



Interim Financial Report for the half-year ended 30 June 2018

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2017 and any public announcements made by Australian Bauxite Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

CORPORATE DIRECTORY

Australian Bauxite Limited

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ABN 14 139 494 885

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Directors

Paul Lennon (Non-Executive Chairman)
Ian Levy (Managing Director & CEO)
Ken Boundy

Company Secretary

Henry Kinstlinger

Share Registry

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Level 3
60 Carrington Street
Sydney NSW 2000, Australia
Telephone: 1300 327 328 (within Australia)

ASX Code – ABX

Australian Bauxite Limited shares are listed on the Australian Securities Exchange.

This financial report covers the Consolidated Entity consisting Australian Bauxite Limited and its controlled entities.

Australian Bauxite Limited is a company limited by shares, incorporated and domiciled in Australia.

REVIEW OF OPERATIONS

Corporate

- In May 2018, at Australian Bauxite Limited's (ABx) Annual General Meeting, all resolutions put to the meeting, were passed on a show of hands.
- Group cash balance was \$1.89 million at 30 June 2018 and \$1.9 million at 1 September 2018.
- Number of shareholders approximately 2,700.

Activities during the half-year

1. ALCORE bauxite refining technology development
2. Feasibility study of the Binjour Bauxite project inland from Bundaberg Port, central Queensland
3. Bauxite mining and processing operations in Tasmania, exporting via Bell Bay Port of Launceston
4. Assessment and development of the Penrose bauxite deposit, 90km inland from Port Kembla

Bauxite Refining Technology

During the half-year, ABx incorporated ALCORE Limited as a wholly owned subsidiary to fund and manage the ALCORE Project, leading to the construction of an ALCORE Production Plant to produce Aluminium Fluoride (AlF_3) and valuable co-products, using new technology (patent application. See Figure 1).

ALCORE technology is for refining raw bauxite, with a market price of US\$50, into high-value products worth more than US\$800 per tonne (see Figure 2), including:

- a. **Aluminium Fluoride (AlF_3)**, an electrolyte for aluminium smelters & lithium ion batteries;
- b. **Silica fume** for stronger concrete and production of low CO_2 geopolymer cement;
- c. **Corethane**, an ultra-pure hydrocarbon for generating electricity and heat when used as a substitute for gas or diesel fuels, increasing fuel security & reducing CO_2 emissions;
- d. **Refractory-grade bauxite & hi-purity alumina (HPA)** to make scratch-resistant sapphire glass

ABx has granted an unrestricted bauxite refining technology licence to ALCORE which ABx believes will be the first Australian supplier of AlF_3 to the Australasian Aluminium Smelters and one other overseas market. ALCORE is engaged in ongoing cooperation with all relevant customers.

Operations on schedule: Stage 1 of the ALCORE Project commenced on 1 July 2018 at the ALCORE Research Centre at Berkley Vale, Central Coast NSW for the production of AlF_3 test samples.

Funding is in place to complete Stage 1, scheduled to take 3 months from 1 July for final design, 1 month for final permitting, followed by 3 months construction and up to 5 months of production.

ALCORE's Master Agreement with a major engineering firm will ensure senior engineers for Stage 1 and the production plant. The engineers have studied this technology for two years and has presented plans to expedite production of the samples for customers.

Engineers on site. When the research centre was readied, senior chemical engineering staff went to site. The first tasks are to build a laboratory facility, verify the process, make AlF_3 products and take engineering measurements to improve the design of the production plant.

Strategic plans: Once sufficient AlF_3 samples are provided to customers and the requisite engineering factors for an AlF_3 production plant are determined, the research centre will test the production of Corethane which will fuel electric generators and heaters for ALCORE's Production Plant. Corethane can power large gas turbine electrical generators and be a diesel substitute for fuel security purposes. Corethane has significant energy and industrial potential.

ALCORE technology is relatively low-risk because it operates at ambient temperatures & pressures.

