PACIFIC BAUXITE LIMITED

ABN 62 112 914 459

ANNUAL REPORT

For the year ended 30 June 2017

PACIFIC BAUXITE LIMITED
CORPORATE DIRECTORY

Directors

John Ciganek
Mark Gwynne
Brett Smith
Pippa Coppin

Company Secretary

Suraj Sanghani

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Website Address

www.pacificbauxite.com.au.

Country of Incorporation

Pacific Bauxite Limited is domiciled and incorporated in Australia

Stock Exchange Listing

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

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CORPORATE GOVERNANCE REPORT
PACIFIC BAUXITE LIMITED ("THE GROUP")

STATEMENT

Pacific Bauxite Limited ("**Pacific Bauxite" or "Group"**) has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, and pursuing the true spirit of corporate governance commensurate with the Group's needs. To the extent they are applicable, Pacific Bauxite has adopted the eight recommendations set by the Australian Securities Exchange Corporate Governance Council (**ASX**) in its publication Corporate Governance Principles and Recommendations (3rd Edition) ("**Recommendations"**). Where, after due consideration, the Group's corporate governance practices depart from the Recommendations, the Board has offered full disclosure of the nature of, and reason for, the adoption of its own practice.

As the Group's activities develop in size, nature and scope and the size of the Board the implementation of additional corporate governance structures will be given further consideration.

Pacific Bauxite's website (www.pacificbauxite.com.au) includes further information about the Group's corporate governance practices. In accordance with the recommendation of the ASX, some information about the Group is published on the website.

Key corporate governance issues are outlined below followed by explanations of areas where the Group policy differs from recommended practice.

Board Composition

The skills, experience and expertise relevant to the position of each Director who is in office at the date of the financial report and their term of office are detailed in the Directors' Report.

Corporate Reporting

The Directors have made the following certifications to the Board:

- that Pacific Bauxite's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Group and are in accordance with relevant accounting standards; and
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Group's risk management and internal compliance and control is operating efficiently and effectively in all material respects.

Code of Conduct

The Group has developed a Code of Conduct ("**Code"**), which has been fully endorsed by the Board and applies to all Directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity.

In summary, the Code requires that at all times all Pacific Bauxite personnel act with the utmost integrity, objectivity, in the best interests of the Group and in compliance with the letter and the spirit of the law and the Group policies.

Any breaches of the Code are reported to the Chairman in the first instance for notification to the Board.

The Directors are satisfied that the Group has complied with its policies on ethical standards, including trading in securities.

Continuous Disclosure and Shareholder Communication

Pacific Bauxite has a policy that information concerning the Group that a reasonable person would expect to have a material effect on the price of the company's securities is continuously disclosed as required under the ASX Listing Rules.

The Group encourages communication with shareholders and the attendance and effective participation by shareholders at general meetings.

The Chairman and Company Secretary, in conjunction with the other Board members, have been nominated as the people responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements of the ASX Listing Rules and overseeing and coordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to ASX is posted on the company's website as soon as it is disclosed to the ASX.

Annual and half yearly reports are made available on the Pacific Bauxite's website and mailed to those shareholders who request a hard copy.

Independent Advice

There is no formal policy or procedure regarding the taking of professional advice by the independent Directors. However, no restrictions are placed on them taking advice on matters arising from their roles as independent Directors of Pacific Bauxite, or the reimbursement of the costs incurred by the Group.

Independence of Board Members

The determination by the Board as to whether individual Directors are independent is a matter of judgment. In making this determination the Board has followed the guidance in Box 2.3 of the Recommendations. The Board considers that the relationships the independent Directors have with the Group do not materially impact on their independence. In determining the materiality of these relationships, the Board has considered both quantitative and qualitative factors. In determining the quantitative factors the Board considers that a relationship is immaterial where it is equal to or less than 5% of the base amount. In applying this level of materiality to the relationship of the independent Directors, in the case of shareholders and suppliers, the Board considers that the independent Directors' interest is less than 5% of the base amount. In respect to the qualitative measures the Board has considered the factors affecting the independent Directors' relationship with the Group and considers these qualitative factors to be immaterial in the assessment of their independence.

Mr. Smith, a Non-Executive Director, is considered by the Board to be an independent Director.

Ms. Coppin, a Non-Executive Director, is considered by the Board to be an independent Director.

Mr. Ciganek, a Non-Executive Director, is considered by the Board to be an independent Director.

Trading Policy

The Group's policy regarding Directors and employees trading in its securities is set by the Board of Directors. The policy restricts Directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

Remuneration Policy

The Group's remuneration policy was developed by and approved by the Board. All executives receive a salary and statutory superannuation where applicable.

The Group occasionally participates in share-based remuneration for its Directors and management and also employees and consultants. The terms of the share options issued to Directors, employees and consultants are based on what similar sized companies in the mining industry are offering. All share options to be issued to Directors require shareholder approval before being issued.

The amount of remuneration paid to all Directors, including monetary and non-monetary components, is detailed in the Directors' Report under the key management personnel remuneration heading. All remuneration paid to executives is valued at the cost to the Group and expensed. Shares given to executives are valued as the difference in the market value of those shares and the amount paid by the executive. Options given to executives are valued using the Black-Scholes methodology.

Corporate Governance Summary

This Corporate Governance summary discloses the extent to which the Group will follow the Recommendations set by the ASX Corporate Governance Council. While the Recommendations are not mandatory, the Recommendations not followed by the Group have been identified below and reasons have been provided for not following them.

	ASX Principle	Complied	Reference/Comment
Principle 1:	**Lay solid foundations for management and oversight**		
1.1	A listed entity should disclose the respective roles and responsibilities of its board and management, and those matters expressly reserved to the board and those delegated to management.	**YES**	The Group has adopted a Board charter, which sets out the roles and responsibilities of the Board and management. A copy of the Board charter is available on the company's website.
1.2	Undertake appropriate checks before appointing a person or putting forward to security holders a candidate for election as a director and provide security holders with all material information in its possession relevant to a decision to whether or not elect or re-elect a director.	**YES**	The Group undertakes appropriate checks before appointing a person or putting forward to security holders a candidate for election as a Director. All material relevant to a decision to elect/re-elect a Director is provided to security holders in a Notice of Meeting in which a resolution to elect/re-elect is voted on.
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	**YES**	Each Director has a written agreement outlining the terms of their appointment.
1.4	The Company Secretary of a listed entity should be accountable directly to the board, through the chair on all matters to do with the proper functioning of the board.	**YES**	The Board Charter outlines the roles and responsibilities of the Company Secretary. The Company Secretary is accountable directly to the Board through the Chair on all governance matters.
1.5	A listed entity should have a diversity policy, including requirements for the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entities progress in achieving them. The entity should disclose this policy or a summary of it. Disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board in accordance with the entity's diversity policy and its progress towards achieving them including: • The prospective proportions of men and women on the board and senior executive positions and across the whole organisation. • If the entity is a "relevant employer" under the Workplace Gender Equality Act, the Entity's most recent "Gender Equality Indicators", as defined in and published under the Act.	**NO**	The Board does not currently have a diversity policy in place. The Board considers that at this time no benefits or efficiencies would be gained by introducing a formal diversity policy. As at 30 June 2017 there was 1 female Board member and no females in senior executive positions. The Group is not a "relevant employer" under the Workplace Gender Equality Act.

1.6	A listed entity should have and disclose a process for periodically evaluating performance of the board and individual directors. Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	**NO**	The Group does not currently have a formal performance evaluation process. Performance evaluation is considered informally from time to time in Board meetings. No specific performance evaluation was undertaken during the reporting period, and the Board does not at this stage consider any benefits would be gained by introducing a formal evaluation process.
1.7	A listed entity should have and disclose a process for periodically evaluating performance of its senior executives. Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	**NO**	The Group does not currently have a formal performance evaluation process. Performance evaluation is considered informally from time to time in Board meetings. No specific performance evaluation was undertaken during the reporting period, and the Board does not consider any benefits would be gained by introducing a formal evaluation process at this stage.
Principle 2:	**Structure the board to add value**		
2.1	The board of a listed entity should have a nomination committee which has at least three members a majority of whom are independent and is chaired by an independent director. The entity should disclose the charter of the committee, the members for the committee and as at the end of the reporting period the number of times the committee met during the period and the in the individual attendances of the members of the committee, or If no nomination committee exists, disclose that fact the processes it employs to address board succession issues and to ensure the board has the appropriate balance of skills, knowledge and experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	**NO** **YES**	No separate nomination committee has been established however this function is carried out by the full Board. The Board has been structured such that its composition and size will enable it to effectively discharge its responsibilities and duties. Each Director has relevant industry experience and specific expertise relevant to the Group's business and level of operations.
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve.	**NO**	Although no formal skills matrix has been prepared, the Board has been structured such that its composition and size will enable it to effectively discharge its responsibilities and duties. Each Director has relevant industry experience and specific expertise relevant to the Group's business and level of operations. The Board does not consider a skills matrix would provide any benefits to the Group at this time.
2.3	A listed entity should disclose the names of the directors considered by the board to be independent directors; If a director has an interest, position, association or relationship of a type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition),	**YES**	The Board comprises four Directors, three of whom are considered independent (Brett Smith, Pippa Coppin and John Ciganek). None of these Board members' independence is compromised by virtue of the factors contained in Box 2.3. Messrs Smith and Gwynne

	but the Board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and disclose the length of service of each director.		commenced their directorships in May 2014. Ms. Coppin commenced her directorship in March 2016 and Mr. Ciganek commenced his directorship in July 2016.
2.4	The majority of the board should be independent.	**YES**	
2.5	The chair should be an independent director and should not also hold the position of CEO.	**YES**	From 4 September 2017 Mr. Ciganek held the position of Independent Chairman and he is not currently the CEO.
2.6	The listed entity should have a program for inducting new directors and provide appropriate professional development for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	**NO**	Although no formal program exists the Board actively encourages continuing professional development of all key staff.
Principle 3:	**Promote ethical and responsible decision-making**		
3.1	A listed entity should have a code of conduct for its Directors senior executives and employees and should disclose that code or a summary of it.	**YES**	The Group has formulated a Code of Conduct a summary is detailed above. A Code of Conduct for Directors and Key Executives is also disclosed on the Group's website.
Principle 4:	**Safeguard integrity in financial reporting**		
4.1	The board should have an audit committee which has at least three members all of whom are non-executive directors and a majority of whom are independent directors. The committee should be chaired by an independent Director. The board should disclose the charter of the committee, the relevant qualifications and experience of its members and in relation to each reporting period the number of times the committee met and the individual attendances of each member. If the board does not have an audit committee disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the process for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	**NO** **YES**	The Board does not currently have a separate audit committee. The Group's financial statements are prepared internally and reviewed in detail by the Board. The Board also relies on the functions and capabilities of the external auditors to ensure proper audit of the financial statements. Whilst the Board considers this process sufficient to ensure the integrity in financial reporting in the current circumstances, it will continue to monitor whether any further safeguards are required and make changes accordingly. The process of removing and appointing the external auditor is in line with the provisions of the Corporations Act 2001. The Group actively discusses the independence of the engagement partner with the external auditor to ensure that their integrity is maintained.
4.2	The board should, before it approves the financial statements for the financial period received from its CFO and CEO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with appropriate accounting standards and give a true and fair view of the financial position and performance	**YES**	

	and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.		
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	**YES**	
Principle 5:	**Make timely and balanced disclosure**		
5.1	Companies should have a written policy for complying with its continuous disclosure obligations under the Listing Rules and disclose that policy or a summary of it.	**YES**	A copy of the Continuous Disclosure Policy is available on the Group's website. The Board receives regular reports on the status of the Group's activities and any new proposed activities from the CEO and other key personnel.
Principle 6:	**Respect the rights of shareholders**		
6.1	A listed entity should provide information about itself and its governance to investors via its website.	**YES**	In line with adherence to continuous disclosure requirements of ASX, all shareholders are kept informed of major developments affecting the Group. This disclosure is through regular shareholder communications including the Annual Reports, Half Yearly Reports, Quarterly Reports, the company website and the distribution of specific releases covering major transactions and events or other price sensitive information.
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	**YES**	The Group has formulated a Shareholder Communication Policy which can be viewed on the company's website.
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	**YES**	The Group has formulated a Shareholder Communication Policy which can be viewed on the company's website.
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	**YES**	
Principle 7:	**Recognise and manage risk**		
7.1	The board of a listed entity should have a committee to oversee risk, each of which: a) Has at least three members, the majority of which are independent, b) Is chaired by an independent Director; and disclose: c) The charter of the committee d) The members of the committee and e) As at the end of each reporting period, the number of times the committee met during the period and the individual attendances of the members of those meetings. If it does not have a committee, disclose that fact and the process it employs for overseeing	**NO** **YES**	Given the current size and nature of the business the risk management of the business is carried out by the full Board, no separate committee exists. The Board is aware of the various risks that affect the Group and its particular business and has implemented a number of controls to mitigate or limit the effects of these risks. The Group has formulated a risk management policy which can be viewed on the company's website.

	the entity's risk management framework.		
7.2	The board should review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and disclose whether such a review has taken place.	**YES**	An informal review is undertaken on a regular basis at Board meetings.
7.3	The listed entity should disclose whether it has an internal audit function, or If it doesn't the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control process.	**NO** **YES**	The Board is aware of the various risks that affect the Group and its particular business and has implemented a number of controls to mitigate or limit the effects of these risks. As the Group grows and increases in size and activity, the Board will develop formal policies to deal with risk oversight management and internal compliance.
7.4	The listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and if it does how it manages or intends to manage those risks.	**YES**	The Group does not believe it has any material exposure to economic, environmental or social sustainability risks.
Principle 8:	**Remunerate fairly and responsibly**		
8.1	The board should establish a remuneration committee, which has at least three members, the majority that are independent, chaired by an independent director and disclose the charter of the committee, the members of the committee and at the end of each reporting the number of times the committee met throughout the period and the individual attendances of the members at those meeting, or If it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	**NO** **YES**	Due to the early stage of development and small size of the Group, a remuneration committee was not considered to add any efficiency to the process of determining the levels of remuneration for the Directors and key executives. The Board considers that it is more appropriate to set aside time at Board meetings to specifically address matters that would ordinarily fall to a remuneration committee. In addition, all matters of remuneration will continue to be in accordance with Corporations Act requirements, especially in respect of related party transactions. That is, none of the Directors participate in any deliberations regarding their own remuneration or related issues.
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors, executive directors and senior executives.	**YES**	Refer to page 2 of this report as well as information contained in the Remuneration Report of this annual report.
8.3	A listed entity which has an equity based remuneration scheme should have a policy on whether participants are permitted to enter into transactions (whether through use of derivatives or otherwise) which limit the economic risk of participating in the scheme, and disclose that policy or a summary of it.	**N/A**	The Group does not currently have an equity based remuneration scheme, therefore this recommendation is not applicable.

