
PACIFIC BAUXITE LIMITED

ABN 62 112 914 459

(SUBJECT TO DEED OF COMPANY ARRANGEMENT)

INTERIM FINANCIAL REPORT 2019

For the Half-Year Ended 31 December 2019

PACIFIC BAUXITE LIMITED

CORPORATE DIRECTORY

Directors

Peter Lewis
Craig Smith (resigned 23 December 2019)
Campbell McKenzie (resigned 23 December 2019)

Company Secretary

Melissa Chapman (resigned 23 December 2019)
Catherine Grant-Edwards (resigned 23 December 2019)

Joint and Several Deed Administrators

Richard Albarran
Cameron Shaw

Registered Office

2A / 300 Fitzgerald Street
North Perth WA 6006

Head Office

2A / 300 Fitzgerald Street
North Perth WA 6006

Auditors

Rothsay Chartered Accountants
Level 1, Lincoln House
4 Ventnor Avenue
West Perth WA 6005

Share Registry

Computershare Investor Services Pty Ltd
Level 11 172 St Georges Terrace
Perth WA 6000

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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PACIFIC BAUXITE LIMITED

DIRECTORS' REPORT

The directors of Pacific Bauxite Limited (**Pacific Bauxite** or **Company**) submit their report for the half year ended 31 December 2019.

DIRECTORS

The directors that held office during the whole of the half year (unless otherwise stated) and up to the date of this report were:

Peter Lewis – Non-Executive Chairman

Craig Smith – Non-Executive Director (resigned 23 December 2019)

Campbell McKenzie – Non-Executive Director (resigned 23 December 2019)

REVIEW AND RESULTS OF OPERATIONS

The Company is currently taking the relevant steps to allow the effectuation of a DOCA subject to shareholder approval, and recapitalisation of the Company, and following this, subject to ASX approval, recommence trading on the exchange.

The net loss of the entity for the half year after tax was \$519,797 (2018: loss of \$1,385,961) with total revenues of \$154,950 (2018: \$20,938). Major costs were administration \$280,298 (2018: \$414,996), employment costs of \$92,307 (2018: \$266,937) and the Group's share of the losses of its associate \$90,138 (2018: losses \$303,049).

PROJECT REVIEW

SOLOMON ISLANDS

Nendo Bauxite Project

The Nendo Bauxite Project (**Nendo**) located in the Solomon Islands (Figure 1) 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.



Figure 1 – Solomon Islands Project Locations

On 6 June 2018, the Company advised it had unexpectedly received a letter from the Solomon Islands' Minister of Mines, Energy and Rural Electrification (**Minister**), advising that prospecting license PL 01/16 (**Prospecting License**) held by its 50% owned subsidiary joint venture company, Eight South Investments

PACIFIC BAUXITE LIMITED

DIRECTORS' REPORT

Pty Ltd (**JVC**), in respect of the Nendo project was cancelled (**Minister's Letter**) (ASX announcement 6 June 2018).

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

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

To date, Pacific Bauxite's exploration programs at Nendo have confirmed the presence of extensive, high-quality bauxitic soils. 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.

Court Proceedings

On 23 November 2018, the High Court of Solomon Islands (**Court**) heard an application for the determination of issues pursuant to r.12.11 of the Court Rules (ASX Announcement 26 November 2018). The JVC is the Claimant in those proceedings. The Court reserved its decision and was required to hand its decision down within three months.

The Court subsequently sought additional material regarding the application and heard further submissions from the parties regarding the effects of that additional information (ASX Announcement 18 March 2019).

On 5 April 2019, the Court delivered its ruling in relation to the proceedings commenced by the JVC (ASX Announcement 9 April 2019). The Court ordered that:

1. The Minister's decision to cancel PL 01/16 by letter dated 24 May 2018 was beyond power, quashed, and declared null and void.
2. PL 01/16 was valid as at 24 May 2018.
3. The Minerals Board is to decide on the cancellation of PL 01/16 and whether there was a breach of the Act, Regulation or license conditions.
4. Costs against the Defendants, being the Minister and the Director of Mines, including reserved costs, with certification for overseas Counsel, are to be assessed.

The parties were granted 30 days from 5 April 2019 within which to file any appeals.

On 10 May 2019, the Attorney General of the Solomon Islands (on behalf of the Minister, the Director of Mines and the Mines and Minerals Board) filed and served a Notice of Appeal with the Solomon Islands Court of Appeal (ASX Announcement 10 May 2019). The Notice of Appeal seeks to appeal both the interlocutory and final rulings (delivered respectively on the 19 October 2018 and 5 April 2019) by the High Court of the Solomon Islands (for further information on the final ruling, please refer to ASX Announcement 10 May 2019).

