B
25/05/2018	Placement of Share Purchase Plan
25/05/2018	Notice of General Meeting / Proxy Form
16/05/2018	Pacific Exploration Programs Underway
11/05/2018	Issue of Placement Shares
11/05/2018	Appendix 3B
11/05/2018	Share Purchase Plan Offer Document
11/05/2018	Cleansing Notice - Share Purchase Plan
04/05/2018	Well-supported Placement to fund accelerated exploration
02/05/2018	Trading Halt
30/04/2018	Quarterly Activities Report

30/04/2018	Quarterly Cashflow Report
30/04/2018	Exploration to recommence at the Nendo Bauxite Project
27/03/2018	Large exploration target identified at SWNG bauxite project
12/03/2018	Half Yearly Report and Accounts
20/02/2018	Updated Corporate Presentation
20/02/2018	Corporate Presentation
31/01/2018	Final Director's Interest Notice - M Gwynne
31/01/2018	Initial Director's Interest Notice - P Lewis
31/01/2018	Quarterly Activities Report
31/01/2018	Quarterly Cashflow Report
30/01/2018	Director Appointment/Resignation
15/01/2018	s708A Notice
15/01/2018	Appendix 3B
15/01/2018	PBX Acquires new Bauxite Project in Western Australia
19/12/2017	Section 708 notice - options exercised
19/12/2017	Appendix 3B - Options Exercised
06/12/2017	Response to ASX Appendix 5B Query
30/11/2017	AGM meeting results
30/11/2017	AGM Presentation
29/11/2017	Lapsed options
14/11/2017	Corporate Presentation
30/10/2017	Quarterly Activities Report
30/10/2017	Quarterly Cashflow Report
19/10/2017	Notice of Annual General Meeting/Proxy Form
09/10/2017	Corporate Presentation
29/09/2017	Appendix 4G
29/09/2017	Annual Report to shareholders

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

8.3 Market price of shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX. No trading in the Options has occurred on ASX, as they are not listed on ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest	\$0.038	30 April 2018
Lowest	\$0.014	21 Jun 2018 and 26 June 2018
Last	\$0.015	2 August 2018

8.4 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the two (2) years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (a) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (a) as an inducement to become, or to qualify as, a Director; or
- (b) for services provided in connection with:
 - (iii) the formation or promotion of the Company; or
 - (iv) the Offer.

Security holdings

The relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus, together with their respective Entitlement, is set out in the table below.

Director	Shares	Options	Performance Rights	Entitlement
John Ciganek	1,720,000	1,860,000	1,500,000	Nil
Peter Lewis	4,100,000	2,050,000	Nil	Nil
Pippa Coppin	Nil	1,000,000	1,500,000	Nil
Brett Smith	1,351,713	2,500,000	3,000,000	Nil

Remuneration

The remuneration of an executive Director is decided by the Board, without the affected executive Director participating in that decision-making process. The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each

non-executive Director. The current amount has been set at an amount not to exceed \$250,000 per annum.

A Director may be paid fees or other amounts (i.e. non-cash performance incentives such as Options, subject to any necessary Shareholder approval) as the other Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. In addition, Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The following table shows the total annual remuneration paid to both executive and non-executive directors.

Director	2018 Financial Year	2017 Financial Year
John Ciganek	56,105	77,501 ¹
Peter Lewis ²	8,760	-
Pippa Coppin	48,180	87,945 ³
Brett Smith	46,620	125,198 ⁴

Notes:

¹ Includes valuation of options \$26,495

² Appointed 30 January 2018

³ Includes valuation of options \$26,495 and \$8,890 in legal services billed to the Company

⁴ Includes valuation of options \$66,238 and \$6,400 in consultancy services billed to the Company

⁵ Resigned 27 April 2018

⁶ Includes valuation of options \$66,238

8.5 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (d) the formation or promotion of the Company; or
- (e) the Offer.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin \$5,000 (excluding GST and disbursements) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has been paid fees totalling \$14,737.80 (including GST and disbursements) for legal services provided to the Company.

8.6 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Securities), the Directors, the persons named in the Prospectus with their consent as Proposed Directors, any underwriters, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this section;
- (b) in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section;
- (c) Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

8.7 Expenses of the offer

In the event that all Entitlements are accepted, the total expenses of the Offer are estimated to be approximately \$20,929 (excluding GST) and are expected to be applied towards the items set out in the table below:

	\$
ASIC fees	3,206
Legal fees	5,000
Printing and distribution	2,525
Total	10,731

8.8 Electronic prospectus

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Acceptance

Forms. If you have not, please phone the Company on +61 8 9481 4478 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the Company's website at www.pacificbauxite.com.au.

The Company reserves the right not to accept an Acceptance Form from a person if it has reason to believe that when that person was given access to the electronic Acceptance Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

8.9 Financial forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

8.10 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing option certificates. The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Options allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

8.11 Privacy Act

If you complete an application for Options, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a holder of equity securities in the Company, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the

Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Options, the Company may not be able to accept or process your application.

9. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a circular resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.



John Ciganek
Non-Executive Chairman
For and on behalf of
PACIFIC BAUXITE LIMITED

10. GLOSSARY

\$ means the lawful currency of the Commonwealth of Australia.

Acceptance Form means the Entitlement and Acceptance Form either attached to or accompanying this Prospectus.

Applicant means a Shareholder who applies for Options pursuant to the Offer.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules means the listing rules of the ASX.

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHESS.

Board means the board of Directors unless the context indicates otherwise.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.

Closing Date means the date specified in the timetable set out at the commencement of this Prospectus (unless extended).

Company means Pacific Bauxite Limited (ACN 112 914 459).

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the directors of the Company as at the date of this Prospectus.

Eligible Shareholder means an eligible shareholder as described in the Plan.

Entitlement means the entitlement of a Shareholder who is eligible to participate in the Offer.

Offer means the offer as described in this Prospectus.

Official Quotation means official quotation on ASX.

Option means an option to acquire a Share on the terms and conditions set out in section 6.1 of this Prospectus.

Optionholder means a holder of an Option.

Plan means the share purchase plan issued by the Company dated 9 May 2018.

Prospectus means this prospectus.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

WST means Western Standard Time as observed in Perth, Western Australia.