

## QUARTERLY ACTIVITIES REPORT - PERIOD ENDING 30 JUNE 2018

### PERIOD OVERVIEW - EXPLORATION

- **Potential for DSO-quality bauxite confirmed at South West New Georgia Bauxite Project (SWNG) in the Solomon Islands:**
  - Validation laboratory assay results confirm high quality Direct Shipping Ore (**DSO**) grade bauxite at SWNG.
  - Laboratory assays have been returned for sampling conducted within areas of interest identified by Company's Exploration Target.
  - Results confirm field-XRF analysis and indicate high alumina and low silica, consistent with DSO bauxite operations in the Asia-Pacific Region.
  - Work remains on-going and is focused on higher-grade areas for resource definition and mining studies.
  - Highly successful, ongoing community awareness and engagement programs have paved the way for continued prospecting.
- **Exploration halted at Nendo Bauxite Project (Nendo) in the Solomon Islands**
  - On 28 May 2018, the Company was provided with a letter from the Solomon Islands' Minister of Mines, Energy and Rural Electrification (**Minister**) advising that Nendo Prospecting License PL 01/16 (**Prospecting License**) was cancelled.
  - Post-Quarter, the company formally submitted appeal documents with the Solomon Islands' High Court, regarding the cancelation of the Nendo Prospecting License. In parallel with the court process, Pacific Bauxite and JVC representatives travelled to the Solomon Islands to continue to pursue out-of-court negotiations

### CORPORATE

- **Successful capital raisings completed totaling approximately \$3.1 million to accelerate exploration at the Company's Solomon Islands and Australian projects.**
- **Mr. Andrew Harwood of CSA Global appointed as Project Manager to advance the Company's Solomon Islands bauxite projects.**

Pacific Bauxite Ltd (**Pacific Bauxite** or **Company**) (ASX: PBX) is pleased to present its Quarterly Activities Report for the period ending 30 June 2018, during which new exploration programs at its Solomon Islands bauxite projects commenced, and \$3.1 million was successfully raised (\$2.8 million during the Quarter, and an additional \$300,000 post Quarter-end before costs) to predominantly advance the Company's Solomon Island projects.

The Company's exploration program at South West New Georgia Bauxite Project (**SWNG**) consists predominantly of low-impact style exploration and auger drilling, with the aim of

advancing SWNG to Resource definition status. Recent exploration identified the potential to host large tonnage, direct shipping quality (**DSO**) mineralisation, suitable for the supply of sea-borne bauxite into China, greater Asia and the Middle East.

Shortly following the commencement of new-phase exploration at Nendo Bauxite Project (**Nendo**), the Company received a letter from the Solomon Islands' Minister of Mines, Energy and Rural Electrification (**Minister**), advising that prospecting license PL 01/16 (**Prospecting License**) regarding Nendo, held by its 50% owned subsidiary Eight South Pty Ltd (**Joint Venture** or **JV**), was cancelled (**Minister's Letter**). In accordance with the requirements of the Minister's Letter, exploration and project work at Nendo was immediately suspended.

The receipt of the Minister's Letter was completely unexpected by the Company. Reasons provided in the Minister's Letter for the cancellation of the Prospecting License included unsatisfactory level of prospecting at Nendo and failure to establish amicable relations with the local communities. The Company is strongly of the view that these grounds are factually incorrect and therefore unjustified.

Post-Quarter, the Company announced it had formally submitted its appeal documents with the High Court in the Solomon Islands with respect to the cancellation of the Prospecting License. The Company will keep the market informed regarding the appeal process and will continue to seek certainty and transparency in its dealings with Government Authorities and the Minister.

The suspension of operations at Nendo enabled the Company to re-deploy personnel and equipment to SWNG, which is unaffected by the current situation at Nendo.

Exploration results this Quarter were very encouraging at SWNG. The Company announced positive results from laboratory validation assays of samples taken within targeted areas of interest, where large areas of high-tenor bauxitic soils grading +40% alumina ( $Al_2O_3$ ), with characteristics of DSO quality bauxite, have been defined.

The Company's fast-tracking strategies for SWNG are focused on identifying DSO quality mineralisation of between 5.9 Mt and 10.0 Mt (refer to Exploration Target\* - ASX announcement 27 March 2018), upon which resource studies and subsequent mining lease applications can be based. In due course, the Company also looks forward to updating the market of its SWNG exploration results.