The *Court of Appeal Rules* provides that in the event of non-compliance with the timeframe for filing a Notice of Appeal, all proceedings in the appeal shall be stayed, unless the Court shall otherwise order and that the appeal shall be listed for the next sessions of the Court for a formal order of dismissal.

The Notice of Appeal was filed on 7 May 2019 - outside of the timeframe for filing a Notice of Appeal. No application to extend time or for leave to appeal the interlocutory ruling was served. No order was made varying the stay provided by the *Court of Appeal Rules*. As such, the timeframe for the JVC to file its notice of contentions had not commenced, and the JVC requested that the Registrar list the Attorney General's appeal for the next sessions of the Court for a formal order of dismissal.

On 5 September 2019, the Company was pleased to provide an update on the court proceedings. The

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DIRECTORS' REPORT

The JVC received a letter from the Registrar of the High Court and Court of Appeal of the Solomon Islands confirming that the Attorney General's Notice of Appeal was filed out of time. If the Attorney General wished to further pursue an appeal, he would be first required to bring an application to obtain the leave of the High Court to apply to extend the period for lodging a Notice of Appeal and only then if successful could he again apply to the High Court for leave to bring such an appeal.

On 13 September 2019, the Attorney General filed an application for leave to file an appeal out of time and on 29 October 2019, the Court of Appeal advised that the Attorney General's application for leave had been granted.

On 6 December 2019 (ASX Announcement dated 13 January 2021), the Court of Appeal ordered that the parties to the proceedings were to provide submissions to the Court.

Prior to the expiry of PL 01/16, the JVC took steps to extend or, alternatively, to renew the term of PL 01/16. Those matters were not determined, pending the outcome of the proceedings before the High Court and subsequent attempted appeal. Due to the Notice of Appeal being granted, the appeal remained on foot at 31 December 2019.

South West New Georgia Bauxite Project

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

The SWNG prospecting licence covers an area of 236 kilometres² and targets bauxitic clays on uplifted limestone reef (averaging more than 100 metres above sea level). Much of the tenure at SWNG appears unexplored, and represents a significant exploration opportunity. The area to be explored within the Prospecting Licence is three times the area being targeted at Nendo and represents a significant exploration opportunity for the Company.

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

Prior exploration by Australian companies in the early 1970's identified extensive areas of bauxite mineralisation and postulated the potential for economic deposits at SWNG. Historical work targeted the southern part of the application, north of the town of Munda, and included several hand-auger drilling programs and test pitting. The main drilling campaign focused on an area of approximately 3.5 kilometres by 1 kilometre and included 39 auger holes for 101 samples. This work identified substantial tonnages of material with grades of between 40% and 45% total Al_2O_3 and 5% to 10% total SiO_2 .

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

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

On 20 June 2020, the Company was not in a position to maintain the required expenditure for the SWNG and the prospecting licence (PL-04/17) subsequently expired (ASX Announcement 13 January 2021).

Divestment

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DIRECTORS' REPORT

On 13 December 2019, the Company announced that following a number of unsolicited approaches, Pacific Bauxite had decided to divest its Solomon Islands bauxite projects.

The Board confirmed that this would allow them to focus on Australian assets which present lower sovereign risk hurdles, a better proposition for growth and most importantly of benefit.

AUSTRALIA

Sale of Residual Interests in Milestone and Royalty Payments

In August 2019, the Company entered into a binding agreement with Maincoast Pty Ltd (**Maincoast**) for the sale of its residual interests in milestone payments and royalties from the Mt Richardson, Rogetta and Golden Camel projects, for a consideration of A\$100,000 (ASX announcement 28 August 2019).

The milestone payments and royalties include the following:

Mt Richardson Project, Western Australia (the Mt Richardson Royalty)

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 following milestone payments and royalties (together, the Rogetta Milestone Payments):

- A\$1,000,000 upon the first shipment of iron ore from the Rogetta Project tenements;
- A\$2,000,000 upon the first anniversary of the shipment of iron ore from the Rogetta Project tenements; and
- A\$2,000,000 upon the second anniversary of the shipment of iron ore from the Rogetta Project tenements.

Golden Camel Project, Victoria (the Golden Camel Royalty)

A royalty of A\$2/tonne on all gold ore mined after the first 20,000oz has been produced from the project.

Key terms of the Sale:

- Consideration of A\$100,000 to be paid to the Company by Maincoast for the sale of milestone payments and royalties. ^[1]_[SEP] ^[2]_[SEP]
- Completion is contingent on the Company obtaining the required consent in relation to the Golden Camel Royalty within 5 days of signing the binding agreement (the Condition Precedent Date). ^[1]_[SEP] ^[2]_[SEP]
- Completion is to occur 7 days after the Condition Precedent Date (the Completion Date). ^[1]_[SEP] ^[2]_[SEP]
- Exclusivity is granted to Maincoast up until the Condition Precedent Date. ^[1]_[SEP]

On 3 September 2019, the Company announced that all Conditions Precedent have been satisfied or waived and as such the transaction is now unconditional. Completion of the transaction occurred on 10 September 2019.