CHAIRMAN'S LETTER TO SHAREHOLDER

Dear Shareholders,

It is my pleasure to present you with a review of Pacific Bauxite Limited's (ASX: PBX) (**Pacific Bauxite** or **Group**) operations for the year ended June 30, 2017, a period during which the Group solidified its focus on bauxite exploration, development and mining in the Solomon Islands.

The immediate future for bauxite looks promising, driven largely by demand from China where a substantial fall in domestic reserves, quality / grades and production will require a corresponding increase in bauxite imports.

Existing global bauxite supplies, together with planned developments, are expected to satisfy global demands until approximately 2020. Beyond this point in time, new projects will be required to meet the forecast demand, with a supply deficit of more than 25 million tonnes by 2025 and over 50 million tonnes by 2030.

During the year, Pacific Bauxite successfully secured an option to acquire a 50% interest Eight South Investments Pty Ltd (previously named AU Capital Mining Pty Ltd), a private company that holds the Nendo Bauxite Project's (**Nendo**) prospecting licence in the Solomon Islands. The Group believes Nendo has good potential for the identification and development of a low-capital cost, direct shipping style bauxite mining operation, potentially offering a simple and very cost effective pathway to development and production.

Following the Group's initial phase of exploration at Nendo - a comprehensive auger drilling and pit sampling program, the Group was pleased to report that large-scale, high-quality bauxite deposits had been identified over a large area on the western end of Nendo Island. The recommencement of exploration activities at Nendo is imminent and we look forward to providing updates on the Group's progress.

In recent news, the Group was granted the South West New Georgia (**SWNG**) prospecting licence, also in the Solomon Islands. The project area appears analogous with the mineralisation found in deposits in the Nendo and Rennell Islands, which provide opportunities for quick, cost-effective resource definition and simple, low cost, dig-load-ship style mining operations. The Group has already identified significant high-grade target areas at SWNG.

In April 2017 the Group raised $780,000 at an issue price of $0.02 per share from sophisticated and professional investors and a further $1,900,000 at an issue price of $0.026 per share in September 2017 to continue the advancement of the Group's projects.

Finally, on behalf of the Pacific Bauxite team I extend our sincere appreciation for your support as shareholders in our Company. We are committed to developing our bauxite interests and look forward to sharing updates on our progress.

John Ciganek

John Ciganek
Chairman
Pacific Bauxite Ltd
29 September 2017

REVIEW OF OPERATIONS

Pacific Bauxite Limited (ASX: IRM) (**Pacific Bauxite** or **Group**) is pleased to present a review of its operations for the period ended 30 June 2017.

During this period, the Group refined its strategy of acquiring and developing high-value, low-cost direct shipping ore (**DSO**) bauxite opportunities close to Asian markets, progressing its exploration work at the Nendo Bauxite Project (**Nendo**), and also recently acquiring the prospecting licence over the South West New Georgia Bauxite Project (**SWNG**), at which the Group has already defined three large, high-grade bauxite targets. Both projects are located in the Solomon Islands.

The Nendo Bauxite Project is a granted Prospecting Licence located on the island of Nendo in the Temotu Province of the eastern Solomon Islands (Figure 1). During the September 2016 quarter, the Group completed a transaction to acquire 50% of Eight South Investments Pty Ltd (**Eight South**) (previously named Au Capital Mining Pty Ltd), which holds 100% of Nendo.

Work by Australian exploration companies in the 1960's, and the British and Solomon Island geological surveys up to and including the early 1980's identified bauxite deposits as residual laterite soils on up-lifted limestone reef platforms. The main area tested by the Group is believed to be depressions in the ancient reef floor of about 4km^2, with estimated average bauxite thickness of approximately three (3) metres tested in trenches/pits and up to six (6) metres tested with auger.

Pacific Bauxite was pleased to report it had identified extensive large-scale bauxite deposits from its initial phase of exploration at Nendo - a comprehensive auger drilling and pit sampling program which identified the presence of widespread high-quality bauxite mineralisation over a large area on the western end of Nendo Island (Figure 2 and Figure 3).

The Group believes there is good potential to identify large areas of high-grade DSO mineralisation within the Nendo project area. Further details about the Group's results from its initial exploration activities at Nendo are included in this report.

Figure 1 – Project Locations

Pacific Bauxite was pleased to recently announce it has been granted a prospecting licence over the South West New Georgia Bauxite Project, located in the Western Province of the Solomon Islands (Figure 1). The Group's recently completed reconnaissance sampling program delineated three (3) high-grade bauxite targets, each returning peak results of between 55% and 57% Al_2O_3. The Prospecting Licence covers an area of 236km^2 and targets uplifted limestone reef, appearing analogous with deposits in the

Nendo and Rennell Islands (Figure 1). This style of mineralisation provides the opportunity for quick, cost-effective resource definition and a simple, low cost, dig-load-ship style mining operation.

The Group's sampling to date indicates the mineralisation at SWNG contains slightly higher SiO_2 (silicon dioxide) content than that identified at Nendo. However, with results as low less than 1% total SiO_2 and almost one third of the samples containing below 16% total SiO_2, there is excellent potential to delineate significant tonnages of DSO quality, high value material with lower silica content.

Largely unexplored, the SWNG deposit represents a significant exploration opportunity for Pacific Bauxite. Further details about the SWNG project are included in this report.

Bauxite Demand

The immediate future for bauxite looks promising. A boom period is considered imminent, driven by demand for China where a substantial fall in domestic reserves and production will require a corresponding increase in bauxite imports. In addition to Chinese domestic bauxite reserves being in decline, the average quality / grades of these reserves has been in decline since 2009.

China is set to remain a major player in the globally traded bauxite market, with plans to build several new alumina refineries with the potential capacity of +9 million tonnes per annum by 2019. In addition, the UAE, Indonesia and Laos plan to build new alumina refineries with a potential capacity of +6 million tonnes per annum, also by 2019.

Existing bauxite supplies together with planned developments are expected to satisfy global demands until approximately 2020. Beyond this point in time, new projects will be required to meet the forecast demand, with a supply deficit of more than 25 million tonnes by 2025, and over 50 million tonnes by 2030.

The majority of global demand is based on low temperature (trihydrate) bauxites, which currently represents 75% of Chinese imports. The key Shandong coastal province is 100% dependent on imported bauxite.

The Solomon Islands are potentially well placed to supply high quality low temperature (trihydrate) bauxite to Asian markets.

Bauxite in the Solomon Islands

The presence of bauxite in the Solomon Islands has been known since shortly after World War II. However, until recent mining on West Rennell Island (**Rennel Island**), by Asia Pacific Investment & Development Limited (**APID**), plans to develop these deposits has never proceeded further than the production of bulk samples for pilot plant test work.

Bauxite in the Solomon Islands is predominantly of the favoured gibbsite (low-temperature, trihydrate) type of mineralisation. These bauxite deposits typically occur as discontinuous pockets that fill depressions within the uneven karst surface of the uplifted Pliestocene coral limestone basement. Bauxite profile depths vary considerably due to the uneven and discontinuous nature of the pockets, which are typically marked by fern clearings and not the usual tropical flora.

Exploration activity for this style of bauxite deposits has increased significantly in recent years, largely due to the increase in demand for bauxite to feed growing alumina demand in China and the Asia Pacific Region.

In addition to the mining activity on Rennell Island by APID, Australian company South West Pacific Bauxite Pty Ltd recently received mining approvals for its Vaghena Bauxite Project, located approximately 110 kilometres northeast of SWNG. The Vaghena Project has a reported JORC 2012 resource of 30.1Mt at 46.9% Al_2O_3 with 3% total SiO_2.

Enormous scope remains to explore for and validate historically reported occurrences of bauxite in the Solomon Islands, with a view to establishing premium grade DSO bauxite operations for export into the Asian market.

EXPLORATION: SOLOMON ISLANDS

NENDO BAUXITE PROJECT

Exploration Results

In July 2016, the Group was pleased to report that its comprehensive auger drilling and pit sampling program had identified the presence of widespread high-quality bauxite mineralisation over a large area on the western end of Nendo Island. The main target area defined by this work is approximately 12 kilometres by 2 kilometres and remains open to the east, within similar terrain.

Results indicated the tenor of Al_2O_3 content to be fairly consistent, with little variation throughout the soil profile. Importantly, results showed that mineralisation has low impurities and low reactive silica content. The Group believes there is good potential to identify large areas of high-grade DSO bauxite mineralisation within the Nendo Project area.

Results of Initial Exploration

The Group's reconnaissance exploration was focused on covering as much ground as possible in the shortest period of time. There were no attempts to focus on areas of potentially higher-grade mineralisation. Average results returned by Field XRF and Laboratory analysis are summarised in Table 1 below.

Table 1 – Nendo Bauxite Project average of auger sample results for Field and Lab assays

Category/Criteria	Total Al_2O_3 (%)	Total SiO_2 (%)	av_Al_2O_3 (%)	rxSiO_2 (%)
Field XRF Results				
Samples with <7% SiO_2	40.28	4.50		
Samples with <7% SiO_2 and +40% Al_2O_3	43.35	4.22		
Laboratory Results				
Samples with <5% rxSiO_2	38.91	5.48	30.66	2.90
Samples with <5% rxSiO_2 and +40% Al_2O_3	**41.21**	**4.08**	**33.34**	**2.39**

Table Notes:

Al_2O_3 = Total Alumina
av_Al_2O_3 = Available Alumina = Gibbsite Alumina + Kaolinite Alumina - Low Temperature Desilication Product.
totSiO_2 = SiO_2 = Total Silica
rxSiO_2 = Reactive Silica

The Group's initial exploration results identified extensive bauxite deposits over the uplifted paleolimestone platform in the western part of Nendo Island. Much of this area is outside the mineralisation identified in the 1960's and, as such, the Group believes there is significantly greater potential regarding the size of the bauxite deposits contemplated by this historical exploration.

The main area defined to date by this work is approximately 12km by 2km and remains open to the east, within similar terrain. Mineralisation is widespread and includes uniform platform-style and smaller basin-style deposits sandwiched between limestone outcrops. In places, the depth of these deposits has exceeded 6m (the maximum depth that can be tested by hand auger drilling), with the average depths estimated at plus 3m. Topsoil cover is typically 0.2m to 0.5m thick.

A total of 291 sites were tested, including 169 with conventional auger and 122 with pit/stick auger. Of the total 702 samples taken, field XRF assay results were reported for 529 samples and laboratory assay results were returned for 113 assays (Figure 2 and Figure 3).

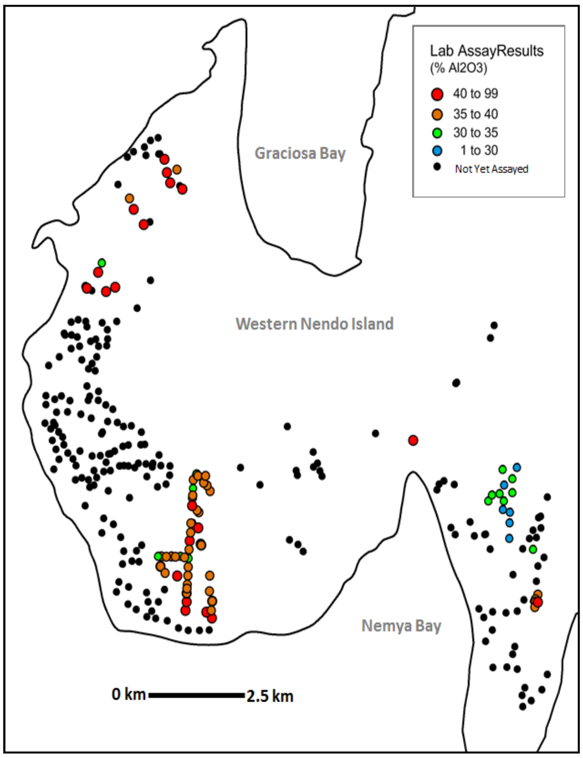

Figure 2: Field XRF Results for Al_2O_3

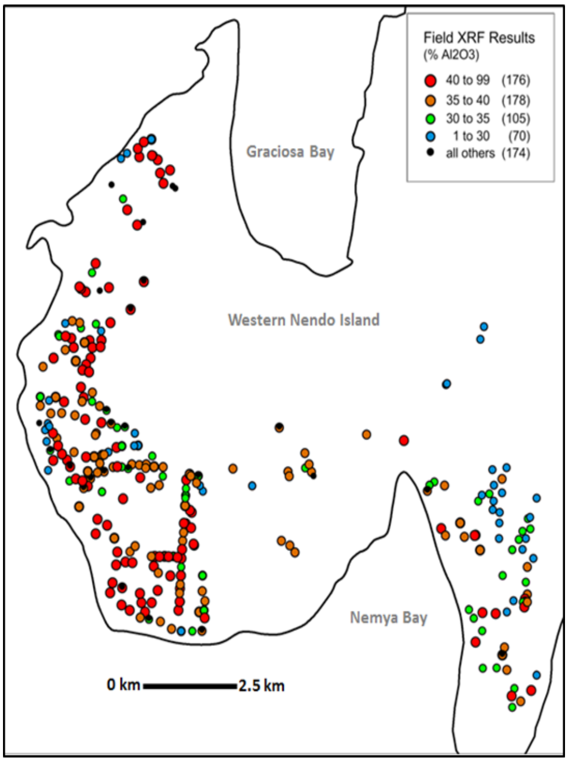

Figure 3: Lab Results (Al_2O_3) (colour) and all sample sites (black).