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

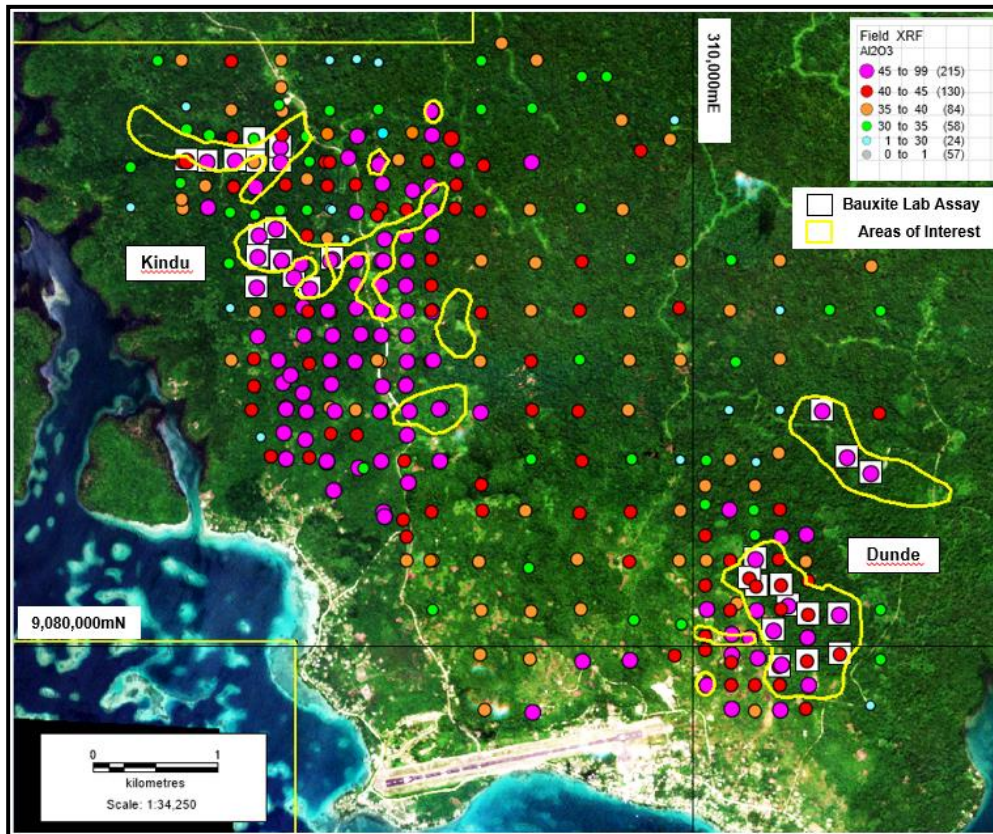
## **SOLOMON ISLANDS PROJECT SUMMARY**

### **South West New Georgia Bauxite Project – Potential for DSO-Quality Bauxite Confirmed**

During the Quarter, the Company was pleased to announce positive results from laboratory validation assays of samples taken within targeted areas of interest at its Southwest New Georgia Bauxite Project (**SWNG**) in the Western Province of the Solomon Islands.

The Company's exploration at SWNG has resulted in the definition of large areas of high-tenor bauxitic soils, grading +40% alumina ( $\text{Al}_2\text{O}_3$ ), with characteristics suitable for DSO quality bauxite.

Laboratory analysis of samples taken from within the Company's exploration target area (ASX announcement – 27<sup>th</sup> March 2018) (Figure 1) have validated field XRF results and defined “available alumina” and “reactive silica” values (Table 1) similar in quality to the Company's Nendo Bauxite Project (located in the Solomon Islands) and other DSO operations in the Southeast Asia – Pacific region.



**Figure 1** – Satellite Imagery of SNWG (southern area), including auger drilling locations, colour coded with grade ranges from field hand-held XRF  $\text{Al}_2\text{O}_3$  results, samples submitted for laboratory analysis (white squares) and areas of interest pertaining to the current Exploration Target (yellow polygons).

## SWNG Exploration Target

High grade  $\text{Al}_2\text{O}_3$  and lower silica content identified the Kindu and Dunde prospects (Figure 1), located in the southern part of the SWNG Prospecting Licence - as priority targets. At these targets, an initial Exploration Target<sup>(1)</sup> of 5.92Mt – 10.05Mt @ 41.0% – 48.0%  $\text{Al}_2\text{O}_3$  (alumina) and 9.5% - 11.8%  $\text{SiO}_2$  (silica) (Table 1) has been estimated, and both targets are now the priority focus for Resource definition work which is currently underway.