Darling Ranges 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 one granted Exploration Licence (EL 70/5112) subject to an aboriginal heritage agreements), which cover a total area of 405 km² within the Darling Ranges, approximately 60 km northeast of Perth (Figure 3).

Pacific Bauxite previously held the tenements covering the Project when it was named 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), which subsequently surrendered its tenure in June 2017.

Given the Company's previous exposure and understanding of Darling Range, 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.

PACIFIC BAUXITE LIMITED DIRECTORS' REPORT

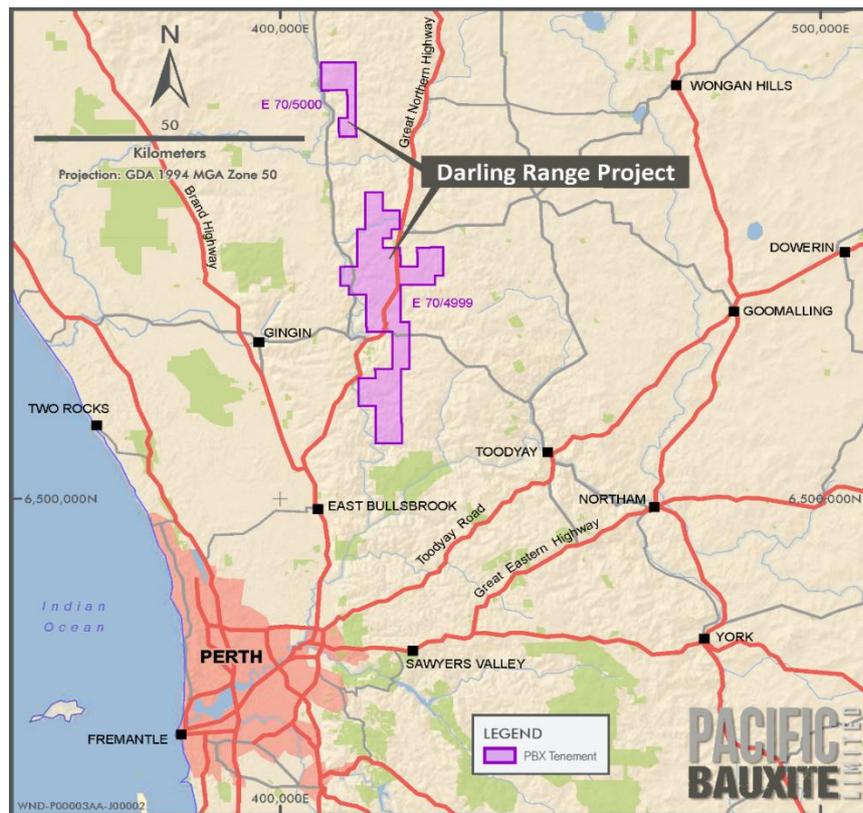


Figure 3: Darling Range Project Location

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.

Proposed Strategy and Activity

Due to the appointment of Voluntary Administrators (ASX Announcement 23 December 2019), the Company has taken steps to seek expressions of interest for the sale of the exploration licence application and licence. It is noted that no interest was received for EL70/5112.

Given this, the Company was not in a position to meet the required expenditure for tenement E70/5112 and the exploration licence was forfeited on 17 February 2020.

Ebagoola South Gold Project, Queensland

On 15 November 2019, the Company announced that it has executed a binding option agreement pursuant to which it has been granted a 6-month option to acquire a 50% interest in the Ebagoola South Gold Project (**Ebagoola Project**) from Australian gold explorer, Australian Metals Corporation Pty Ltd (AMC).

The Ebagoola Project is located in Ebagoola, Queensland and comprises EPM 26678 as shown in figure 4 below.