ALCORE is holding ongoing discussions with governments, agencies and companies that have showed strong interest in both AlF_3 and the main co-products, Corethane and silica fume.

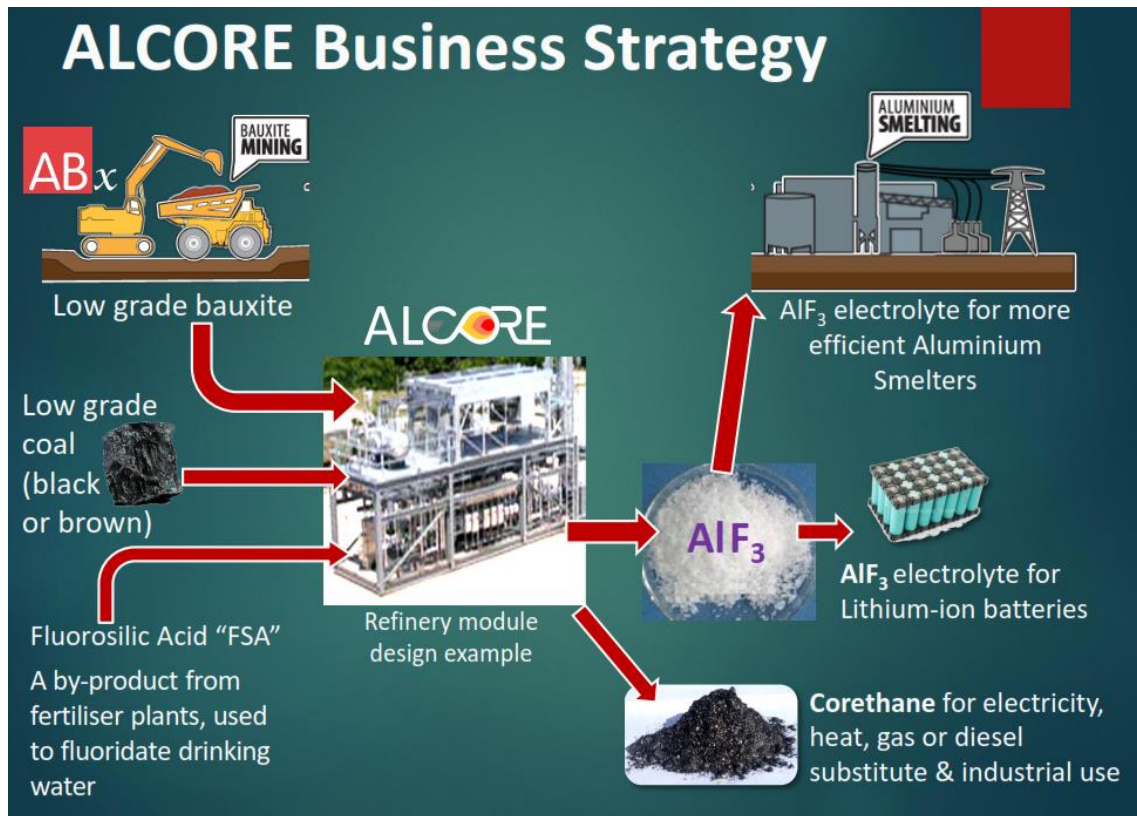


Figure 1: ALCORE technology refines bauxite into high-value products, principally AlF_3