This method of exploration and analysis provided the Group with a quick and cost-effective method of assessing mineralisation within Nendo. The results from the initial laboratory samples suggest the field XRF results for total Al_2O_3 are on average 3.2% higher than the laboratory results, well within acceptable variations for this level of exploration, and it is expected improvement in field sample preparation will reduce this discrepancy. It should also be noted that many of the samples included in this first batch of submitted lab samples are from areas now considered to be relatively of lower prospectivity.

Prior to the imminent recommencement of exploration activities at Nendo, the Group has recently focused its attention on its community Awareness Program involving all stakeholders including traditional landowners, local communities and Provincial Government representatives.

Pacific Bauxite has a strong commitment to recognising and respecting traditional landowners, cultural customs, and the environment. The Group has developed its own program for community assistance, targeting key areas of health and education. These programs are undertaken in consultation with all stakeholders including traditional landowners and communities, and Provincial and National authorities.

The Group's next phase of exploration at Nendo will commence in the near term. This phase of exploration will target identified higher-grade areas of bauxite mineralisation and is intended to generate sufficient data to determine an exploration target, and possibly an interim Resource estimate. Exploration will also continue to test prospective new areas with auger drilling.

The Group looks forward to releasing further updates on its exploration at Nendo

Summary of Key Terms of the Acquisition

During the September 2016 quarter, the Group exercised its option to acquire 50% of Eight South, holder of 100% of the Nendo and Choiseul prospecting licences in the Solomon Islands. The Group and Eight South jointly relinquished PL04/13 (Choiseul Project) during the December 2016 quarter.

Eight South is an Australian owned company with extensive business experience operating in the Solomon Islands and the broader South Pacific. Key management personnel of Eight South have been engaged by the Group for the provision of ongoing landholder and government relations and project generation.

A non-refundable option fee of A$100,000 was paid to the owners of Eight South subsequent to a long option period that enabled The Group to complete extensive due diligence on Eight South and the projects. The due diligence included exploration which upon completion satisfied the condition precedent of the agreement for Nendo to have the capacity to host economic quantities of DSO bauxite mineralisation.

In accordance with the terms of the agreement, the consideration payable for 50% of the issued capital of Eight South included:

- 20 million fully paid ordinary PBX shares were issued to the Eight South vendors on completion of the acquisition (**Completion**); and
- a further 20 million fully paid ordinary PBX shares to be issued to the Eight South vendors at the first time of either the first commercial shipment of bauxite from the projects or within 12 months from Completion. These shares were issued on 27 September 2017.

Via Eight South, the Group will fully fund Nendo to mining. All costs associated with administration, infrastructure, exploration, mining, development and project operations will be reimbursed to the Group from mining revenue, which is governed by the shareholders' agreement.

SOUTH WEST NEW GEORGIA BAUXITE PROJECT

New Acquisition

Pacific Bauxite was recently pleased to announce it has completed the acquisition of the South West New Georgia Bauxite Project (previously known as the Noro Project) in the Solomon Islands.

The Group received final approval from the Solomon Islands Government's Ministry of Mines, Energy and Rural Electrification (**"MMERE"**) for Prospecting Licence PL04/17, which covers the SWNG project area (**"Prospecting Licence"**).

The Prospecting Licence is granted for an initial period of three (3) years and can be extended for two (2) years upon application. A further extension of two (2) years may be applied for, totaling seven (7) years.

The Group believes SWNG is prospective for large tonnage DSO bauxite mineralisation, which appears analogous with deposits in the Nendo and Rennell Islands, both within the Solomon Islands (Figure 1). This style of mineralisation provides the opportunity for quick, cost-effective Resource definition and a simple, low cost, dig-load-ship style mining operation.

The project is adjacent to commercial port facilities offering significant infrastructure advantages for any future export mining operations. The Noro Port can accommodate Handymax and Supermax bulk cargo ships and is subject to an infrastructure upgrade program in the near term. The project is well serviced by daily domestic flights from Honiara to Munda Airport, which is currently being upgraded to accommodate international flights. Access within the project appears good with extensive logging tracks crisscrossing the Prospecting Licence.

The granting of the Prospecting Licence follows an extensive Awareness Program conducted by Pacific Bauxite and involving all stakeholders including traditional landowners, local communities and Provincial Government representatives. The Group received overwhelming widespread local support for its proposed prospecting activities, and the local government granted the Group a Business Licence to operate in the Western Province. All relevant communities have executed Surface Access Agreements with Pacific Bauxite to allow for the immediate commencement of prospecting over the entire license area.

The Prospecting Licence was granted to Australian Pacific Bauxite Pty Ltd, a wholly owned subsidiary of Eight South, a joint venture between Pacific Bauxite (50% ownership and management) and private Australian entities.

Sampling Program Results

Pacific Bauxite recently announced the results of its reconnaissance sampling program at SWNG, which resulted in the discovery of three (3) large distinct high grade targets, each returning peak results of between 55% and 57% Al_2O_3 (Figure 4).

The reconnaissance sampling program was designed to provide an initial test for the early identification of areas favourable for DSO quality bauxite, with grade ranges of +40% total Al_2O_3 and less than 10% total SiO_2. Sampling within the project area was completed using hand-augers and hand-dug test pits, causing minimal environmental disturbance.

The program included 199 hand-auger drill holes and 40 shallow test-pits, for a total of 239 samples. Hand-held XRF results have been completed for all samples, with 130 (54%) samples returning results of more than 40% Al_2O_3 (alumina).

The Group is currently undertaking work to extend the defined areas of bauxite mineralisation, and secure equipment for Resource-definition drilling at the priory targets. Additional prospecting will commence in the near term, and Resource-definition drilling is expected to commence in October 2107.

The Group believes SWNG is prospective for large tonnage DSO bauxite mineralisation, and is analogous with the bauxite deposits of the Nendo and Rennell Islands, both within the Solomon Islands (Figure 1). This style of mineralisation provides the opportunity for quick, cost-effective resource definition and a simple, low cost, dig-load-ship style mining operation.

Sampling to date indicates the mineralisation at SWNG contains slightly higher SiO_2 (silicon dioxide) content than the Group's Nendo Project. However, with results as low less than 1% total SiO_2 and almost one third of the samples containing below 16% total SiO_2, there is excellent potential to delineate significant tonnages of DSO quality, high value material with lower silica content.

The critical "reactive silica" content is expected to be substantially less than the total SiO_2 content measured by the hand held XRF. As the "reactive silica" and "available alumina" analysis for these samples cannot be tested with the handheld XRF tool, representative samples will be sent to a certified Australian laboratory for analysis.

The Group's prospecting activities have covered a large area and have been designed to determine the geographical distribution of areas with favourable bauxite. For the most part, one sample is taken from each site at a depth of more than one (1) metre below surface. While hand augers have on occasion been used to test the depth of mineralised profiles (maximum depth for these augers is six (6) metres), conclusions on the depth of the bauxite deposits with the SWNG Project are yet to be determined.

About the South West New Georgia Bauxite Project

The SWNG Prospecting Licence covers an area of 236km² and targets bauxitic clays on uplifted limestone reef (averaging more than 100m above sea level), analogous in nature to the Nendo Project. Much of the tenure at SWNG appears unexplored, and represents a significant exploration opportunity for Pacific Bauxite. The area to be explored within the new Prospecting Licence is three (3) times the area being targeted at Nendo Project.

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.

This historical work targeted areas in the southern part of the Prospecting Licence, with the main area tested (identified in Figure 4). This work included several hand-auger drilling and pit sampling programs. The primary drilling campaign focused on an area of approximately 3.5km by 1km and included 39 auger holes for 101 samples. This work identified substantial tonnages of material with grades of between 40% and 45% total Al_2O_3 and 5% to 10% total SiO_2.

During the Group's recent Awareness Program, Group representatives substantiated the historical fieldwork by identifying extensive bauxite mineralisation present in road cuttings and areas of ground disturbance, as well as meeting with landowners engaged in the previous exploration.

Past exploration indicates the tenor of the mineralisation at SWNG is in line with typical DSO bauxite deposits in the Asia-Pacific region, and comparable to that defined by Pacific Bauxite at the Nendo Bauxite Project (Table 1).

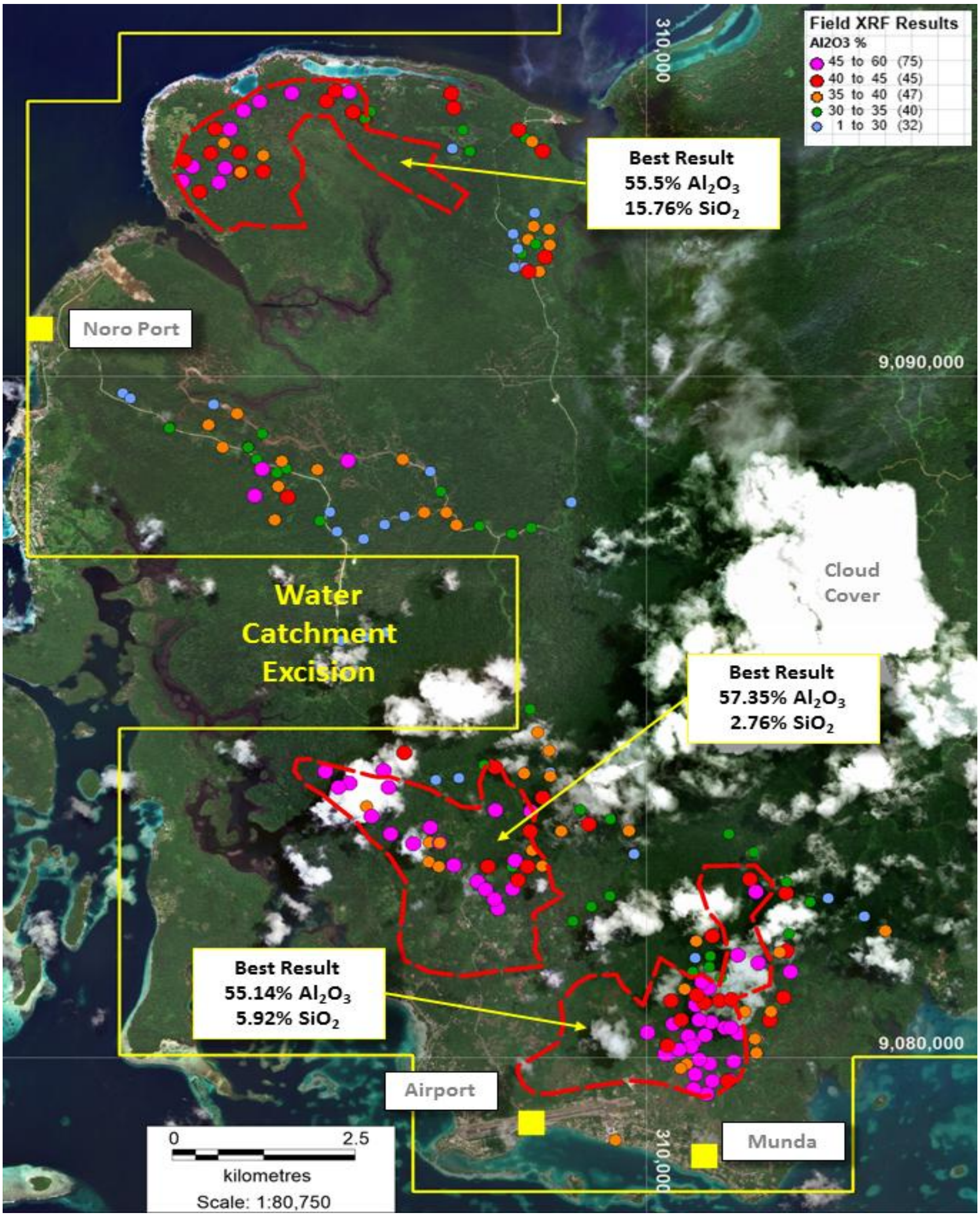

Figure 4: Landsat Imagery of the SNWG Project, including reconnaissance sampling locations, colour coded with grade ranges for field hand-held XRF Al_2O_3 results

EXPLORATION: AUSTRALIA

GOLDEN CAMEL PROJECT, VIC

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 with the aim of completing an extraction of a bulk sample for delivery to a nearby processing facility. Subject to satisfactory trial mining results, GCM will then progress to the full-scale development of the Golden Camel Project. Further updates will be announced as provided by GCM or as identified by the Group.

MT RICHARDSON PROJECT, WA

Cliffs Asia Pacific Iron Ore Pty Ltd is the owner of E29/571 following finalisation of the sale of the Mt Richardson Project on 13 July 2010. Pacific Bauxite retains a royalty of 2% on average/tonne FOB sales value of iron ore product that departs E29/571 as well as a one off payment of AUD 0.50 per dry metric tonne on tonnages in excess of independently evaluated Indicated or Measured resources of 10,000,000 tonnes.

INDICATOR PROJECT, VIC

The Group formally surrendered this project during the June 2017 quarter.

ROGETTA PROJECT, TASMANIA

The Rogetta Project (formerly Blythe Iron Ore Project) is owned and operated by Forward Mining Ltd. The Group is entitled to a stream of milestone payments and royalty benefits subject to mining commencing at Rogetta. Mining Lease ML1996P/M was granted on 4 June 2015 for a proposed magnetite iron ore mine at Rogetta and is currently has an EPA Assessment in Progress. All future Rogetta Project status updates will be announced as provided by Forward Mining or as identified by the Group.

MIAREE MAGNETITE PROJECT, WA

The Group formally surrendered this project during the September 2016 quarter.