PACIFIC BAUXITE LIMITED DIRECTORS' REPORT

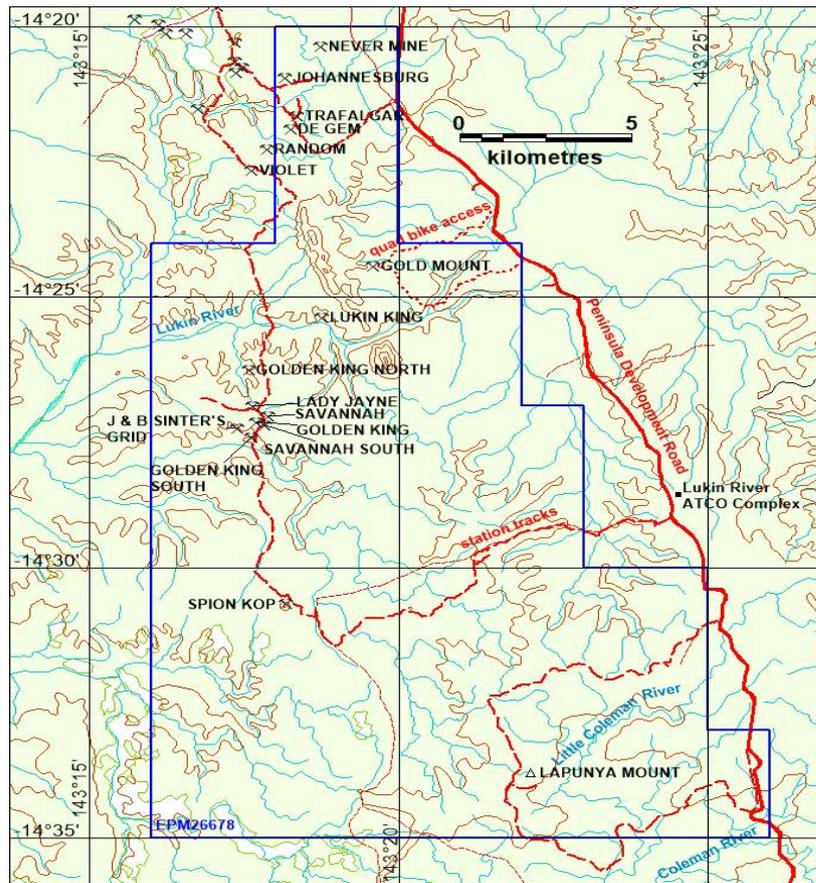


Figure 4 – Ebagoola Project tenement and historic prospect location

The acquisition of a 50% interest in the Ebagoola Project (Acquisition) would have resulted in the Company diversifying its project portfolio to include gold and expanding its Australian operations. PBX considered this to be an attractive investment opportunity in light of a rising gold price and increased investor interest in the sector. Further, PBX believed that the expansion of operations in Australia, with its stable political and regulatory environment, would have improved the Company's overall risk profile by offsetting the political and regulatory uncertainties inherent in conducting operations in the Solomon Islands.

For further detailed proposed terms and conditions of the Acquisition, refer to the ASX announcement 15 November 2019.

The Acquisition did not complete prior to the Company being placed into Voluntary Administration and further information is included in the June 2020 quarterly activities report (ASX Announcement dated 13 January 2021).

CORPORATE

Voluntary Administration

On 24 December 2019 Pacific Bauxite announced that Messrs Richard Albarran and Cameron Shaw of Hall Chadwick Chartered Accountants were appointed as Joint and Several Voluntary Administrators of the Company pursuant to Section 436A of the Corporations Act 2001 (**Voluntary Administration**).

Board Restructure

On 23 December 2019, the Company advised the resignations of Mr Craig Smith and Mr Campbell McKenzie as Non-Executive Directors of the Company, effective immediately.

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Rights Issue

On 11 September 2019, the Company announced a capital raising by way of a non-renounceable pro-rata rights issue to raise \$991,535 (before costs) (**Rights Issue**) (ASX announcement 11 September 2019).

Under the Rights Issue, eligible shareholders were able to subscribe for 1 new share for every existing 2 shares they hold at an issue price of \$0.005 per share.

The proposed use of funds raised under the Rights Issue (net of expenses) were to be used to cover the legal costs over tenure of the Nendo Bauxite Project, exploration work and resource definition work at both the Nendo Bauxite Project and Southwest New Georgia Bauxite Project, as well as for general working capital purposes.

The Entitlement Issue Prospectus dated 11 September 2019 (**Entitlement Offer**) was lodged with the Australian Securities and Investments Commission (**ASIC**) on 11 September 2019. A copy of the prospectus, together with the Entitlement and Acceptance Form, was dispatched to all eligible shareholders on 26 September 2019.

During the Quarter, the Company announced that the Closing Date for the Rights Issue had been extended to 27 December 2019 (ASX announcement 10 December 2019).

The Rights Issue failed to attract meaningful support and as such, the Rights Issue did not complete prior to the Company being placed into Voluntary Administration. The Company has repaid subscription funds on 15 January 2020.

Results of Annual General Meeting

The Company held its Annual General Meeting of Shareholders on 29 November 2019 and all resolutions put to the meeting were passed unanimously.

Events occurring after the reporting date

On 7 January 2020, the Administrators convened a first meeting of creditors of the Company pursuant to Section 436E of the Corporations Act 2001 (**Initial Creditors Meeting**). The purpose of the Initial Creditors Meeting was for the Administrators to provide creditor with an understanding of the Voluntary Administration process.

On 17 February 2020, the Company was not in a position to meet the required expenditure for the Darling Ranges tenement E70/5112 and the exploration licence was relinquished.