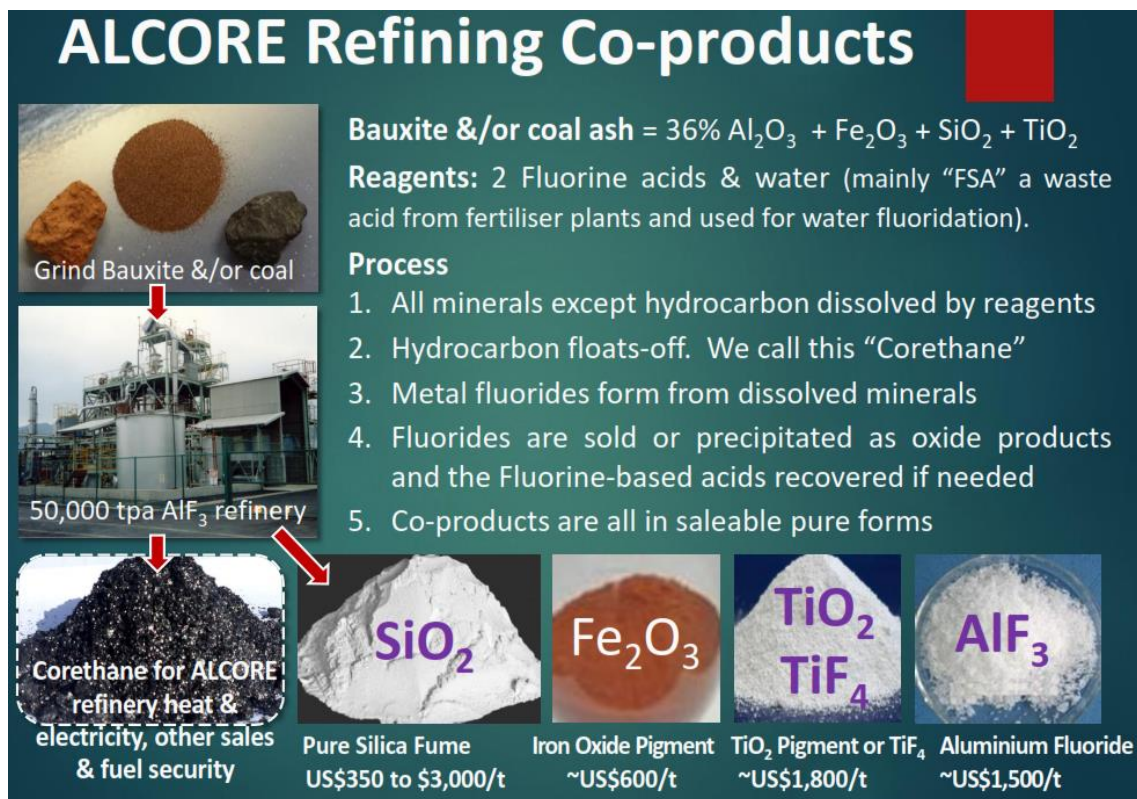


Figure 2: ALCORE bauxite refining technology produces high value products with no residues or emissions

Binjour project feasibility study, Queensland

Resource upgrade: ABx recently announced that the Binjour bauxite resources grew by 51% to 37 million tonnes of thick gibbsite trihydrate bauxite bringing the total project resources to 40.5 million tonnes from both the Binjour exploration licences 1 and the granted mining lease at Toondoon, located 46km south of Binjour 1 (see Figure 4).