Tonnes		Total Al <sub>2</sub> O <sub>3</sub>		Total SiO <sub>2</sub>	
From	To	From	To	From	To
5,920,000	10,050,000	41.0	48.0	9.5	11.8

**Table 1** – Initial Exploration Target<sup>(1)</sup> for the Kindu and Dundee Prospects, South West New Georgia Project

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

## Current Activities and Proposed Work – Solomon Islands

The suspension of operations at Nendo enabled the Company to re-deploy personnel and equipment to SWNG, which is unaffected by the current situation at Nendo. The results of recent work at SWNG has been positive and the Company believes there is good potential for the definition of large tonnage, DSO mineralisation, suitable for the supply of sea-borne bauxite into China, greater Asia and the Middle East.

In the immediate term, exploration activities are seeking to identify DSO quality mineralisation upon which resource and subsequent mining lease applications can be based.

## South West New Georgia Bauxite Project - Background

The SWNG Prospecting Licence covers an area of 236km<sup>2</sup> and targets bauxitic clays on uplifted limestone reef (averaging more than 100m above sea level). Much of the tenure at SWNG appears unexplored, and represents a significant exploration opportunity. The area to be explored within the new Prospecting Licence is three times the area being targeted at Nendo.

Prior exploration by Australian companies in the early 1970's identified extensive areas of bauxite mineralisation and postulated the potential for economic deposits at SWNG. Historical work targeted the southern part of the application, north of the town of Munda, and included several hand-auger drilling programs and test pitting.

The main campaign of drilling focused on an area of approximately 3.5 kilometres by 1 kilometre and included 39 auger holes for 101 samples. This work identified substantial tonnages of material with grades of between 40% and 45% total Al<sub>2</sub>O<sub>3</sub> and 5% to 10% total SiO<sub>2</sub>.

Results from the Company's exploration activities have reinforced the Company's belief that SWNG is prospective for large tonnage, DSO bauxite mineralisation. This style of mineralisation provides the opportunity for quick, cost-effective resource definition and a simple, low cost, dig-load-ship style mining operation.

SWNG is nearby to existing beneficial infrastructure offering significant infrastructure advantages for any future export mining operations, including a deep-water port and township. These factors in conjunction with the highly successful recent phase of exploration mark SWNG as a more advanced project (compared to Nendo) and have confirmed SWNG as Pacific Bauxite's current priority focus.

The Prospecting Licence was granted to Pacific Bauxite by the Solomon Islands Government's Ministry of Mines, Energy and Rural Electrification for an initial period of three years and can be extended for two years upon application. A further extension of two years may be applied for, totaling seven years.

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

## **Nendo Bauxite Project**

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

Shortly after the commencement of the new phase of exploration at Nendo, the Company was provided with a letter from the Solomon Islands' Minister of Mines, Energy and Rural Electrification (**Minister**), advising that prospecting license PL 01/16 (**Prospecting License**) held by its 50% owned subsidiary Eight South Pty Ltd (**Joint Venture** or **JV**) in respect of the Solomon Islands Nendo Bauxite Project was cancelled (**Minister's Letter**) (ASX announcement 6 June 2018).

Following receipt of the Minister's Letter, the Board formed the view that it was appropriate that the Company's securities be placed into a trading halt, and subsequently voluntary suspension, pending clarification of matters raised in that letter. In accordance with the requirements of the Minister's Letter, exploration and project work at Nendo was immediately suspended.

The receipt of the Minister's Letter was completely unexpected by the Company. Reasons provided in the Minister's Letter for the cancellation of the Prospecting License included unsatisfactory level of prospecting at Nendo and failure to establish amicable relations with the local communities. The Company is strongly of the view that these grounds are factually incorrect and therefore unjustified.

The JV continues to work closely with the Minister, the Mines and Minerals department and local communities and had initiated jointly determined strategies for on-going community consultation and prospecting at Nendo (and intends to continue to do so).

## **Minister's decision to be appealed**

In this situation, Solomon Islands law allows the JV to appeal against the Minister's decision to cancel the Prospecting License. That appeal is an application to the High Court of Solomon Islands by way of a claim for judicial review, seeking an order that the Minister's decision as communicated in the Minister's Letter be quashed. The JV has engaged legal counsel with previous successful experience with similar appeal cases.

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

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

Post-Quarter, the Company advised it had formally submitted its appeal documents with the High Court in the Solomon Islands with respect to the cancellation of the Nendo Prospecting Licence (ASX announcement 17 July 2018).