WANDOO PROJECT, WA

During the June 2017 quarter, the Group announced its royalty on future production of bauxite ore transported from the Wandoo Project had lapsed following the surrender of the Wandoo tenement by Alpha Bauxite Pty Ltd.

RELINQUISHED PROJECTS

As part of ongoing project evaluation, all tenements are regularly reviewed to assess prospectivity and to determine whether any further work is justified or warranted. During the course of the year, the following tenements were surrendered, withdrawn or relinquished:

- E47/1309 and E47/1708 (Miaree Project, W.A.)
- EL/5540 (Indicator Project, VIC)
- PL04/13 (Choiseul Project, Solomon Islands)

CORPORATE

Financial Position

The loss after tax for the year ended 30 June 2017 amounted to $1,771,940(2016: $1,284,574). This year's results are broadly in line with the previous year with the exception of an increase in the exploration expenditure. At the end of the 2017 financial year the group has net assets of $901,988 (2016: $905,050) including cash reserves of $455,324 (2016: $925,625).

Placement

During the June quarter, the Group raised approximately $780,000 at an issue price of $0.02 per share, by the issue of approximately 38.98 million PBX shares.

Subsequent to year end the Company raised $1,900,000, by the issue of approximately 73 million PBX shares.

Board Changes

During the September 2016 quarter, the Board appointed Mr. John Ciganek as a Non-Executive Director. Mr. Ciganek's career of more than 25 years in the mining sector has been spent across mining engineering, executive management and corporate finance. Mr. Ciganek is currently Executive Director of BurnVoir Corporate Finance, a corporate finance advisory firm and he has been involved in providing corporate finance advice on a range of bauxite, alumina and aluminium transactions. Subsequent to year-end, Mr. Ciganek replaced Mr. Gwynne as Chairman of the Group., and Mr Gwynne accepted the role of CEO and Executive Director.

Issue of Shares – Consideration for 50% of Eight South Investments Pty Ltd

During the September 2016 quarter, Pacific Bauxite issued 20,000,000 fully paid ordinary shares in part consideration for the acquisition of 50% of the share capital in Eight South Investments Pty Ltd. A further 20,000,000 fully paid ordinary shares were issued in full and final consideration of the acquisition on 27 September 2017.

Results of Annual General Meeting

The Group held its Annual General Meeting of Shareholders was held on 25 November 2016 and all resolutions put to the meeting were passed unanimously.

Change of Company Name

The Company's change of name to Pacific Bauxite Ltd was formally registered with ASX on 2 December 2016.

Recovery of Legal Fees

Proceedings for the recovery of legal fees paid on behalf of former director Mr. Zohar remains stayed pending the outcome of his bankruptcy proceedings. These proceedings are ongoing and the Company will continue to inform the market of any significant updates as and when they occur.

Competent Person Statement:

The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr. Brett Smith, BSc Hons (Geol), a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy and Member of AIG. Mr. Smith is an employee and Director of Pacific Bauxite Limited. Mr. Smith has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Smith consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Your Directors present their report of Pacific Bauxite Limited for the year ended 30 June 2017.

DIRECTORS

The following persons were Directors of the Company during the whole of the financial year and up to the date of this report.

MARK GWYNNE (Appointed 13 May 2014)
Executive Director and CEO

Mr Gwynne has 24 years of experience in senior and corporate management of resource companies registered and listed in Australia and the United Kingdom, with operations in Australia, Africa, South America and the Former Soviet Union. Mr Gwynne has extensive experience in project acquisition and development in precious and base metals and oil and gas and has undertaken extensive capital raising and marketing for several companies. Mr Gwynne has previously been a director FE Limited Cauldron Energy Limited in the last three years.

Mr Gwynne indirectly holds 1,351,713 ordinary shares, 2,500,000 options and 3,000,000 performance rights in Pacific Bauxite.

JOHN CIGANEK (Appointed 11 July 2016)
BA Eng MBA
Non- Executive Chairman

Mr. Ciganek's career of more than 25 years in the mining sector has been spent across mining engineering, executive management and corporate finance. He is currently Executive Director of BurnVoir Corporate Finance, a corporate finance advisory firm. Mr. Ciganek's advisory roles include project finance, mergers and acquisitions, equity capital markets, corporate and commercial advisory. Mr. Ciganek has worked in bauxite mining operations with Comalco / CRA (now Rio Tinto) and has provided corporate finance advice to companies in the bauxite, alumina and aluminium sectors. Mr. Ciganek was previously a director of Boulder Steel Ltd (in the last three years).

Mr. Ciganek indirectly holds 1,000,000 options and 1,500,000 performance rights in Pacific Bauxite.

BRETT SMITH (Appointed 13 May 2014)
BSc (Hons), MAusIMM, MAIG, MAICD
Non-Executive Director

Mr. Smith has acquired more than 30 years of experience in the mining and exploration industry as a geologist, manager, consultant and Director in Australia, North and South America and Africa. His industry experience is broad, dominated by exploration and resource definition for mining operations. He is currently the Managing Director of Corazon Mining Ltd and Non-Executive Director of Battery Minerals Ltd. Other Directorships held in the past three years include, Jacka Resources Ltd and Cauldron Energy Ltd.

Mr. Smith indirectly holds 1,351,713 ordinary shares, 2,500,000 options and 3,000,000 performance rights in Pacific Bauxite.

PIPPA COPPIN (Appointed 24 March 2016)
LLB BSc,
Non-Executive Director

Ms. Coppin is a corporate lawyer based in Perth. She specialises in equity capital raisings, all forms of acquisitions and divestments, governance and corporate compliance. Ms Coppin graduated from the University of Western Australia in 2004 with a Bachelor of Laws and Science. She also has a Graduate Diploma of Applied Corporate Governance and a Diploma of Business Studies. Ms Coppin has not held any other Directorships in the last three years.

Ms. Coppin indirectly holds 1,000,000 options and 1,500,000 performance rights in Pacific Bauxite.

COMPANY SECRETARY

The following person was the Company Secretary of the Company during the whole of the financial year and up to the date of this report.

SURAJ SANGHANI (Appointed 19 February 2014)
BCom CA ACIS

Mr. Sanghani has over 11 years of experience in the assurance, accounting and corporate governance profession. He has held roles with Ernst & Young, as well as company secretary and directorship roles with a number of ASX listed exploration companies operating domestically and internationally.

Mr. Sanghani has a Bachelor of Commerce Degree from the University of Western Australia and is a Chartered Accountant and Chartered Company Secretary. He is currently a member of the Institute of Chartered Accountants Australia and New Zealand and the Governance Institute of Australia.

Mr. Sanghani has previously been company secretary of Actinogen Medical Ltd, Eagle Nickel Ltd and Red River Resources Ltd. He was also a Director of Red River Resources Limited in the last three years.

Mr. Sanghani indirectly holds 142,000 ordinary shares, 1,250,000 options and 1,000,000 performance rights and directly holds 500,000 options in Pacific Bauxite.

Principal Activities

The principal activity of the Group during the course of the financial year was mineral exploration.

Dividends

No dividends were paid or declared during the financial year. No recommendation for payment of dividends has been made.

Review of Operations

Information on the operations of the Group and its business strategies and prospects is set out in the Review of Operations and Activities on pages 9 to 17 of this annual report.

Annual General Meeting

The Company's Annual General Meeting was held on 25 November 2016. All resolutions put to the meeting were passed on a show of hands.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Group other than those disclosed in the Review of Operations.

Matters Subsequent to the End of the Financial Year

On 15 September 2017 Pacific Bauxite issued 73,076,919 ordinary shares at a price of $0.026 per share to raised $1,900,000. Following this capital raise a total of $115,000(inc GST) was paid to International Resources Development Pty Ltd for services rendered prior to 30 June 2017 that was contingent on this capital raising. Refer to Note 3 (vii) for further details.

On 27 September 2017 Pacific Bauxite issued 20,000,000 ordinary shares in full and final consideration of 50% of Eight South Investments Pty Ltd.

Likely Developments and Expected Results of Operations

The Group will continue to focus on the exploration of minerals. This may or may not include seeking expressions of interest for the sale of non-core projects and assets.

Environmental Regulation

The Directors believe the Group is not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Greenhouse Gas and Energy data reporting requirements

The Group is subject to the reporting requirements of both the Energy Efficiency Opportunities Act 2006 and the National Greenhouse and Energy Reporting Act 2007.

The Energy Efficiency Opportunities Act 2006 requires the group to assess its energy usage, including the identification, investigation and evaluation of energy saving opportunities, and to report publicly on the assessments undertaken, including what action the Group intends to take as a result. The National Greenhouse and Energy Reporting Act 2007 require the Group to report its annual greenhouse gas emissions and energy use.

For the year ended 30 June 2017 the Group was below the reported threshold for both legislative reporting requirements therefore is not required to register or report. The Group will continue to monitor its registration and reporting requirements however it does not expect to have future reporting requirements.

Directors' Meetings

The following table sets out the number of meetings of the Company's Directors held while each Director was in office and the number of meetings attended by each Director:

	Board Meetings	
Director	**Number of meetings held while in office**	**Number of meetings attended**
Mark Gwynne	4	4
John Ciganek	4	4
Brett Smith	4	4
Pippa Coppin	4	4

REMUNERATION REPORT (AUDITED)

The information contained in the remuneration report has been audited as required by Section 308(3C) of the *Corporations Act 2001*.

Principles Used to Determine the Nature and Amount of Remuneration

The Group's policy for determining the nature and amount of emoluments of Board members and senior executives are as follows:

Executive Remuneration

The Group's remuneration policy for Executive Directors is designed to promote superior performance and long-term commitment to the Group. Executives receive a base salary which is market related. Overall remuneration policies are subject to the discretion of the Board and can be changed to reflect competitive market and business conditions where it is in the best interests of the Group and its shareholders to do so. The Board's reward policy reflects its obligation to align executives' remuneration with shareholders' interests and retain appropriately qualified executive talent for the benefit of the Group. The main principles of the policy are:

- Reward reflects the competitive market in which the Group operates;
- Individual reward should be linked to performance criteria; and
- Executives should be rewarded for both financial and non-financial performance.

Refer below for details of Executive Directors' remuneration.

Non-Executive Remuneration

Shareholders approve the maximum aggregate remuneration for Non-Executive Directors. The Board recommends the actual payments to Directors. The maximum aggregate remuneration approved for Non-Executive Directors is currently $250,000 (2016: $250,000). The Group has agreed to pay an insurance premium for Directors and Officers Liability.

The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Refer below for details of Non-Executive Directors' remuneration.

Executives are also entitled to participate in the employee share and option arrangements. Refer to Note 14(b) to the financial report for details of all Directors' share and option holdings.
The Executive Directors and Executives receive a superannuation guarantee contribution (where applicable) required by the government, which, as at 30 June 2017 was 9.5%, and do not receive any other retirement benefits.

All remuneration paid to Directors and Executives is valued at the cost to the Group and expensed. Options are valued using either the Black-Scholes or binomial methodologies.

The Board policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required; during the year no advice was sought. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for Non-Executive Directors are not linked to the performance of the Group. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in Pacific Bauxite and are able to participate in an employee option plan (none adopted to date).

Performance Based Remuneration

The Group currently has no performance-based remuneration or short or long term incentives component built into Director and Executive remuneration packages.

The Board believes that as the Group is in its start-up phase of development it is not feasible to establish meaningful Key Performance Indicators from which to base Director and Executive remuneration packages. Once the Group is more fully established the Board will reconsider this policy.

Use of Remuneration Consultants

For the year ended 30 June 2017, the Group did not employ any remuneration consultants to provide recommendations on employee remunerations matters.

Remuneration Governance

The Group has not established a remuneration committee due to the relatively small size and early stage of development of the Group. The Board as a whole monitors the activities normally reserved for a remuneration committee. The Corporate Governance Statement provides further information on the role of the Board in this context.

Details of Remuneration

Details of the remuneration of the Directors and key management personnel of the Group are set out below.

The Key Management Personnel of the Group are the Directors and Company Secretary.

Directors:
Mark Gwynne (Executive Director - CEO) (Appointed as a Director 13 May 2014) (Appointed Executive Director and CEO on 4 September 2017)
John Ciganek (Non- Executive Director Chairman) (Appointed as a Director on 11 July 2016) (Appointed chairman on 4 September 2017)
Brett Smith (Non – Executive Director) (Appointed 13 May 2014)
Pippa Coppin (Non – Executive Director) (Appointed 24 March 2016)

Company Secretary:
Suraj Sanghani (Appointed 19 February 2014)

Key Management Personnel Remuneration:

2017

Name	Short Term: Cash salary and fees $	Short Term: Non-monetary benefits $	Post-employment: Superannuation $	Share based payments: Options $	Share based payments: Shares $	Total $	Value of Share Based payments as a % of total remuneration
Directors							
Mark Gwynne	75,000	-	7,125	66,238	-	148,363	44.65%
Brett Smith	58,960[1]	-	-	66,238	-	125,198	52.91%
Pippa Coppin	61,450[2]	-	-	26,495	-	87,945	30.13%
John Ciganek	51,006	-	-	26,495	-	77,501	34.19%
Company Secretary							
Suraj Sanghani	126,000	-	11,970	26,495	-	164,465	16.11%
Total	372,416	-	19,095	211,961	-	603,472	35.12%

[1] This includes an amount of $6,400 in consultancy fees billed to the Group by Mr Smith for time spent at an exploration site.
[2] This includes an amount of $8,890 in legal services billed to the Group by Ms Coppin.

2016

Name	Short Term: Cash salary and fees $	Short Term: Non-monetary benefits $	Post-employment: Superannuation $	Share based payments: Options $	Share based payments: Shares $	Total $	Value of Share Based payments as a % of total remuneration
Directors							
Robert Sebek[1]	303,899	42,030	16,096	-	-	362,025	0.00%
Mark Gwynne	65,000	-	6,175	-	-	71,175	0.00%
Brett Smith	73,360	-	-	-	-	73,360	0.00%
Pippa Coppin	13,000	-	-	-	-	13,000	0.00%
Company Secretary							
Suraj Sanghani	126,000	-	11,970	-	-	137,970	0.00%
Total	581,259	42,030	34,241	-	-	657,530	0.00%

[1] Includes annual and long service leave amounts accrued and paid out on resignation and outstanding balance on a Company maintained vehicle.