On 30 April 2020, the Administrators and AMC entered into a Deed of Termination and Release relating to the binding option agreement for the Ebagoola Project. Under this Deed, PBX relinquished its rights and interests in the binding option agreement and received a release and discharge from all claims associated with the same.

On 18 June 2020, the Administrators convened a second meeting of creditors of the Company pursuant to Section 439A of the Corporations Act 2001 (**Second Creditors Meeting**). The purpose of the Second Creditors Meeting was to determine the future of the Company. At the Second Creditor Meeting, the Company resolved that the Deed of Company Arrangement (**DOCA**) proposal presented by First Guardian Synergy Capital Limited or its nominee(s) be accepted by the Company. On 9 July 2020, the DOCA was executed by First Guardian and the Company.

On 20 June 2020, the Company was not in a position to maintain the required expenditure for the SWNG and the prospecting licence (PL-04/17) subsequently expired.

Nendo legal developments

As noted above, the Court of Appeal ordered that the Attorney General's Notice of Appeal be granted and provided directions for the filing of submissions. These directions were amended on 8 June 2020 and provided:

1. The Attorney General (the Appellant) file and serve written submissions and the Respondent

PACIFIC BAUXITE LIMITED

DIRECTORS' REPORT

- (the JVC) file and serve its written submissions in support of the Cross-Appeal by 15 June 2020;
2. The Respondent and the Appellant file and serve any written submissions in responses to the submission in [1] by 17 July 2020;
 3. Appellant and the Respondent file and serve any written submission in reply to the submission in [2] by 24 July 2020;
 4. Appeal be listed for hearing in the next sitting of the Court.

The JVC has withdrawn the cross-appeal at the direction of its solicitor and sought an extension to file a submission which was approved by the Court. On 2 November 2020, the JVC filed a submission to the Court of Appeal.

Both parties have agreed for the proceedings to be decided on the papers. The Company announced the outcome of the proceedings on 2 February 2021.

On 2 February 2021, the Company announced the judgement from the Court of Appeal in the Solomon Islands where "The Court of Appeal agreed with the High Court's judgement that the Minister for Mines, Energy and Rural Electrification acted ultra vires his powers under Section 71(1) and (2) of the Mines and Minerals Act [CAP. 42] thereby quashing the Minister's decision of 24 May 2018 which cancelled the Respondent's Prospecting Licence (PL No. 01/16)." The Administrators are currently seeking options as to the possibility of reinstating the Prospecting License.

Auditor's Independence Declaration

The auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* for the half-year ended 31 December 2019 has been received and is set out on page 9.

Signed on behalf of the Company by its agents the Joint and Several Deed Administrators



Cameron Shaw
Joint and Several Deed Administrator
9 February 2021
Perth, Western Australia



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P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 9486 7094 www.rothsayresources.com.au

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001**

As lead auditor of the review of Pacific Bauxite Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Pacific Bauxite Limited and the entities it controlled during the year.

Rothsay Auditing

A handwritten signature in black ink, appearing to read 'Dalla', written over a light blue horizontal line.

Daniel Dalla
Partner

9 February 2021

PACIFIC BAUXITE LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
For the half-year ended 31 December 2019

	Notes	Consolidated	
		31-Dec-2019	31-Dec-2018
		\$	\$
Revenue from continuing operations	3	2,954	10,524
Other Revenue	3	151,996	10,414
Administration		(280,298)	(414,996)
Exploration costs		(15,652)	(110,454)
Depreciation		(12,932)	(16,413)
Employment costs		(92,307)	(266,937)
Impairment of loan to associate		(180,277)	(598,099)
Impairment of investment in associate	6	90,138	303,049
Share of net loss of associate	6	(90,138)	(303,049)
Impairment of fixed assets		(93,281)	-
(Loss) before income tax		<u>(519,797)</u>	<u>(1,385,961)</u>
Income tax expense		-	-
(Loss) from the half year		<u>(519,797)</u>	<u>(1,385,961)</u>
Profit is attributable to:			
Owners of Pacific Bauxite Limited		(519,797)	(1,385,961)
Other comprehensive income		-	-
Total comprehensive (loss) for the half year		<u>(519,797)</u>	<u>(1,385,961)</u>
Basic (loss) per share (cents per share)		(0.13)	(0.35)
Diluted (loss) per share (cents per share)		(0.13)	(0.35)

The above interim 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 31 December 2019