Pacific Bauxite and Joint Venture representatives will travel to Honiara in the coming weeks to continue out of court negotiations in parallel with the appeals process, with the aim of expediting the reinstatement of the Prospecting Licence.

The Company will continue to aggressively pursue the matter for the benefit of all stakeholders and will update the market as required.



**Figure 2 – Solomon Islands Project Locations**

Pacific Bauxite's previous exploration programs at Nendo confirmed the presence of extensive, high-quality bauxitic soils. The Company has and continues to work with local communities to establish landowner consultation groups and community trusts, empowering

stakeholders to be fully engaged in the exploration process. This community engagement has, and will continue to, include training and employment opportunities for local people.

To date, the Company has completed first phase reconnaissance prospecting at Nendo and identified significant areas of bauxite mineralisation (ASX announcements 19 May, 7 July and 25 August 2016). The work undertaken included drilling shallow hand auger holes on a wide spaced pattern, with negligible environmental impact. Prospecting has been carried out with the assistance and employment of local landowners, which provided transparency of the Company's activities and provided the opportunity to educate and inform the local communities of the resources existing on their land.

## **Solomon Islands - On-going community engagement**

Prior to, and as a condition of, the granting of Prospecting Licences at Nendo and SWNG, the Company completed extensive education and awareness presentations with the local communities and landowners. This activity was overseen, documented and photographed by a representative of the MMERE (National Government). In support of this process, it is the Company's policy to provide ongoing awareness programs and information to the local communities to ensure that all stakeholders are fully informed of the Company's activities on an ongoing basis.

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

Regardless of location, the Company addresses rehabilitation and sustainability in any proposal for mining. It is one of the Company's beliefs - and a key social and corporate responsibility - that any successful mining operation must identify and provide on-going, long-term benefits for the local communities. The Company's approach would be based on long-term sustainable land use, not short-term gain.

## **AUSTRALIAN PROJECT SUMMARY**

### **Darling Range Bauxite Project, Western Australia**

The Darling Range Bauxite Project (**Darling Range**) is located in the Darling Ranges northeast of Perth, Western Australia. The Company's Acquisition of Darling Range is consistent with its strategy to build a portfolio of high quality bauxite assets in targeted jurisdictions, in order to position itself to help satisfy the forecasted near term growth in global bauxite demand.

Darling Range comprises two Exploration Licence Applications (ELA 70/5111 and ELA 70/5112), which cover a total area of 405 km<sup>2</sup> within the Darling Ranges, approximately 60 km northeast of Perth (Figure 3). The Darling Range project area hosts a JORC 2004 Inferred Mineral Resource estimate of 89.3Mt @ 41.75% total Al<sub>2</sub>O<sub>3</sub> and 4.43% reactive SiO<sub>2</sub>, inclusive of nine main resource areas over a strike of approximately 75km. See Table 2, below, for Resource details.

Darling Range	Tonnes (MT)	Total Al <sub>2</sub> O <sub>3</sub> %	Available Al <sub>2</sub> O <sub>3</sub> %	Reactive SiO <sub>2</sub> %	LOI %
Total Inferred Resource	89.3	41.75	28.51	4.43	19.21

**Table 2:** Published JORC (2004) compliant Mineral Resource estimate (IRM, 2011) at a cut-off of 26% Available Al<sub>2</sub>O<sub>3</sub>.

The tenements covering Darling Range were previously held by Pacific Bauxite (under its former name, Iron Mountain Mining (ASX:IRM)); the Company sold the Darling Range tenements to Chinese-backed private mineral resources investment company Alpha Bauxite Pty Ltd (**Alpha**) in 2012 (IRM ASX announcements, 6 March 2012 and 24 August 2012). Alpha subsequently surrendered its tenure in June 2017.

Given the Company's previous exposure and understanding of the Darling Range project area, it viewed the opportunity to acquire the asset as a highly attractive, low-cost entry point to a potentially high quality, advanced bauxite project with significant upside, in a major, established bauxite region.

The Darling Ranges host extensive bauxite resources and have a long history of exploration and mining. Production commenced in the region in the 1960's and it currently hosts major bauxite mining operations including South 32's Worsley Alumina and Alcoa.



**Figure 3 – Darling Range Project Location**



## **Proposed Strategy and Activity**

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

The Darling Range tenements are subject to multiple and varied land-use stakeholders. The Company will undertake an extensive review of any conflicting land-uses, access issues and infrastructure in its assessment of the Project's existing Resource prior to the commencement of any ground disturbing fieldwork.