Share Based Compensation

The terms and conditions of the grant of options affecting remuneration in the current and prior reporting periods are as follows:

Director/ Company Secretary	Options issued as compensation	Issue Date / date vested and exercisable	Value per option at grant date (cents)	Exercise price (cents)	Expiry Date
Robert Sebek	4,000,000	30 November 2012	0.17	9	28 November 2017
Suraj Sanghani	250,000	30 November 2012	0.17	9	28 November 2017
Robert Sebek	500,000	20 November 2014	1.39	3	30 December 2017
Suraj Sanghani	500,000	20 November 2014	1.39	3	30 December 2017
Mark Gwynne	2,500,000	25 November 2016	2.65	8	1 December 2019
Brett Smith	2,500,000	25 November 2016	2.65	8	1 December 2019
Pippa Coppin	1,000,000	25 November 2016	2.65	8	1 December 2019
John Ciganek	1,000,000	25 November 2016	2.65	8	1 December 2019
Suraj Sanghani	1,000,000	25 November 2016	2.65	8	1 December 2019

Options issued under the plans contain no dividend or voting rights.

When exercised, each option is converted in to one ordinary share.

The assessed fair value of the options at grant date is calculated in accordance with AASB 2 Share-based Payments. The values are determined using a Black-Scholes pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and the expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

During the year the Pacific Bauxite also issued performance rights to various Directors and officers as detailed below:

Director/ Company Secretary	Performance Rights issued as compensation	Issue Date	Value per performance right at grant date (cents)	Expiry Date
Mark Gwynne	3,000,000	25 November 2016	-	1 December 2019
Brett Smith	3,000,000	25 November 2016	-	1 December 2019
Pippa Coppin	1,500,000	25 November 2016	-	1 December 2019
John Ciganek	1,500,000	25 November 2016	-	1 December 2019
Suraj Sanghani	1,000,000	25 November 2016	-	1 December 2019

The above performance rights vest to one share each following satisfaction of the following milestone:

- Commencement of mining at the Nendo Project or
- The disposal by Eight South Investments Pty Ltd of the Nendo Project for no less than $25,000,000. Being a net amount of $12,500,000 payable to Pacific Bauxite for its 50% interest in Eight South Investments Pty Ltd.

As at the date of this report no performance rights have vested.

Additional Information

The table below sets out the performance of the Group and the consequences on shareholders' wealth for the past five years:

	2017	2016	2015	2014	2013
Quoted price of ordinary shares at period end (cents)	1.7	3.7	1.1	1.4	2.1
Quoted price of options at period end (cents)	-	-	-	-	-
Earnings / (loss) per share (cents)	(1.11)	(0.95)	(0.77)	(1.70)	(1.82)
Dividends paid	-	-	-	-	-

Service Agreements and Remuneration Commitments

The following services agreements are currently in place:

- Executive Director & CEO Mark Gwynne
  No fixed term, remuneration of $100,000 per annum plus statutory superannuation and a two (2) month notice period. Mark is also entitled to an additional $800 per day that he is at an exploration site.
- Non-Executive Director – Chairman John Ciganek – Ciganek Family Trust
  No fixed term, remuneration of $71,175 per annum and a two (2) month notice period.
- Non-Executive Director Brett Smith – Topaz Corporate Pty Ltd
  No fixed term, remuneration of $52,560 per annum and a two (2) month notice period. Brett is entitled to an additional $800 per day that he is at an exploration site.
- Non-Executive Director Pippa Coppin – Boscarn Pty Ltd
  No fixed term, remuneration of $52,560 per annum and a two (2) month notice period. From time to time Pippa also provides legal services to the Group and these are provided on a commercial basis.
- Company Secretary – Suraj Sanghani
  No fixed term, remuneration of $126,000 per annum plus statutory superannuation and a two (2) week notice period.

Security Trading Policy

Pacific Bauxite's security trading policy provides guidance on acceptable transactions in dealing in the Company's various securities, including shares, debt notes and options. Pacific Bauxite's security trading policy defines dealing in Company securities to include:

(a) Subscribing for, purchasing or selling Company securities or entering into an agreement to do any of those things;

(b) Advising, procuring or encouraging another person (including a family member, friend, associate, colleague, family Company or family trust) to trade in Company Securities; and

(c) Entering into agreements or transactions which operate to limit the economic risk of a person's holdings in Company securities.

The securities trading policy details acceptable and unacceptable times for trading in Company securities including detailing potential civil and criminal penalties for misuse of "inside information". The Directors must not deal in Company securities without providing written notification to the Chairman. The Chairman must not deal in Company securities without the prior approval of the Board of Directors. The Directors are responsible for disclosure to the market of all transactions or contracts involving the Company's shares.

Pacific Bauxite's Employee Option Plan expired on 8 August 2017. There is no current plan in place.

Voting and Comments Made at the Group's 2016 Annual General Meeting.

Pacific Bauxite received more than 98.30% of "yes" votes on its remuneration report for the 2016 financial year.

END OF REMUNERATION REPORT (AUDITED)

Shares under Option

Unissued ordinary shares of Pacific Bauxite under option at the date of this report are as follows:

Date options granted	Expiry Date	Issue price of shares	Number under option
30 November 2012	28 November 2017	9 cents	5,250,000
20 November 2014	30 December 2017	3 cents	1,000,000
25 November 2016	1 December 2019	8 cents	8,500,000

No option holder has any right under the options to participate in any other share issue of the Company.

No shares were issued during the year ended 30 June 2017 on the exercise of options granted.

Performance Rights

During the year Pacific Bauxite issued performance rights to Directors/Officers and contractors. Details of these performance rights are as follows:

Date performance rights granted	Expiry Date	Issue price	Number of performance rights
25 November 2016	1 December 2019	-	10,500,000

None of these performance rights have vested as at the date of this report. Refer to the remuneration report above for the terms of these performance rights

Indemnifying Officers

During the financial year, the Group paid a premium in respect of a contract insuring the directors and company secretary to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Group or any related body corporate against a liability incurred as such an officer.

Proceedings on Behalf of the Group

No person has applied for leave of Court, under section 237 of the *Corporations Act 2001*, to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is party for the purpose of taking responsibility on behalf of the Group for all or part of these proceedings. The Group was not a party to any such proceedings during the year.

Non-Audit Services

No non-audit services were provided to the Group by the Group's auditors during the year ended 30 June 2017. Non-audit services are only provided by the Group's auditors where the Board of Directors is satisfied that the provision of non-audit related services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

Auditor's Independence Declaration

The auditor's independence declaration as required under *section 307C of the Corporations Act 2001,* for the year ended 30 June 2017 has been received and is set out on page 26.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

John Ciganek.

John Ciganek
Chairman
29 September 2017
Perth, Western Australia

ROTHSAY
Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 9486 7094 www.rothsayresources.com.au

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

Dear Directors

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 30 June 2017 financial statements; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Graham Swan FCA (Lead auditor)

Rothsay Auditing

Dated 29 September 2017

Chartered Accountants

PACIFIC BAUXITE LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2017

	Note	2017 $	2016 $
Revenue from continuing operations	4	20,337	28,922
Other Income	4	50,620	167,443
Administration		(334,982)	(349,333)
Exploration costs		(37,767)	(490,720)
Depreciation	9	(4,780)	(3,508)
Employment costs		(654,740)	(590,247)
Impairment of available for sale financial assets	8	(59,089)	(41,080)
Impairment of loan to associate	26	(501,026)	(6,051)
Share of net loss of associate	26	(250,513)	-
(Loss) before Income Tax		(1,771,940)	(1,284,574)
Income tax (expense) / benefit	5	-	-
(Loss) for the Year		**(1,771,940)**	**(1,284,574)**
Profit is attributable to			
Owners of Pacific Bauxite Limited		(1,771,940)	(1,284,574)
Other comprehensive income		-	-
Total comprehensive (loss) for the year		**(1,771,940)**	**(1,284,574)**
(Loss) per share attributed to the Owners of Pacific Bauxite Limited			
Basic loss per share (cents)	22	(1.11)	(0.95)

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

PACIFIC BAUXITE LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

	Note	2017 $	2016 $
CURRENT ASSETS			
Cash and Cash Equivalents	6	455,324	925,625
Trade and Other Receivables	7	35,679	29,982
TOTAL CURRENT ASSETS		491,003	955,607
NON-CURRENT ASSETS			
Available For Sale Financial Assets	8	3,110	62,199
Property, Plant and Equipment	9	24,525	23,051
Investment in associate	26	889,487	-
Loan to associate	26	-	-
TOTAL NON-CURRENT ASSETS		917,122	85,250
TOTAL ASSETS		1,408,125	1,040,857
CURRENT LIABILITIES			
Trade and Other Payables	10	124,834	99,380
Provisions	11	41,303	36,427
Deferred consideration - acquisition of associate	26	340,000	-
TOTAL CURRENT LIABILITIES		506,137	135,807
TOTAL LIABILITIES		506,137	135,807
NET ASSETS		901,988	905,050
EQUITY			
Contributed Equity	12	14,729,880	13,186,212
Reserves	13	1,490,422	1,265,212
Accumulated Losses		(15,318,314)	(13,546,374)
TOTAL EQUITY		901,988	905,050

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

2016

	Contributed Equity $	Accumulated Losses $	Option Reserve $	Total $
Balance as at 1 July 2015	13,186,212	(12,261,800)	1,265,212	2,189,624
Loss for the year	-	(1,284,574)	-	(1,284,735)
Total comprehensive loss for the year	-	(1,284,574)	-	(1,284,735)
Options issued during the year	-	-	-	-
Balance as at 30 June 2016	13,186,212	(13,546,374)	1,265,212	905,050

2017

	Contributed Equity $	Accumulated Losses $	Option Reserve $	Total $
Balance as at 1 July 2016	13,186,212	(13,546,374)	1,265,212	905,050
Total comprehensive income for the year				
Loss for the year	-	(1,771,940)	-	(1,771,940)
Total comprehensive loss for the year	-	(1,771,940)	-	(1,771,940)
Issue of ordinary shares - placement	779,668	-	-	779,668
Share issue costs	(36,000)	-	-	(36,000)
Issue of ordinary shares – acquisition of associate	800,000	-	-	800,000
Options issued	-	-	225,210	225,210
Balance as at 30 June 2017	14,729,880	(15,318,314)	1,490,422	901,988

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

PACIFIC BAUXITE LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2017

	Note	2017 $	2016 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		8,560	27,809
Receipts from customers		12,894	2,625
Payments for exploration and evaluation		(517,189)	(463,900)
Payments to suppliers and employees		(762,600)	(841,529)
NET CASH (OUTFLOWS) FROM OPERATING ACTIVITIES	20	(1,258,335)	(1,274,995)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment of option fee over tenements		-	(100,000)
Proceeds from the sale of projects		50,000	-
Proceeds from sale of property, plant and equipment		2,000	900,126
Payments for property, plant and equipment		(7,634)	(13,253)
NET CASH INFLOW / (OUTFLOWS) FROM INVESTING ACTIVITIES		44,366	786,873
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		779,668	-
Payments for share issue costs		(36,000)	-
NET CASH (OUTFLOWS) FROM FINANCING ACTIVITIES		743,668	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(470,301)	(488,122)
Cash and cash equivalents at the beginning of the financial year		925,625	1,413,747
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	6	455,324	925,625

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (**AABS**), Australian Accounting Interpretations and the *Corporations Act 2001.*

Compliance with IFRS

The financial statements of the Group also comply with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board (**IASB**). Pacific Bauxite Ltd is a for profit entity for the purpose of preparing the financial statements.

Adoption of New and Revised Accounting Standards

In the Current period, the Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective or reporting periods beginning on 1 January 2016.

The Group has not elected to early adopt any new standards or amendments.

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. The Group does not anticipate that there will be a material effect on the financial statements from the adoption of these standards.

Standard/Interpretation	**Effective for annual reporting periods beginning on or after**	**Expected to be initially applied in the financial year ending**
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 Revenue from Contracts with Customers	1 January 2018	30 June 2019
AASB 16 Leases	1 January 2019	30 June 2020
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an investor and its Associate or Joint Venture	1 January 2018	30 June 2019
2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	30 June 2018
2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	1 January 2017	30 June 2018
2016-5 Amendments to Australian Accounting Standards – Classification and measurement of Share-based Payment Transactions	1 January 2018	30 June 2019
2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle	1 January 2017	30 June 2018
AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018	30 June 2019

Historical Cost Convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and certain classes of property, plant and equipment.

Critical Accounting Estimates and Significant Judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

(b) Principles of Consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Pacific Bauxite as at 30 June 2017 and the results of all subsidiaries for the year then ended. Pacific Bauxite and its subsidiaries together are referred to in this financial report as either the Consolidated Entity or Group.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group.

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals to non-controlling interests result in gains and losses for the Group that are recorded in the consolidated statement of profit or loss and other comprehensive income. Purchases from non-controlling interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and statement of changes in equity respectively.

Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Pacific Bauxite.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Associates

Associates are all entities over which the group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The group's investment in associates includes goodwill identified on acquisition.

The group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as reduction in the carrying amount of the investment.

When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

(c) Business Combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(d) Exploration and Evaluation Expenditure

Exploration, evaluation expenditure is expensed in respect of each identifiable area of interest held in the name of the entity. Acquisition costs are capitalised and recognised on the statement of financial position only to the extent that there exists evidence of the capitalised expenditure to be recouped through the successful development or sale of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves. Accumulated acquisition costs in relation to an abandoned area are written off in full to the statement of profit or loss and other comprehensive income in the year in which the decision to abandon the area is made.

