

QUARTERLY ACTIVITIES REPORT - PERIOD ENDING 31 DECEMBER 2018

PERIOD OVERVIEW

Nendo Bauxite Project (Nendo) in the Solomon Islands

- The High Court of the Solomon Islands heard an application for the determination of issues pursuant to r.12.11 of the Court Rules. The Company's 50% owned joint venture company, Eight South Investments Pty Ltd (**JVC**) is the Claimant in those proceedings. There were six (6) issues for the determination by the Court, the primary issue being whether or not the Minister acted *ultra vires* in cancelling the Prospecting Licence.
- The Court has reserved its decision and is required to hand its decision down in the near term.
- The interim injunction granted to the JVC restraining the Director of the Minerals Board and Minister from accepting any applications from, or granting any conflicting tenements to, any person other than the JVC in relation to any minerals in the area described in PL 01/16, pending the determination of the High Court proceedings by JVC or earlier order, continues.

Corporate – Board Changes

- During the Quarter, Mr. Brett Smith and Ms. Pippa Coppin resigned as Non-Executive Directors of the Company.
- Concurrently, Mr. Suraj Sanghani was appointed to the Board of Directors as an Executive Director. Mr. Sanghani is also Pacific Bauxite's Company Secretary and remains in this position while serving as a Director.

Pacific Bauxite Ltd (**Pacific Bauxite** or **Company**) (ASX: PBX) is pleased to present its Quarterly Activities Report for the period ending 31 December 2018.

To date, the Company's exploration programs at SWNG have consisted predominantly of low-impact exploration and auger drilling, aimed at advancing SWNG to Resource definition status. The Company's exploration work (largely completed prior to this Quarter) has identified SWNG's potential to host large tonnage, direct shipping quality (**DSO**) mineralisation, suitable for the supply of sea-borne bauxite into China, greater Asia and the Middle East.

During the Quarter, the Company, through its 50% owned joint venture company, Eight South Investments Pty Ltd (**JVC**), continued its legal proceedings against the decision by the Solomon Islands' Minister of Mines, Energy and Rural Electrification (**Minister**), to cancel the Company's Nendo Bauxite Project (**Nendo**) Prospecting license PL 01/16 (**Prospecting License**), held by the JVC.

On 23 November 2018, the High Court of the Solomon Islands heard an application for the determination of issues pursuant to r.12.11 of the Court Rules. The **JVC** is the Claimant in those

proceedings. There were six (6) issues for the determination by the Court, the primary issue being whether the Minister acted *ultra vires* in cancelling the Prospecting Licence. The Court has reserved its decision and is required to hand its decision down in the near term.

The interim injunction granted to the JVC restraining the Director of the Minerals Board and Minister from accepting any applications from, or granting any conflicting tenements to, any person other than the JVC in relation to any minerals in the area described in PL 01/16, pending the determination of the High Court proceedings by JVC or earlier order, continues.

The Company and JVC representatives are aggressively pursuing all available options to resolve the matter for the benefit of the Company and other stakeholders, and will continue to update the market with any material progress.

SOLOMON ISLANDS PROJECT SUMMARY

South West New Georgia Project - Overview and Proposed Work

To date, the Company's exploration at its Southwest New Georgia Bauxite Project (**SWNG**) in the Western Province of the Solomon Islands has resulted in the definition of large areas of high-tenor bauxitic soils, grading +40% alumina (Al_2O_3), with characteristics suitable for DSO quality bauxite. Based on these results, the Company believes there is good potential for the definition of large tonnage, DSO mineralisation, suitable for the supply of sea-borne bauxite into China, greater Asia and the Middle East.

SWNG Exploration Target

High grade Al_2O_3 and lower silica content identified the Kindu and Dunde prospects (Figure 1), located in the southern part of the SWNG Prospecting Licence, as priority targets. At these targets, an initial Exploration Target⁽¹⁾ of 5.92Mt – 10.05Mt @ 41.0% – 48.0% Al_2O_3 (alumina) and 9.5% - 11.8% SiO_2 (silica) (Table 1) has been estimated, and both targets are now the priority focus for potential resource definition work.