	Notes	Consolidated	
		31-Dec-2019	30-Jun-2019
		\$	\$
CURRENT ASSETS			
Cash and Cash Equivalents		16,981	233,893
Restricted Cash		71,500	71,500
Trade and Other Receivables		31,875	35,526
TOTAL CURRENT ASSETS		<u>120,356</u>	<u>340,919</u>
NON-CURRENT ASSETS			
Property, Plant and Equipment		12,375	118,416
Investment accounted for using the equity method	6	-	-
TOTAL NON-CURRENT ASSETS		<u>12,375</u>	<u>118,416</u>
TOTAL ASSETS		<u>132,731</u>	<u>459,335</u>
CURRENT LIABILITIES			
Trade and Other Payables		458,055	183,689
Provisions		1,742	75,194
TOTAL CURRENT LIABILITIES		<u>459,797</u>	<u>258,883</u>
NON-CURRENT LIABILITIES			
Trade and Other Payables		-	7,721
TOTAL NON-CURRENT LIABILITIES		<u>-</u>	<u>7,721</u>
TOTAL LIABILITIES		<u>459,797</u>	<u>266,604</u>
NET ASSETS / (LIABILITIES)		<u>(327,066)</u>	<u>192,731</u>
EQUITY			
Contributed Equity	4	20,181,348	20,181,348
Reserves		1,624,540	1,624,540
Accumulated Losses		(22,132,954)	(21,613,157)
TOTAL EQUITY		<u>(327,066)</u>	<u>192,731</u>

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

PACIFIC BAUXITE LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2019

2019	Contributed Equity \$	Accumulated Losses \$	Unissued Capital Reserve \$	Option Reserve \$	Total \$
Consolidated Balance as at 1 July 2019	20,181,348	(21,613,157)	-	1,624,540	192,731
Total comprehensive loss for the half year					
Loss for the half year	-	(519,797)	-	-	(519,797)
Total comprehensive loss for the year	-	(519,797)	-	-	(519,797)
Transactions with equity holders in their capacity as equity holders					
Issue of shares – Placement	-	-	-	-	-
Balance as at 31 December 2019	20,181,348	(22,132,954)	-	1,624,540	(327,066)
2018					
Consolidated Balance as at 1 July 2018	19,846,155	(19,509,025)	335,193	1,624,540	2,296,863
Total comprehensive loss for the half year					
Loss for the half year	-	(1,385,961)	-	-	(1,385,961)
Total comprehensive loss for the year	-	(1,385,961)	-	-	(1,385,961)
Transactions with equity holders in their capacity as equity holders					
Issue of shares – Placement	335,193	-	(335,193)	-	-
Balance as at 31 December 2018	20,181,348	(20,894,986)	-	1,624,540	910,902

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

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CONSOLIDATED STATEMENT OF CASH FLOWS
For the half year ended 31 December 2019

	Consolidated	
	31-Dec-2019	31-Dec-2018
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	3,513	8,736
Receipt from bankrupt trustees for debt recovery	-	-
Interest received	161	6,994
Payments for exploration and evaluation	(74,560)	(947,633)
Payment to suppliers and employees	(221,696)	(484,640)
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	(292,582)	(1,416,543)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(175)	(6,145)
Proceeds from sale of available for sale financial asset (nett)	90,000	-
Proceeds from sale of property, plant and equipment	-	-
NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES	89,825	(6,145)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of capital	-	335,193
Payment for share issue costs	-	(74,256)
Payments for finance lease	(8,790)	(8,320)
NET CASH (OUTFLOW) FROM FINANCING ACTIVITIES	(8,790)	252,617
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(211,547)	(1,170,071)
Cash and cash equivalents at the beginning of half year	233,893	2,062,108
Effects of exchange rate fluctuations	(5,365)	-
CASH AND CASH EQUIVALENTS AT END OF HALF YEAR	16,981	892,037

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

PACIFIC BAUXITE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

1. Basis of Preparation

These condensed interim financial reports for the half-year reporting period ended 31 December 2019 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 134 *Interim Financial Reporting*.

These interim financial reports do not include all the notes of the type normally included in annual financial reports. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the entity during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Going concern

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The Company has incurred net losses after tax of \$519,797 (2018: \$1,385,961) and net cash outflows from operating activities of \$292,582 (2018: \$1,416,543) for the period ending 31 December 2019. The cash balance as at 31 December 2019 was \$16,981 (30 June 2019: \$233,893).

First Guardian Synergy Capital Limited and the Joint and Several Deed Administrators are satisfied that the going concern basis of preparation of the interim financial report is appropriate on the basis of the effectuation of the DOCA and subsequent capital raisings post effectuation.

Should effectuation of the DOCA not eventuate, there is a material uncertainty which may cast significant doubt whether the Group will be able to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report..

These financial statements do not include any adjustments relating to the recoverability or classification of recorded amounts that might be necessary should Pacific Bauxite Ltd not be able to continue as a going concern.