When production commences, the accumulated exploration, acquisition and development costs for the relevant area of interest will be amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. Any costs of site restoration are provided for during the relevant production stages (where the liabilities exist) and included in the costs of that stage. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(b) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(c) Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effect interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the statement of profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss.

(d) Property, Plant & Equipment

Each asset of property, plant and equipment is carried at cost, less where applicable, any accumulated depreciation and impairment losses. Plant and equipment are measured on the cost basis less depreciation and impairment losses.

Property

Buildings are shown at cost less subsequent depreciation for buildings.

Depreciation

Items of plant and equipment are depreciated using the diminishing value method over their estimated useful lives to the consolidated entity. Depreciation on other classes of assets is done using the straight-line method. The depreciation rates used for each class of asset for the current period are as follows:

- Buildings 2.5%
- Property Improvements 2.5%
- Plant and Equipment 10% - 66.67%

Assets are depreciated from the date the asset is ready for use. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the assets continual use or subsequent disposal. The expected cash flows have been discounted to their present value in determining the recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the consolidated statement of profit or loss and other comprehensive income. When re-valued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(e) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the end of the reporting period.

Deferred income tax is accounted for using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax from the initial recognition of an asset or liability, in a transaction other than a business combination is not accounted for if it arises that at the time of the transaction it affects neither accounting or taxable profit nor loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the asset is realised or liability is settled. Deferred tax is credited in the consolidated statement of profit or loss and other comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The Group's entitlement to the Research and Development tax rebate is recognised as Other Income in accordance with AASB 120.

(i) Investment allowances

The Group may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

(f) Employee Benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(g) Share-Based Payments

The Consolidated entity provides benefits to employees (including Directors) of the Consolidated Entity in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'). The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option-pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

Refer to Note 21 for further information.

(h) Cash and Cash Equivalents

For the purpose of the Consolidated Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within three months, net of outstanding bank overdrafts.

(i) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Option Fee

Option Fee revenue is recognised at the time the Group receives notification from the contracting party that all conditions required for payment under the agreement have been met and the fee is due and payable.

Other income

Sale of assets is calculated with reference to the carrying value of the asset less the consideration received to arrive at the profit on sale.

(j) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Consolidated Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Consolidated Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(k) Contributed Equity

Ordinary issued share capital is recognised at the fair value of the consideration received by the Group. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction in share proceeds received.

Where any Group purchases the entity's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Pacific Bauxite as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Pacific Bauxite.

(l) Trade and Other Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity. Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

(m) Joint Ventures

Jointly Controlled Assets

Interest in the joint venture operation is brought to account by including in the respective classifications, the share of individual assets employed and share of liabilities and expenses incurred.

(n) Provisions

Provisions for legal claims and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(o) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

(p) Earnings Per Share

Basic earnings per share

Basic earnings per share is determined by dividing profit attributable to owners of the Company, excluding any costs of service equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figure used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financial costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(q) Investments and Other Financial Assets

Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Recognition

Financial instruments are initially measured at fair value on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets initially recognised at fair value with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Subsequent Measurement

Available-for-sale financial assets are subsequently measured at fair value. Changes in the fair value of available-for-sale financial assets are recognised in the consolidated statement of profit or loss and other comprehensive income.

Loans and receivables are carried at amortised cost using the effective interest method. Details on how the fair-value of financial instruments are determined are disclosed in note 2.

Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of profit or loss and other comprehensive income. Impairment losses recognised in the statement of profit or loss and other comprehensive income on equity instruments classified as available-for-sale are not reversed through the statement of comprehensive profit or loss and other income.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the statement of profit or loss and other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in note 2.

(r) Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(s) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

(t) Non-Current Assets (or Disposal Groups) Held for Sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

(u) Intangible Assets

Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments.

(v) Going Concern

The Directors believe that it is appropriate to prepare the consolidated financial statements on a going concern basis. As at 30 June 2017, the Group's current working capital was $324,866 after excluding the deferred consideration on acquisition of the associate, and the Group has cash and cash equivalents of $455,324. Subsequent to year end the Pacific Bauxite raised $1,9000,000 via a share issue and therefore the Directors believe there is sufficient cash reserves to maintain a going concern. The Group will continue to manage its exploration and operating activities and will put in place financing arrangements to ensure that it has sufficient cash reserves for the next 12 months.

2. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk in these areas is not significant enough to warrant a formalised specific risk management program.

Risk management is carried out by the Board in their day-to-day function as the overseers of the business. Where necessary the Board provides principles for overall risk areas, as well as defined policies for specific risks such as foreign exchange and credit risk.

The Consolidated Entity holds the following financial instruments:

Financial Assets	Available for Sale $	Financial assets at amortised cost $	Total $
2017			
Cash and cash equivalents	-	455,324	455,324
Trade and other receivables	-	35,679	35,679
Available-for-sale financial assets	3,110	-	3,110
	3,110	491,003	494,113
2016			
Cash and cash equivalents	-	925,625	925,625
Trade and other receivables	-	29,982	29,982
Available-for-sale financial assets	62,199	-	62,199
	62,199	955,607	1,017,806

Financial Liabilities	Liabilities at amortised cost $	Total $
2017		
Trade and other payables	124,834	124,834
	124,834	124,834
2016		
Trade and other payables	99,380	99,380
	99,380	99,380

(a) Market Risk

(i) Foreign Exchange Risk

The entity's operations are limited to activities within Australia and Solomon islands.

Sensitivity

The Group's profit would not be materially different due to changes in exchange rates.

(ii) Price risk

The entity is exposed to equity securities price risk. This arises from investments held by the entity and classified on the statement of financial position as available-for-sale.

All of the Group's equity investments are publicly traded and listed on the ASX.

The Group manages equity securities price risk by only investing in companies where the Board has a detailed understanding of its financial and operating position.

The Group is not exposed to commodity price risk.

The table below summarises the impact of the all ordinaries index on the entity's post-tax profit for the year and on equity. The analysis is based on the assumption that the all ordinaries index had increased by 8.54% (2016 – decreased by 2.58%) with all other variables held constant and all the Entity's equity instruments moved according to the historical correlation with the index.

	Impact on Equity		Impact on Post Tax Profit	
	2017	2016	2017	2016
	$	$	$	$
All ordinaries index	64,402	38,416	64,402	38,416

Equity would increase as a result of a small impairment charge to the securities classified as available-for-sale.

Given the nature of the financial assets, the Directors believe the All Ordinaries Index is the most appropriate benchmark to measure the sensitivity of the price risk of the Group's listed financial investments. However it should be noted that the maximum negative impact on the statement of profit or loss is $3,110 (2016: $62,199).

(iii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from funds on interest bearing deposits. Funds on interest bearing deposits at variable rates expose the Entity to cash flow interest rate risk. During 2017 and 2016, the Entity's funds on deposit at variable rate were denominated in Australian Dollars only.

As at the reporting date, the Entity had the following variable rate funds on deposit:

	30 June 2017		30 June 2016	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	$	%	$
Funds on deposit	2.36	405,278	2.22	1,186,476

The Entity has assessed that the impact of movements in interest rates does not have a material impact on the net profit after tax. Accordingly the Entity's funds on deposit are managed according to the cash flow requirements of the Entity rather than impact of interest rate risk.

Entity sensitivity
At 30 June 2017, if interest rates had changed by -100/+ 70 basis points (2016 by -100/+ 70 basis points) from the year-end rates with all other variables held constant, post-tax profit for the year would have been $4,503 lower / $2,837 higher (2016 – change of 100/70 bps: $11,865 lower / $8,305 higher), mainly as a result of higher/lower interest income from cash and cash equivalents. Equity would have been $4,503 lower / $2,837 higher (2016: $11,865 lower / $8,305 higher mainly as a result of an increase/decrease in the interest income from cash and cash equivalents.

(b) Credit Risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions and receivables from Joint Venture and Farm-In operations. The Entity's maximum exposure to credit risk at the reporting date was:

	2017	2016
	$	$
Financial Assets		
Cash and cash equivalents	455,324	925,625
Trade and other receivables	35,679	29,982
Available for sale financial assets	3,110	62,199
	494,113	1,017,806

The Directors believe that there is negligible credit risk with the cash and cash equivalents, as funds are held at call with a reputable Australian Banking Institution which has a long term S&P credit rating of AA-.

Other receivables relate to amounts due from the Australian Taxation Office and prepaid expenses and accordingly the Directors believe there to be negligible credit risk with these receivables.

The Group did not have any trade receivables as at 30 June 2017 and no security interests are taken to cover the recoverability of financial assets.

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Entity manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in at call interest bearing deposits or in bank bills that are highly liquid and with maturities of less than six months.

Financing arrangements

The Entity does not have any financing arrangements.

Maturities of financial liabilities

The Entity does not have any debt except for trade payables which are due for payment in less than six months.

(d) Fair Value Measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

Pacific Bauxite has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

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

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

The following tables present the Group's assets measured and recognised at fair value at 30 June 2017.

Group – at 30 June 2017	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets				
Equity securities	3,110	-	-	3,110
Total assets	3,110	-	-	3,110

Group – at 30 June 2016	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets				
Equity securities	62,199	-	-	62,199
Total assets	62,199	-	-	62,199

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid prices at the end of the financial year. These instruments are included in Level 1.

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

3. Critical Accounting Estimates and Judgements

Key estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(i) Impairment

The Entity assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

During the year ended 30 June 2017, the Group made significant judgement about the impairment of a number of its available-for-sale financial assets.

The Entity follows the guidance of AASB 139 Financial Instruments: Recognition and Measurement on determining when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and near term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

The decline in fair value below cost for some of these assets has been considered to be significant and/or prolonged. The Group has recorded an impairment loss during the year ended 30 June 2017 of $59,089 (2016: $41,080).

(ii) Exploration and evaluation expenditure

The Entity's accounting policy for exploration and evaluation expenditure results in expenditure being expensed with acquisition costs being capitalised for an area of interest where it is considered likely to be recovered by future exploitation or sale or where the activities have reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised the acquisition costs under the policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the statement of profit or loss and other comprehensive income.

(iii) Fair value of available-for-sale financial assets

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(iv) Share based payments

The Entity's accounting policy for share based payments results in the cost of equity-settled transactions with employees being measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model. In undertaking this valuation, the Entity makes certain judgments regarding the model inputs. In determining the model inputs consideration is made of publicly available information of transactions of a similar nature.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

Refer to Note 21 for further information.

(v) Recognition of deferred taxes

The Entity's accounting policy for recognising deferred tax assets states that a deferred tax asset may only be recognised where if it is probable that there will be future taxable amounts available to utilise those deferred tax assets.

After reviewing the Entity's current contracts and future revenue and expense estimates, the Group's management have made a judgement that whilst there is an expectation that there will be sufficient future taxable amounts available to utilise the Future Tax Assets, there is insufficient evidence available to recognise the Future Tax Assets at 30 June 2017 as required under AASB 112 Income Taxes.

(vi) Revenue and contingent assets

The Group has made the judgement to not recognise the revenue or contingent assets relating from the sale of mining projects during the prior years as well amounts potentially available from the recovery of debts from former Director Mr. David Zohar and the taxation of the legal bills paid on his behalf. A judgement was made that the transactions did not meet the revenue or contingent asset recognition criteria. The salient points of these transactions are summarised below.

Rogetta (Blythe)

Payment of A$1,000,000 upon the first shipment of iron ore extracted from the Blythe Project tenements.

Payment of A$2,000,000 upon the first anniversary of the first shipment of iron ore extracted from the Blythe Project tenements.

Payment of A$2,000,000 upon the second anniversary of the first shipment of iron ore extracted from the Blythe Project tenements.

The originally agreed royalty of 1.5% payable on the gross Free on Board revenue from all shipments of iron ore from the Blythe tenements remains intact.

Mt Richardson

The Group 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 A$0.50 per dry metric tonne on tonnages in excess of independently evaluated Indicated or Measured resources of 10,000,000 tonnes.

Golden Camel Gold Tenements

During the year the Group sold its entitlement to milestone payments from the Golden Camel Project for a lump-sum payment of A$50,000. The Group retains a royalty of A$2/t on all gold ore mined after the first 20,000oz has been produced.

Debt Recovery and Taxation of Legal Bills

Proceedings for the recovery of legal fees paid on behalf of former Director Mr. Zohar remains stayed pending the outcome of his bankruptcy proceedings. These proceedings are ongoing.
The amount currently outstanding from Mr. Zohar is A$588,888

(vii) Contingent Liabilities

Prior to the acquisition of Eight South (previously named AU Capital Mining Pty Ltd), Eight South had an existing service agreement with International Resources Development Pty Ltd (**IRD**). A Director related entity of Mr. Brett Smith and Mr. Mark Gwynne. Since acquisition, IRD had not formally billed for its services but agreed to invoice the balance of the amount owing only upon the next successful capital raising conducted by the Group. As at 30 June 2017 the balance that the Group was expected to pay is $195,500 plus GST. Following the successful capital raising in September 2017, a total of $115,000 (inc GST) has been paid by the Group, with the balance to be paid in the coming months. The agreement between Eight South and IRD is at arm's-length and on commercial terms.