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

Table 1 – Initial Exploration Target⁽¹⁾ for the Kindu and Dunde Prospects, South West New Georgia Project

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

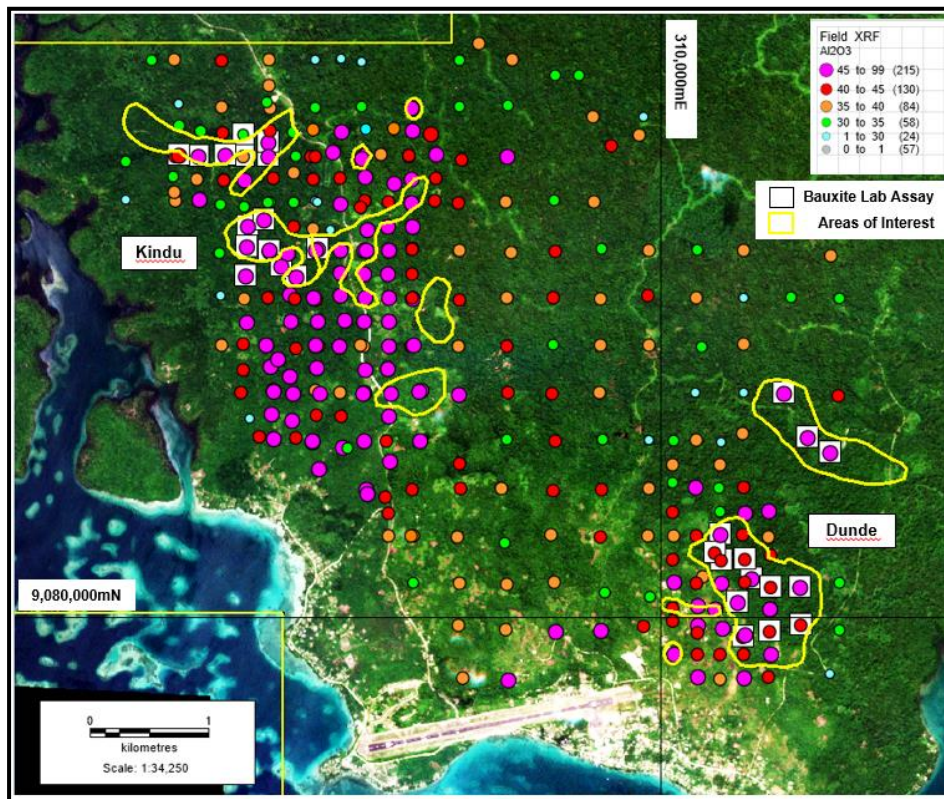


Figure 1 – Satellite Imagery of SNWG (southern area), including auger drilling locations, colour coded with grade ranges from field hand-held XRF Al₂O₃ results, samples submitted for laboratory analysis (white squares) and areas of interest pertaining to the current Exploration Target (yellow polygons).

South West New Georgia Bauxite Project overview

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

SWNG is nearby to existing beneficial infrastructure offering significant infrastructure advantages for any future export mining operations, including a deep-water port and township.

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 kilometres by 1 kilometre 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.

Results from the Company's exploration activities have reinforced the Company's belief that SWNG is prospective for large tonnage, DSO bauxite mineralisation. 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 Prospecting Licence was granted to Pacific Bauxite by the Solomon Islands Government's Ministry of Mines, Energy and Rural Electrification 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, totaling seven years.

The Company has received overwhelming, widespread local support for its proposed prospecting activities at SWNG. The Prospecting Licence was granted following the Company's extensive Awareness Program involving all stakeholders including traditional landowners, local communities, and both Provincial and National Government representatives.

The Company is currently assessing its SWNG strategy which may include further exploration at new and additional prospects which have previously been identified.

Nendo Bauxite Project

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

On 6 June 2018, the Company advised it had unexpectedly received a letter from the Solomon Islands' Minister of Mines, Energy and Rural Electrification (**Minister**), advising that prospecting license PL 01/16 (**Prospecting License**) held by its 50% owned subsidiary joint venture company, Eight South Pty Ltd (**JVC**), in respect of the Solomon Islands Nendo Bauxite Project was cancelled (**Minister's Letter**) (ASX announcement 6 June 2018).

In accordance with the requirements of the Minister's Letter, exploration and project work at Nendo was immediately suspended.

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 strongly of the view that these grounds are factually incorrect and therefore unjustified.

Minister's decision appealed

On 23 November 2018, the High Court of the Solomon Islands heard an application for the determination of issues pursuant to r.12.11 of the Court Rules. The JVC is the Claimant in those proceedings. There were 6 issues for the determination by the Court, the primary issue being whether or not the Minister acted *ultra vires* in cancelling Prospecting Licence PL 01/16 (ASX Announcement 27 November 2018).

If the JVC is successful in one of the six issues, it has sought:

1. a declaration that the cancellation of PL 01/16 by the Minister was *ultra vires*;

2. alternatively, an order quashing the Minister's decision to cancel PL 01/16;
3. a declaration that PL 01/16 is valid; and
4. an order that the Defendants pay the Claimant's costs, including reserved costs, with certification for overseas Counsel.

If those orders are made, proceedings will be concluded, with the effective return of PL 01/16 to JVC. If the JVC is unsuccessful, the proceedings will continue. The JVC can also consider appealing the ruling.