New accounting standards and interpretations

Standards and Interpretations applicable to 31 December 2019

In the half-year ended 31 December 2019, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the half-year reporting periods beginning on or after 1 July 2019. As a result of this review, the Directors have applied all new and amended Standards and Interpretations that were effective as at 1 July 2019 including:

Interpretation 23 Uncertainty over Income Tax Treatments

The Group has adopted interpretation 23 with the date of initial application being 1 July 2019.

The Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities

PACIFIC BAUXITE LIMITED

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- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

At 1 July 2019 it was determined that the adoption of Interpretation 23 had no impact on the Group.

AASB 2018-1 Australian Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle

The Group has adopted AASB 2018-1 with the date of initial application being 1 January 2019.

The amendments clarify certain requirements in:

- AASB 3 Business Combinations and AASB 11 Joint Arrangements - previously held interest in a joint operation
- AASB 112 Income Taxes - income tax consequences of payments on financial instruments classified as equity
- AASB 123 Borrowing Costs - borrowing costs eligible for capitalisation.

At 1 July 2019 it was determined that the adoption of AASB 2018-1 had no impact on the Group.

AASB 16 - Leases

The Group has adopted AASB 16 with the date of initial application being 1 July 2019.

AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases into its statement of financial position in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its statement of financial position for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases. Lessor accounting remains largely unchanged from AASB 117.

At 1 January 2019 it was determined that the adoption of AASB 16 had no impact on the Group.

Standards and Interpretations in issue not yet adopted applicable to 31 December 2019

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted that are relevant to the Company and effective for the half-year reporting periods beginning on or after 1 January 2020. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations in issue not yet adopted on the Company and therefore no material change is necessary to Group accounting policies.

Accounting policies and methods of computation

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding half-year. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Significant accounting judgments and key estimates

The preparation of half-year financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this half-year financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2019.

PACIFIC BAUXITE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2. Segment Reporting

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors in order to allocate resources to the segment and to assess its performance.

Management treats the Australian operations and the Solomon Island operations as a separate operating segment and are reported on as such. The analysis of the location of total assets is as follows:

	Consolidated	
	31-Dec-19	30-Jun-19
	\$	\$
Solomon Islands	-	-
Australia	226,013	459,335
	<u>226,013</u>	<u>459,335</u>

3. Revenue

	Consolidated	
	31-Dec-2019	31-Dec-2018
	\$	\$
From Continuing Activities		
Sales Revenue – Recharging of administration expenses	2,954	10,524
	<u>2,954</u>	<u>10,524</u>
Other Revenue		
Interest received	161	8,948
Sale of royalty	100,000	-
Recovery of legal fees	50,000	-
Miscellaneous income	1,835	1,466
	<u>151,996</u>	<u>10,414</u>

4. Contributed Equity

	31-Dec-2019	30-Jun-2019	31-Dec-2019	30-Jun-2019
	Shares	Shares	\$	\$
Consolidated Share Capital				
Ordinary Shares Fully Paid	396,614,034	396,614,034	20,181,348	20,181,348
	<u>396,614,034</u>	<u>396,614,034</u>	<u>20,181,348</u>	<u>20,181,348</u>

5. Commitments and Contingencies

The Company entered into an operating lease for the use of its office space as its previous registered office located at Level 3, 33 Ord Street, West Perth, Western Australia. The lease term expired on 30 November 2019.

	Consolidated	
	31-Dec-19	30-Jun-19
	\$	\$
Within one year	-	11,000
After one year but not more than five years	-	-
More than five years	-	-
Closing balance	<u>-</u>	<u>11,000</u>

There are no material contingent liabilities since the last reporting date.

PACIFIC BAUXITE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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6. Investment in Associates

As detailed in the Company's 30 June 2017 Annual Report, Pacific Bauxite previously exercised its option to acquire 50% of Eight South Investments Pty Ltd (previously named AU Capital Mining Pty Ltd) (**Eight South**). Consideration included an initial 20,000,000 shares (issued during the year ended 30 June 2017), with a further 20,000,000 shares to be issued in 12 months' time or first shipment of bauxite, whichever comes first.

During the year ended 30 June 2018, following receipt of approval of shareholders at the Company's General Meeting held 18 August 2017, the Company completed its acquisition of 50% of Eight South via the issue of the second tranche 20,000,000 consideration shares, which were allotted on 27 September 2017.

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

	Consolidated	
	31-Dec-2019	30-Jun-19
	\$	\$
Balance at the beginning of the period	-	-
Share of losses of associates	90,138	427,993
Impairment of associate	(90,138)	(427,993)
Balance at the end of the period	-	-

7. Related Party Disclosure

During the half year ended 31 December 2019, the Company incurred expenditure of \$2,000 (excl. GST) with O'Shea & Partners, a Director related entity of Mr Smiths.

During the half year ended 31 December 2019, the Company incurred expenditure of \$8,618.75 (excl. GST) with Geo Advisory Limited, a Director related entity of Mr Campbells.