4. Revenue

	2017 $	2016 $
From Continuing Activities		
Sales revenue	12,894	2,625
Other Revenue		
Interest income	7,443	26,297
	20,337	28,922

Other Income		
Profit on sale of assets classified as held of sale	-	167,443
Sale of Golden Camel milestone payments	50,000	-
Profit on sale of property plant and equipment	620	-
	50,620	167,443

5. Income Tax

	2017 $	2016 $
a. Numerical reconciliation of income tax to prima facie tax payable		
Net (Loss) before tax	(1,771,940)	(1,284,574)
Tax expense / (benefit) at the Australian tax rate of 27.5%	(487,284)	(366,104)
Tax effect of amounts that are not deductible / taxable in calculating taxable income		
Share of net loss of associate	68,891	-
Share based payments	61,932	-
Impairment of available for sale financial assets	16,249	11,708
Gain on disposal of property		(47,685)
Impairment of loan to associate	137,782	-
Sundry items	(9,952)	(16,798)
Future tax assets not brought to account	212,382	418,879
Income tax expense /(benefit)	-	-

Tax Losses		
Unused tax losses for which no deferred tax asset has been recognised.	13,402,188	12,910,644
Potential tax benefit @ 27.5%	3,685,601	3,679,534

2016 Figures have been based on a tax rate of 28.5%

Included in the Future Tax Assets not brought to account are tax losses for which no deferred tax asset has been recognised, but where a Future Tax Asset had been recognised in a prior year. After reviewing the Group's current contracts and future revenue and expense estimates, the Group's management have made a judgement that whilst there is an expectation that there will be sufficient future taxable amounts available to utilise the deferred tax assets, there is insufficient evidence available to recognise the Future Tax Assets at 30 June 2017 as required under AASB 112 Income Taxes. Accordingly the tax losses available as at 30 June 2017 have not been recognised as Future Tax Assets.

6. Cash and Cash Equivalents

	2017 $	2016 $
Cash at bank and in hand	455,324	925,625
	455,324	925,625

The Group's exposure to interest rate risk is discussed in Note 2. The minimum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

Of the cash at bank and in hand at 30 June 2017, $71,500 is held as security for bank guarantees to support the Group's mining tenements.

7. Trade and Other Receivables

	2017 Current $	2017 Non-current $	2017 Total $	2016 Current $	2016 Non-current $	2016 Total $
Accrued revenue	397	-	**1,514**	1,514	-	**1,514**
Prepayments	16,079	-	**16,079**	10,483	-	**10,483**
GST Receivable	19,203	-	**19,203**	17,985	-	**17,985**
	35,679	-	**35,679**	29,982	-	**29,982**

8. Available-for-sale Financial Assets

	2017 $	2016 $
Listed equity securities at fair value	3,110	62,199
	3,110	62,199

	2017 $	2016 $
At beginning of year	62,199	103,279
Disposals	-	-
Impairment of available for sale financial assets	(59,089)	(41,080)
At end of year	3,110	62,199

Fair value of investments in listed corporations is assessed as bid price on the Australian Securities Exchange prior to close of business on reporting date.

9. Plant and Equipment

	2017 $	2016 $
PLANT AND EQUIPMENT		
At cost	172,310	171,040
Accumulated depreciation	(147,785)	(147,989)
TOTAL PLANT AND EQUIPMENT	24,525	23,051

Movements during the year	Plant and Equipment $
Balance at 1 July 2016	23,051
Acquisitions	7,634
Depreciation expense	(4,780)
Assets sold	(1,380)
Balance at 30 June 2017	24,525

Movements during the year	Plant and Equipment $
Balance at 1 July 2015	19,358
Acquisitions	13,253
Depreciation expense	(3,508)
Assets Written off	(6,052)
Balance at 30 June 2016	23,051

10. Trade and Other Payables

	2017 $	2016 $
Trade payables and accruals	124,834	99,380
	124,834	99,380

Fair Value

The fair value of trade payables approximates the carrying value as presented above due to their short-term nature.

11. Provisions

	2017 $	2016 $
Annual leave provision	41,303	36,427
	41,303	36,427

12. Contributed Equity

	30.06.2017 Shares	30.06.2016 Shares	30.06.2017 $	30.06.2016 $
(a) Share Capital				
Ordinary Shares	194,917,113	135,933,713	14,729,880	13,186,212
Fully Paid	194,917,113	135,933,713	14,729,880	13,186,212

(b) Movement of fully paid ordinary shares during the period were as follows:

Date	Details	Number of shares	Issue Price $
1 July 2016	Opening balance	135,933,713	13,186,212
27 September 2016	Issue of ordinary shares to Eight South Investments Pty Ltd vendors	20,000,000	800,000
12 April 2017	Issue of ordinary shares – Placement	38,983,400	779,668
12 April 2017	Share Issue costs	-	(36,000)
30 June 2016	Closing Balance	194,917,113	14,729,880

(c) Share Options

As at 30 June 2017 the Group has 14,750,000 options on issue (2016: 6,250,000).

No options were issued during the period.

(d) Terms and Conditions of Issued Capital

Ordinary shares participate in dividends and the proceeds on winding up of the Group in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has a vote on a show of hands. Ordinary shares have no par value.

Capital Risk Management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern so that the Group can provide returns to shareholders and benefits for other stakeholders whilst maintaining an optimal capital structure to reduce the cost of capital. The Group considers capital to consist of cash reserves on hand and available-for-sale financial assets.

The Group monitors its working capital position against expenditure requirements to undertake its planned exploration program and maintain its ongoing operations. Where required the Group will sell assets, issue new securities, raise debt or modify its exploration program to ensure the Group's working capital requirements are met.

13. Reserves

The Option Reserve is used to recognise fair value of options issued. The available-for-sale investment revaluation reserve recognises the change in value of available-for-sale assets.

	2017 $	2016 $
Option Reserve		
Balance at the beginning of the year	1,265,212	1,265,212
Options expense (refer note 23)	225,210	-
Balance at the end of the year	1,490,422	1,265,212

The nature and purpose of reserves

(i) Options reserve

The Option reserve is used to recognise the grant date fair value of options issued to employees but not exercised.

14. Key Management Personnel Disclosures

(a) Key Management Personnel Compensation:

	2017 $	2016 $
Short-term employee benefits	372,416	623,289
Post employment benefits	19,095	34,241
Share-based payment	211,961	-
	603,472	657,530

The detailed remuneration disclosures are provided in the remuneration report on pages 20 to 24.

(b) Equity Instruments Disclosure Relating to Key Management Personnel

At reporting date, the relevant interest of each Director in ordinary fully paid shares and options of the Group were:

2017

	Fully Paid Ordinary Shares			
	Balance at the beginning of the year	Shares Issued as compensation	Net change other	Balance at the end of the year
Directors				
Mark Gwynne	1,351,713	-	-	1,351,713
Brett Smith	1,351,713	-	-	1,351,713
Pippa Coppin	-	-	-	-
John Ciganek	-	-	-	-
Company Secretary				
Suraj Sanghani	142,000	-	-	142,000
Total	2,845,426	-	-	2,845,426

2016

	Fully Paid Ordinary Shares			
	Balance at the beginning of the year	Shares Issued as compensation	Net change other	Balance at the end of the year
Directors				
Mark Gwynne	1,351,713	-	-	1,351,713
Brett Smith	1,351,713	-	-	1,351,713
Robert Sebek	-	-	-	-
Pippa Coppin	-	-	-	-
Company Secretary				
Suraj Sanghani	142,000	-	-	142,000
Total	2,845,426	-	-	2,845,426

2017

	Share Options			
	Balance at the beginning of the year	Options Issued as Compensation	Net change other	Balance at the end of the year
Directors				
Mark Gwynne	-	2,500,000	-	2,500,000
Brett Smith	-	2,500,000	-	2,500,000
Pippa Coppin	-	1,000,000	-	1,000,000
John Ciganek	-	1,000,000	-	1,000,000
Company Secretary				
Suraj Sanghani	750,000	1,000,000	-	1,750,000
Total	7,250,000	8,000,000	(2,000,000)	5,250,000

Note: An additional 500,000 were issued to a contractor of the Group

2016

	Share Options			
	Balance at the beginning of the year	**Options Issued as Compensation**	**Net change other**	**Balance at the end of the year**
Directors				
Mark Gwynne	-	-	-	-
Brett Smith	-	-	-	-
Robert Sebek[1]	6,500,000	-	(2,000,000)	4,500,000
Company Secretary				
Suraj Sanghani	750,000	-	-	750,000
Total	7,250,000	-	(2,000,000)	5,250,000

[1] 2,000,000 held by Robert Sebek and exercisable at $0.19 each expired unexercised on 1 May 2016

In addition to the above, performance rights were issued to KMP's as follows:-

2017

	Performance rights			
	Balance at the beginning of the year	**Options Issued as Compensation**	**Net change other**	**Balance at the end of the year**
Directors				
Mark Gwynne	-	3,000,000	-	3,000,000
Brett Smith	-	3,000,000	-	3,000,000
Pippa Coppin	-	1,500,000	-	1,500,000
John Ciganek	-	1,500,000	-	1,500,000
Company Secretary				
Suraj Sanghani	-	1,000,000	-	1,750,000
Total	7,250,000	10,000,000	(2,000,000)	5,250,000

Note: An additional 500,000 performance rights were issued to a contractor of the Group

No options were exercised or issued during the year. All options are vested and exercisable at the end of the year.

Refer to the Directors Report for further details of the options and performance rights.

Other transactions and balances with key management personnel are disclosed in note 18.

15. Remuneration of Auditor

	2017	2016
	$	$
Amounts received or due and receivable by Rothsays Auditing for:		
- an audit or review of the financial statements of the entity	27,500	19,000
	27,500	19,000

16. Events Occurring After the Reporting Period

On 15 September 2017 Pacific Bauxite issued 73,076,919 ordinary shares at a price of $0.026 per share to raised $1,900,000. Following this capital raise a total of $115,000(inc GST) was paid to International Resources Development Pty Ltd for services rendered prior to 30 June 2017 that was contingent on this capital raising. Refer to Note 3 (vii) for further details.

On 27 September 2017 Pacific Bauxite issued 20,000,000 ordinary shares in full and final consideration of 50% of Eight South Investments Pty Ltd

17. Segment information

Management treats the Australian operations and the Solomon Island operations as a separate operating segment and are reported on as such.

	Solomon Islands $	Australia	Total $
30 June 2017			
Revenue	-	70,957	70,957
Total Segment Revenue	-	70,957	70,957
Segment net operating profit/loss after tax	(248,584)	(1,523,356)	(1,771,940)
Interest revenue	-	7,443	7,443
Other revenue	-	63,514	63,514
Depreciation	(1,143)	(3,637)	(4,780)
Segment Assets	9,095	1,399,030	1,408,125
Segment Liabilities	(26,478)	(442,179)	(506,137)

	Solomon Islands $	Australia	Total $
30 June 2016			
Revenue	-	196,365	196,365
Total Segment Revenue	-	196,365	196,365
Segment net operating profit/loss after tax	(350,758)	(933,816)	(1,284,574)
Interest revenue	-	26,297	26,297
Gain on sale of assets held for sale	-	167,443	167,443
Other revenue	-	2,625	2,625
Depreciation	(250)	(3,258)	(3,508)
Segment Assets	4,828	1,036,029	1,040,857
Segment Liabilities	(26,478)	(162,285)	(135,807)

18. Related Party Transactions

Administrative and other related transactions

The Group charged Corazon Mining Limited a total of $12,894 (2016: $2,625 (Ex GST)) relating to administration costs incurred by Pacific Bauxite on its behalf. Mr. Smith is a Director of Corazon Mining Limited. As at 30 June 2017 no amounts billed remained as receivables (2016: Nil).

19. Commitments

Tenement Commitments

The Group has certain obligations to perform minimum exploration work on exploration tenements held. These obligations may vary over time, depending on the Group's exploration programmes and priorities. As at reporting date, total exploration expenditure commitments on tenements held by the Group have not been provided for in the financial statements, however, the expenditure required to maintain the exploration tenements over which the Group has an interest in is listed in the table below:

TENEMENT	HOLDER	AREA	DATE TENEMENT GRANTED	DATE TENEMENT EXPIRES	RENT ($)[ii]	MINIMUM EXPENDITURE ($)[ii]
PL01/16	Eight South Investments Pty Ltd	447 km^2	1/12/2015	1/12/2018	$5,940	$167,847
PL04/17	Australian Pacific Bauxite Pty Ltd[i]	236 km^2	20/06/2017	20/06/2020	$5,940	$218,201

I Australian Pacific Bauxite is a wholly owned subsidiary of Eight South Investments Pty Ltd

ii Based on an exchange rate of 5.9578 SBD to 1 AUD as at 30 June 2017

The Group renewed its operating lease for the use of its office space located at Level 3, 33 Ord Street, West Perth, Western Australia on 1 December 2016. The Group also entered into leased for accommodation in the Solomon Islands.

Future Minimum Lease payments as at 30 June 2017 are as follows.

	2017 $	2016 $
Within one year	49,312	16,667
After one year but not more than five years	19,998	-
More than five years	-	-
Balance at the end of the half year	69,310	16,667

20. Reconciliation of the Operating Loss After Tax to the Net Cash Flows from Operating Activities

Cash Flow Information	2017 $	2016 $
(Loss)/Profit after income tax	(1,771,940)	(1,284,574)
Adjustments to reconcile profit after tax to net cash flow		
Depreciation	4,780	3,508
Sale of tenements classified as investment activities	(50,000)	-
Impairment of available-for-sale financial assets	59,089	41,080
Profit on sale of Plant and Equipment	(620)	-
Property plant and equipment written off	-	6,052
Gain on sale of assets held for sale	-	(167,443)
Expenses classified as investing activities	-	100,000
Non-cash employee benefits expense	225,210	-
Share of net loss of associate	250,513	
Changes in assets and liabilities		
Increase/(decrease) in trade and other payables	25,454	54,469
Decrease/(increase) in trade and other receivables	(5,697)	6,682
Increase / (decrease) in provisions	4,876	(34,769)
Net cash (outflow) from operating activities	(1,258,335)	(1,274,995)

Reconciliation of Cash	2017 $	2016 $
Cash balance comprises;		
Cash at bank	455,324	925,625
	455,324	925,625

Financing facilities available

As at 30 June 2017 the Group had no financing facilities available.

Non Cash Financing and Investing Activities

During the year Pacific Bauxite issued 20,000,000 ordinary shares in part consideration of 50% of Eight South Investments Pty Ltd, there were no other non-cash financing or investing activities.