The Court has reserved its decision and is required to hand its decision down in the near term. The interim injunction granted to the JVC restraining the Director of the Minerals Board and Minister from accepting any applications from, or granting any conflicting tenements to, any person other than the JVC in relation to any minerals in the area described in PL 01/16, pending the determination of the High Court proceedings by JVC or earlier order, continues.

The Company and JVC representatives are continuing to pursue out-of-court negotiations and aggressively pursue all available options to resolve the matter for the benefit of the Company and other stakeholders, and will continue to update the market with any material progress.



Figure 2 – Solomon Islands Project Locations

Solomon Islands - On-going 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). It is the Company's policy to provide ongoing awareness programs and information to the local communities to ensure that all stakeholders are fully informed of the Company's activities on an ongoing basis.

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

Under the terms of the grant of the prospecting Licence it is also a requirement to undertake community welfare projects in the areas of exploration. The Company will endeavor to provide nominal investments in community focused programs so satisfy this requirement.

AUSTRALIAN PROJECT SUMMARY

Darling Range Bauxite Project, Western Australia

The Darling Range Bauxite Project (**Darling Range**) is located in the Darling Ranges northeast of Perth, Western Australia (Figure 3). Darling Range comprises two Exploration Licence Applications (ELA 70/5111) and one granted Exploration Licence (EL 70/5112 subject to an aboriginal heritage agreements), which cover a total area of 405 km² within the Darling Ranges.

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.

The Darling Range project area hosts a JORC 2004 Inferred Mineral Resource estimate of 89.3Mt @ 41.75% total Al₂O₃ and 4.43% reactive SiO₂, inclusive of nine main resource areas over a strike of approximately 75km. See Table 2, below, for Resource details.

| Darling Range | Tonnes (MT) | Total Al ₂ O ₃ % | Available Al ₂ O ₃ % | Reactive SiO ₂ % | LOI % |
|-------------------------|-------------|--|--|-----------------------------|-------|
| Total Inferred Resource | 89.3 | 41.75 | 28.51 | 4.43 | 19.21 |

Table 2: Published JORC (2004) compliant Mineral Resource estimate (IRM, 2011) at a cut-off of 26% Available Al₂O₃.

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

Proposed Strategy and Activity

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

The Darling Range 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 Project's existing Resource prior to the commencement of any ground disturbing fieldwork.

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

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. The project is now controlled by Mineral Resources Limited.

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 was in 2018 granted federal environmental approval.

New Projects

The Company is actively reviewing potential acquisitions of new projects. The Company will inform the market as and when definitive agreements have been reached.

CORPORATE

Cash Position

The Company closed the December 2018 Quarter with approximately \$892,000 in cash.

Board Changes

On 29 November 2018, the Company advised of the resignations of both Mr. Brett Smith and Ms. Pippa Coppin as Non-Executive Directors of the Company, effective immediately. The Board of Directors thanks Mr. Smith and Ms. Coppin for their services to the Company and wishes them well in their future endeavours.

On the same day, the Company advised of its appointment of Mr. Suraj Sanghani to the Board of Directors as an Executive Director. Mr. Sanghani is also Pacific Bauxite's Company Secretary and will remain in this position while serving as a Director.

Annual General Meeting Results

On 30 November 2018, the Company held its Annual General Meeting and all resolutions were passed on a show of hands.

Ends.

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

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Competent Person Statement

Competent Person Statement: The information that relates to Exploration Results is based on information compiled or reviewed by Mr Matt Bull, who is a consultant of Pacific Bauxite Limited. Mr Bull is a member of the Australian Institute of Geoscientists and has sufficient experience of relevance to the styles of mineralisation and the types of deposits under consideration, and to the activities undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Bull consents to the inclusion in this report of the matters based on 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.

**PBX SCHEDULE OF INTEREST IN MINING TENEMENTS
(as required by ASX Listing Rule 5.3.3)**

Mining Tenements at 31 December 2018

| Location | Tenement | Name | Holder | Equity | Status | Area |
|-------------------|---------------------------|--------------------------------|--|--------------|-------------------------|------------------------------|
| Solomon Islands | PL04/17 | South West New Georgia | Pacific Bauxite Ltd | 50% | Granted | 236 km ² |
| Western Australia | ELA 70/5111 EL 70/5112 | Darling Range Darling Range | Pacific Bauxite Ltd Pacific Bauxite Ltd | 100% 100% | Application Granted* | Total 405 km ² |

*Subject to execution of an aboriginal heritage agreement.

Mining Tenements Cancelled During the Quarter

None to report.

Mining Tenements Acquired During the Quarter

None to report.

Mining Tenements Disposed During the Quarter

None to report.