## **Golden Camel Project, Victoria**

Pacific Bauxite retains a royalty of A\$2/t on all gold ore mined after the first 20,000oz has been produced from the Golden Camel Project, which contains a Measured, Indicated & Inferred JORC (2012) Resource of 266,000t @ 1.7g/t Au within Mining Licence 5548.

Golden Camel Mining Pty Ltd (**GCM**) is developing the Golden Camel Project and the Company will report updates to the market as they are received from GCM.

## **Mount Richardson Project**

Cliffs Asia Pacific Iron Ore Pty Ltd is the owner of E29/571 following 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.

## **Rogetta Project, Tasmania**

The Rogetta Project (formerly Blythe Iron Ore Project) is owned and operated by Forward Mining Ltd. The Company is entitled to a stream of milestone payments and royalty benefits subject to mining commencing at Rogetta. Mining Lease ML1996P/M was granted on 4 June 2015 for a proposed magnetite iron ore mine at Rogetta and has recently been granted federal environmental approval.

## **CORPORATE**

### **Cash Position**

The Company closed the June 2018 Quarter with approximately \$2,062,000 in cash.

### **Issue of Shares**

On 11 May 2018, the Company completed the first tranche of its Placement (ASX announcement 4 May 2018), issuing 71,248,540 fully paid ordinary shares at an issue price of 2.9 cents per share.

Post-Quarter, the Company completed the second tranche of its Placement (ASX announcement 5 July 2018), issuing 11,555,380 fully paid ordinary shares at an issue price of 2.9 cents per share, and 56,403,450 unlisted options exercisable at 0.06 cents per option.

## Share Purchase Plan

On 25 May 2018, the Company announced its Share Purchase Plan (ASX announcement 4 May 2018) raised \$690,580 from eligible shareholders who applied for 23,813,105 ordinary shares at an issue price of 2.9 cents per share.

## General Meeting

On 27 June 2018, the Company held a General Meeting; all resolutions put forward at the meeting were unanimously passed by a show of hands.

## Board Restructure

During the Quarter, the Company advised of Mr. Gwynne's resignation from the role of Chief Executive Officer to pursue other opportunities (ASX announcement 30 April 2018). Mr. Gwynne played an instrumental role in the development of the Company's bauxite assets in the Solomon Islands, and the Board thanks him for his stewardship of the Company during his tenure and wishes him well in his future endeavors.

The Board will make a decision regarding the vacant Chief Executive Officer position in due course

## Solomon Islands Project Manager Appointed

During the Quarter, the Company advised of the appointment of Mr. Andrew Harwood of CSA Global as Project Manager for the Company's projects in the Solomon Islands (ASX announcement 30 April 2018). Mr. Harwood has over 30 years' experience as a geologist in exploration and mining across a range of deposit types and jurisdictions, including the South West Pacific region.

Mr. Harwood is responsible for implementation of the approved strategies and all activities at the Company's projects in the Solomon Islands, including technical environmental, legal, finance, landholder, and government relations. Mr. Harwood's appointment will be for an initial short term basis with an option of becoming a full-time employee of the Company by mutual agreement.

**Ends.**

For further information, visit [www.pacificbauxite.com.au](http://www.pacificbauxite.com.au) or contact:

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## 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, B.Sc Hons (Geol), Member AusIMM, Member AIG, Mr Smith is an employee and Director of the company. 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

## Forward Looking Statements

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

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

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

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

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

**Mining Tenements at 30 June 2018**

Location	Tenement	Name	Holder	Equity	Status	Area
Solomon Islands	PL04/17	South West New Georgia	Pacific Bauxite Ltd	50%	Granted	236 km <sup>2</sup>
Western Australia	ELA 70/5111 ELA 70/5112	Darling Range	Pacific Bauxite Ltd	100%	Applications	405 km <sup>2</sup>

**Mining Tenements Cancelled During the Quarter**

During the Quarter the Minister of Mines, Energy and Rural Electrification, advised that prospecting license PL 01/16 held by its 50% owned subsidiary Eight South Pty Ltd in respect of the Solomon Islands Nendo Bauxite Project was cancelled.

Post-Quarter, the Company formally submitted its appeal documents with the High Court in the Solomon Islands with respect to the cancelation of the Nendo Bauxite Project prospecting licence PL 01/16.

**Mining Tenements Acquired During the Quarter**

None to report.

**Mining Tenements Disposed During the Quarter**

None to report.