21. Share-Based Payments

Expenses arising from ordinary share payment transactions

Total expenses arising from share based payment transactions in the prior year were:

	2017 $	2016 $
Options issued as Director, Employee and Contractor compensation	225,210	13,957
	225,210	13,957

The following share based payments existed at 30 June 2017 and 30 June 2016:

	2017 Number of options	2017 Weighted average exercise price	2016 Number of options	2016 Weighted average exercise price
Outstanding at the beginning of the half year	6,250,000	8.04 Cents	6,250,000	8.04 Cents
Granted	8,500,000	8 Cents	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at year end	14,750,000	8.02 Cents	6,250,000	8.04 Cents
Exercisable at year end	14,750,000	8.02 Cents	6,250,000	8.04 Cents

A total of 8,500,000 options exercisable at $0.08 each on or before 1 December 2019 were issued during the half year to Directors, Employees and consultants. Using the Black Scholes Model, the fair value of each option is approximately 2.65 cents based on the following criteria:

Weighted average exercise price	$0.08
Weighted average life of the options	3.08 Years
Underlying share price	$0.034
Expected volatility	165 %
Risk free interest rate	1.94 %

In addition to the above options, a total of 10,500,000 performance rights were issued to Directors Employees and Consultants with various vesting conditions. As at reporting date, none of these conditions have been met and therefore no performance rights have converted to ordinary shares.

In addition to the above a total of 20,000,000 ordinary shares were issued to the vendors of 50% of Eight South Investments Pty Ltd. On the date of issue the value of these shares was $800,000.

22. Earnings Per Share

	2017	2016
(a) Basic loss per share (cents)	(1.11)	(0.95)
(b) Weighted average number of ordinary shares used as the Denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	159,489,504	135,928,713
Adjustments for calculation of diluted earnings per share:		
- Options	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	159,489,504	135,928,713
(c) Earnings used in calculating earnings per share		
Basic earnings per share	(1,771,940)	(1,284,574)

23. Contingent Liabilities and Assets

The Directors are not aware of any contingent liabilities or contingent assets as at 30 June 2017 other than those disclosed in Note 3 (vii).

24. Joint Ventures

Blythe

Forward Mining Ltd continues to progress project assessment requirements for the proposed development of the Rogetta Project in Tasmania.

Under the amended sale agreement, the following consideration is payable to the Group under the following milestones:

1. Payment of A$1,000,000 to the Group upon first shipment of iron ore extracted from the Blythe project tenements;
2. Payment of A$2,000,000 to the Group upon anniversary of first shipment of iron ore extracted from the Blythe project tenements;
3. Payment of A$2,000,000 to the Group upon second anniversary of first shipment of iron ore extracted from the Blythe project tenements; and
4. A royalty of 1.5% payable on the gross Free on Board revenue from all shipments of iron ore from the Rogetta tenements.

Mt Richardson

Pursuant to the agreement reached on the sale of Mt Richardson, a royalty of 2% on average/tonne FOB sales value of iron ore product that departs E29/571 will be payable to Pacific Bauxite 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.

Golden Camel- VIC Gold Tenements

During the year the Group sold its entitlement to the milestone payments from the Golden Camel Project for a lump sum payment of A$50,000. The Group retains a royalty of A$2/t on all gold ore mined after the first 20,000oz has been produced.

25 Subsidiaries

The consolidated financial statements incorporate assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of Entity	Country of incorporation	Class of shares	Equity Holding	
			2017	2016
			%	%
Iron Mountain Bauxite Pty Ltd	Australia	Ordinary	100	-

26 Investments in Associates

During the year the Group exercised its option to acquire 50% of Eight South Investments Pty Ltd. A total consideration to be paid was an initial 20,000,000 shares and a further 20,000,000 in 12 months' time or first shipment of bauxite whichever comes first. The second tranche was allotted on 27 September 2017.

The investment in Eight South Investments Pty Ltd is held in Pacific Bauxite Ltd's wholly owned subsidiary. A summary of the carrying value of the Group's investment in Eight South Investments Pty Ltd is below.

a) Movement in Carrying Amount

	2017	2016
	$	$
Carrying amount at the beginning of the year	-	-
Shares issued on acquisition of associate	800,000	-
Deferred consideration at acquisition date	800,000	-
Reduction in deferred consideration based on market value of PBX securities at balance date	(460,000)	-
Share of loss	(250,513)	-
Carrying amount at the end of the year	889,487	-

b) Summarised Financial Information of the Associate

The group's share of the results of its principal associates and its aggregated assets and liabilities are as follows:

	Ownership Interest	Group's share of:			
		Assets	Liabilities	Revenues	Loss
	%	$	$	$	$
2017					
Eight South Investments Pty Ltd	50%	-	(250,513)	-	(250,513)
		-	(250,513)	-	(250,513)

Under the terms of the agreement reached Pacific Bauxite is responsible for all costs in maintaining the project and the company itself. All amounts are to be carried as a loan payable to Pacific Bauxite Ltd.

c) Contingent Liabilities of the Associate

Eight South Investments Pty Ltd does not have any contingent liabilities other than those disclosed in Note 3(vii)

d) Loan to Associate

	2017 $	2016 $
Carrying amount of loan at the beginning of the year	-	-
Expenditure incurred and carried as a loan to the associate	501,026	-
Impairment of loan to associated	(501,026)	-
Carrying amount at the end of the year	-	-

As at 30 June 2017 the Group impaired the balance of this loan as it has not reached a stage where it can accurately ascertain the recoverability of this amount.

27. Business Combination

During the year the Group incorporated a wholly owned subsidiary, Iron Mountain Bauxite Pty Ltd. (**IMB**) The purpose of this entity was to carry the Group's 50% investment in Eight South, the 100% owner of the Nendo and Choiseul projects in the Solomon Islands.

At the time of incorporation the subsidiary had no assets or liabilities. The Group incurred $608 associated with the incorporation.

28. Parent Entity Information

The following details information related to the parent entity, Pacific Bauxite, at 30 June 2017. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	2017 $
Current assets	491,002
Non-current assets	1,669,448
Total assets	**2,160,450**
Current liabilities	506,137
Total liabilities	**506,137**
Contributed equity	14,729,880
Accumulated losses	(14,565,987)
Reserves	1,490,420
Total equity	**1,654,313**
Profit / (Loss) for the year	(1,019,613)
Other comprehensive loss for the year	-
Total comprehensive loss for the year	**(1,019,613)**

The parent company, Pacific Bauxite has lent an amount of $1,641,634 to 100% owned subsidiary IMB which represents the investment in Eight South, all expenditure incurred by that entity since acquisition (including its subsidiary Australian Pacific Bauxite Pty Ltd) and other administration costs incurred by IMB.

Other than those disclosed in Note 3 (vii) and Note 23, the Directors are not aware of any contractual commitments or contingent liabilities or assets as at 30 June 2017.

Pacific Bauxite does not have any financial guarantees over bank overdrafts and loans of subsidiaries as at 30 June 2017.

PACIFICBAUXITE LIMITED
DIRECTORS DECLARATION
30 JUNE 2017

In the Directors' opinion:

1. The financial statements and notes set out on pages 27 to 57 are in accordance with the *Corporations Act 2001*, including:
   a. Complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
   b. Giving a true and fair view of the entity's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
   c. Complying with IFRS and interpretations adopted by the International Accounting Standards Board.
2. There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

The Directors have been given the declaration by the Chief Executive Office, Mark Gwynne and the Chief Financial Officer, Suraj Sanghani, as required by Section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Board of Directors and signed for and on behalf of the Board by:

John Ciganek
Non - Executive Chairman

29 September 2017
Perth, Western Australia

ROTHSAY

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF PACIFIC BAUXITE LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Pacific Bauxite Limited ("the Company") and its subsidiary (the Group) which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended on that date and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration of the Company.

In our opinion the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under these standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of this report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

Cash and cash equivalents

The Group's cash and cash equivalents make up 50% of net assets by value and is considered to be the key driver of the Group's operations and exploration activities. We do not consider cash and cash equivalents to be at a high risk of significant misstatement, or to be subject to a significant level of judgement. However due to the materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall strategy and allocation of resources in planning and completing our audit.

Our procedures over the existence of the Group's cash and cash equivalents included but were not limited to:

- Documenting and assessing the processes and controls in place to record cash transactions;
- Testing a sample of cash payments to determine they were bona fide payments, were properly authorised and recorded in the general ledger; and
- Agreeing 100% of cash holdings to independent third party confirmations.

We have also assessed the appropriateness of the disclosures included in notes 1, 2 and 6 to the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If based on the work we have performed we conclude there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate,

Chartered Accountants

they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/Home.aspx

We communicate with the directors regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe those matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2017.

In our opinion the remuneration report of Pacific Bauxite Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Rothsay

Rothsay Auditing

Dated 29 September 2017

Graham Swan FCA
Partner

Chartered Accountants

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).

ASX Information

Pacific Bauxite Limited is a listed public company incorporated in Australia and with a registered and principal place of business is Level 3 33 Ord Street West Perth WA 6152

The substantial shareholders as at 27 September 2017 were:

Substantial Shareholder	Number Held	Percentage
SCOTT JAMES DODD <SCOTT DODD FAMILY A/C>	30,800,000	10.69%

Distribution of shareholders as at 18 September 2017

Range of Holding	Holders	Shares
1 - 1,000	32	9,039
1,001 - 5,000	245	720,508
5,001 - 10,000	247	2,281,394
10,001 - 100,000	627	23,019,966
Greater than 100,000	274	261,963,125
	1,425	**287,994,032**
Shareholders with less than a marketable parcel	*540*	

Voting Rights

In accordance with the Company's constitution, on show of hands every member present in person or by proxy or attorney or duly authorised representative had one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held. Options do not carry a right to vote.

TWENTY LARGEST HOLDERS OF QUOTED ORDINARY SHARES AS AT 27 SEPTEMBER 2017

	Ordinary Shares	
	Number Held	**Percentage of issued shares**
MR SCOTT JAMES DODD <SCOTT DODD FAMILY A/C>	30,800,000	10.69
CROESUS MINING PTY LTD <STEINEPREIS SUPER FUND A/C >	13,900,232	4.83
L NARRAMORE NOMINEES PTY LTD <L NARRAMORE SUPER FUND A/C>	9,056,234	3.14
MR NICHOLAS MICHAEL WIXON WILLIS	7,200,000	2.50
MR BRIAN HENRY MCCUBBING + MRS ADRIANA MARIA MCCUBBING <B MCCUBBING SUPER FUND A/C>	7,000,000	2.43
DAEM NOMINEES PTY LTD <DAEM SUPER FUND A/C>	6,155,250	2.14
MR STEPHEN MARK O'NEILL	4,532,356	1.57
BORG GEOSCIENCE PTY LTD	4,500,000	1.56
BRUCE BAADE & ASSOCIATES PTY LTD <BRUCE BAADE & ASSOC SUP A/C>	4,122,956	1.43
STARLET COURT PTY LTD <MUSGRAVE SUPER FUND A/C>	4,000,000	1.39
MR. PAUL WINSTON ASKINS	3,865,633	1.34
GANDRIA CAPITAL PTY LTD <THE TEDBLAHNKI FAMILY A/C>	3,666,700	1.27
C W JOHNSTON PTY LTD <C W JOHNSTON SUPER FUND A/C>	3,520,516	1.22
HENCONNOR PTY LTD <WARBY SUPER FUND A/C>	3,050,000	1.06
MR DEAN ROBERT MELLERS <DAHRC A/C>	3,000,000	1.04
MR NIKOLAS BURFOOT	2,500,000	0.87
MS SHELLEY KATHLEEN LEWIS <LEWIS A/C>	2,500,000	0.87
MR. GAVIN MOSS	2,480,000	0.86
MR. JON RUTHERFORD CHOMLEY + MRS PAMELA DOROTHY CHOMLEY <COLDCHOM SUPER FUND AC/C>	2,399,352	0.83
522 INVESTMENTS PTY LTD	2,300,000	0.80
	120,549,229	**41.86**

Unquoted Securities

1. There are 5,250,000 unquoted options at $0.09, expiring on the 28/11/2017 as at 27 September 2017, held by six holders.

   Five holders including the Company Secretary Suraj Sanghani each holds 250,000. One other holder holds 4,000,000.

2. There are 1,000,000 unquoted options at $0.03, expiring 30/12/17 as at 27 September 2017, The Company Secretary Suraj Sanghani holds 500,000 and one other holds 500,000.

3. There are 8,500,000 unquoted options at $0.08, expiring 1/12/19 as at 27 September 2017, Directors Mark Gwynne and Brett Smith each hold 2,500,000 options. Directors Pippa Coppin and John Ciganek and Company Secretary Suraj Sanghani hold 1,000,000 and a consultant holds 500,000.

4. There are 10,500,000 performance rights as at 27 September 2017 that each vest to one fully paid ordinary share upon either the:
   - Commencement of mining at the Nendo Project or
   - The disposal by Eight South Investments Pty Ltd of the Nendo Project for no less than A$25,000,000. Being a net amount of A$12,500,000 payable to Pacific Bauxite for its 50% interest in Eight South Investments Pty Ltd.

     Each performance right will expire on 1/12/19

   Directors Mark Gwynne and Brett Smith each hold 3,000,000 performance rights. Directors Pippa Coppin and John Ciganek each hold 1,500,000 performance rights. Company Secretary Suraj Sanghani hold 1,000,000 and a consultant holds 500,000.

None of these options or performance rights have any voting rights attached to them.

Shares and Options escrowed

No shares or options are under escrow as at 27 September 2017.

On Market Buy-Back

There is currently no on market buy back being conducted by the Company.

Schedule of Mineral Tenements held as at 27 September 2017

Tenement	Holder	Area	Date tenement granted	Date tenement expires	Group's beneficial interest (%)
SOLOMON ISLANDS					
PL 01/16	Eight South Investments Pty Ltd	447 km^2	1/12/2015	1/12/2018	50%
PL 04/17	Australian Pacific Bauxite Pty Ltd[1]	236 km^2	20/06/2017	20/06/2020	50%

[1] A wholly owned subsidiary of Eight South Investments Pty Ltd(previously named AU Capital Mining Pty Ltd), a Company in which Pacific Bauxite Ltd has a 50% interest.