9. Events occurring after the reporting date

On 7 January 2020, the Administrators convened a first meeting of creditors of the Company pursuant to Section 436E of the Corporations Act 2001 (**Initial Creditors Meeting**). The purpose of the Initial Creditors Meeting was for the Administrators to investigate the financial affairs of the Company.

On 17 February 2020, the Company was not in a position to meet the required expenditure for the Darling Ranges tenement E70/5112 and the exploration licence was relinquished.

On 30 April 2020, the Administrators and AMC entered into a Deed of Termination and Release relating to the binding option agreement for the Ebagoola Project. Under this Deed, PBX relinquished its rights and interests in the binding option agreement and received a release and discharge from all claims associated with the same.

On 18 June 2020, the Administrators convened a second meeting of creditors of the Company pursuant to Section 439A of the Corporations Act 2001 (**Second Creditors Meeting**). The purpose of the Second Creditors Meeting was to determine the future of the Company. At the Second Creditor Meeting, the Company resolved that the Deed of Company Arrangement (**DOCA**) proposal presented by First Guardian Synergy Capital Limited or its nominee(s) be accepted by the Company. On 9 July 2020, the DOCA was executed by First Guardian and the Company.

On 20 June 2020, the Company was not in a position to maintain the required expenditure for the SWNG and the prospecting licence (PL-04/17) subsequently expired.

Nendo legal developments

PACIFIC BAUXITE LIMITED

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As noted above, the Court of Appeal ordered that the Attorney General's Notice of Appeal be granted and provided directions for the filing of submissions. These directions were amended on 8 June 2020 and provided:

1. The Attorney General (the Appellant) file and serve written submissions and the Respondent (the JVC) file and serve its written submissions in support of the Cross-Appeal by 15 June 2020;
2. The Respondent and the Appellant file and serve any written submissions in responses to the submission in [1] by 17 July 2020;
3. Appellant and the Respondent file and serve any written submission in reply to the submission in [2] by 24 July 2020;
4. Appeal be listed for hearing in the next sitting of the Court.

The JVC has withdrawn the cross-appeal at the direction of its solicitor and sought an extension to file a submission which was approved by the Court. On 2 November 2020, the JVC filed a submission to the Court of Appeal.

Both parties have agreed for the proceedings to be decided on the papers. The Company announced the outcome of the proceedings on 2 February 2021.

On 2 February 2021, the Company announced the judgement from the Court of Appeal in the Solomon Islands where "The Court of Appeal agreed with the High Court's judgement that the Minister for Mines, Energy and Rural Electrification acted ultra vires his powers under Section 71(1) and (2) of the Mines and Minerals Act [CAP. 42] thereby quashing the Minister's decision of 24 May 2018 which cancelled the Respondent's Prospecting Licence (PL No. 01/16)." The Administrators are currently seeking options as to the possibility of reinstating the Prospecting License.

There were no other matters or circumstances that have arisen since the end of the half year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in the future financial years.

10. Financial Instruments

Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the Group as at 31 December 2019:

	At amortised cost	Fair value	
		Through profit and loss	Through other comprehensive income
	\$	\$	\$
Consolidated Financial assets			
Trade and other receivables	31,875	-	-
Total current	31,875	-	-
Total assets	31,875	-	-
Financial liabilities			
Trade and other payables	458,055	-	-
Total current	458,055	-	-
Total liabilities	458,055	-	-

PACIFIC BAUXITE LIMITED
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Set out below is a comparison of the carrying amount and fair values of financial instruments as at 31 December 2019:

	Carrying amount	Fair value
	\$	\$
Consolidated		
Financial assets		
Trade and other receivables	31,875	31,875
Total current	31,875	31,875
Total assets	31,875	31,875
Financial liabilities		
Trade and other payables	458,055	458,055
Total current	458,055	458,055
Total liabilities	458,055	458,055

PACIFIC BAUXITE LIMITED

DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 10 to 19 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that the Entity will be able to pay its debts as and when they become due and payable.

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



Peter Lewis
Non-Executive Chairman
9 February 2021



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**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
PACIFIC BAUXITE LIMITED**

Report on the Review of the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Pacific Bauxite Limited ("the Company"), and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter - Material Uncertainty Related to Going Concern

Without modifying our review conclusion, we draw attention to Note 1 of the interim financial report, which indicates that the going concern basis is appropriate on the basis of the effectuation of the Deed of Company Arrangement and subsequent capital raisings. These conditions along with other matters that are set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group maybe unable to realise its assets and discharge its liabilities in the normal course of business.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our 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 (including Independence Standards)* ("the Code") that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.





Independence

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 review report.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's Responsibility for the Review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Rothsay Auditing

Dated 9 February 2021

**Daniel Dalla
Partner**