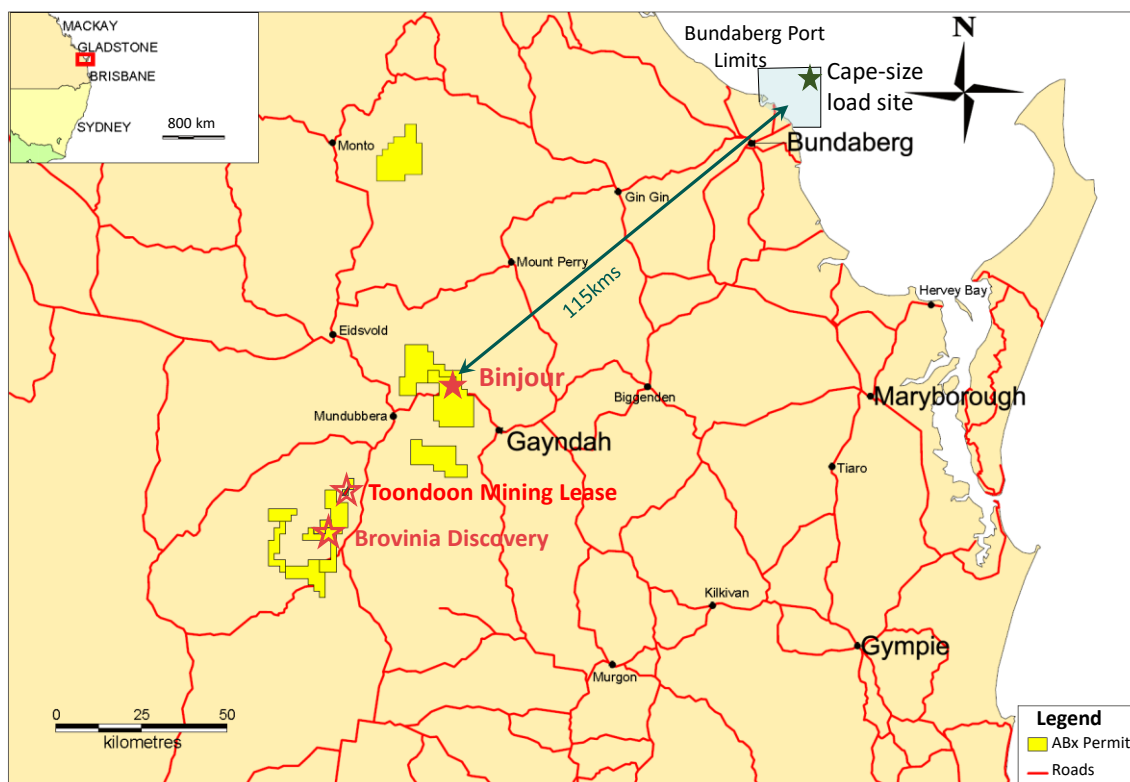


Figure 4: Location of Binjour Bauxite Project, Toondoon Mining Lease, Brovinia discovery & infrastructure

The project area is located inland from Bundaberg, central Queensland, comprising the main project area located at Binjour, 115kms southwest of Bundaberg Port with a granted Mining Lease at Toondoon 46km southwest of Binjour and an exploration project at Brovinia further to the south.

Geology: A bauxite layer up to 15 metres thick extends over 44 square km Binjour Plateau. An estimated 10.4 million tonnes is suitable for bulk mining and shipping as saleable bauxite whilst other areas totalling 26.6 million tonnes require processing by ABx's proprietary TasTech technology to meet the target Metallurgical bauxite grades of 45% Al_2O_3 & 5% SiO_2 which have been established by a bulk sampling program that subsampled 2,000 tonnes of drillhole samples in December 2017 and conducted multi-laboratory analyses in Australia and in the customer countries during the half-year.

Mining: Detailed studies are well advanced to determine the optimum mining and processing needed to achieve the Binjour products. A trial-mining and processing exercise is being designed.

Markets: ABx's marketing partner, Rawmin Industries of India has commenced shipping bauxite to the large alumina refinery of one of the prospective customers in India and has introduced a Chinese customer to the Binjour project. A third Australian refinery may complete the customers for Binjour bauxite.

Shipping: Investigations with the Port of Bundaberg over the past year have identified a transshipment (ie. Barging) strategy that could allow the Binjour Project to load cape-size ships within the port limits (see Figure 4) to carry approximately 150,000 tonnes at the lowest cost per tonne to China or India.

Recent Queensland government policy about transshipment has been favourable for transshipment at Bundaberg Port because it is located south of the Great Barrier Reef Marine Park.

Operations - Tasmania

Sales

Continuing-on from 2017 total sales of approximately 36,000 tonnes of cement grade and fertiliser grade bauxite, ABx has made further sales of fertiliser grade bauxite from its Bald Hill mine near Campbell Town, northern Tasmania (see Figure 5). Regular fertiliser sales are ongoing.

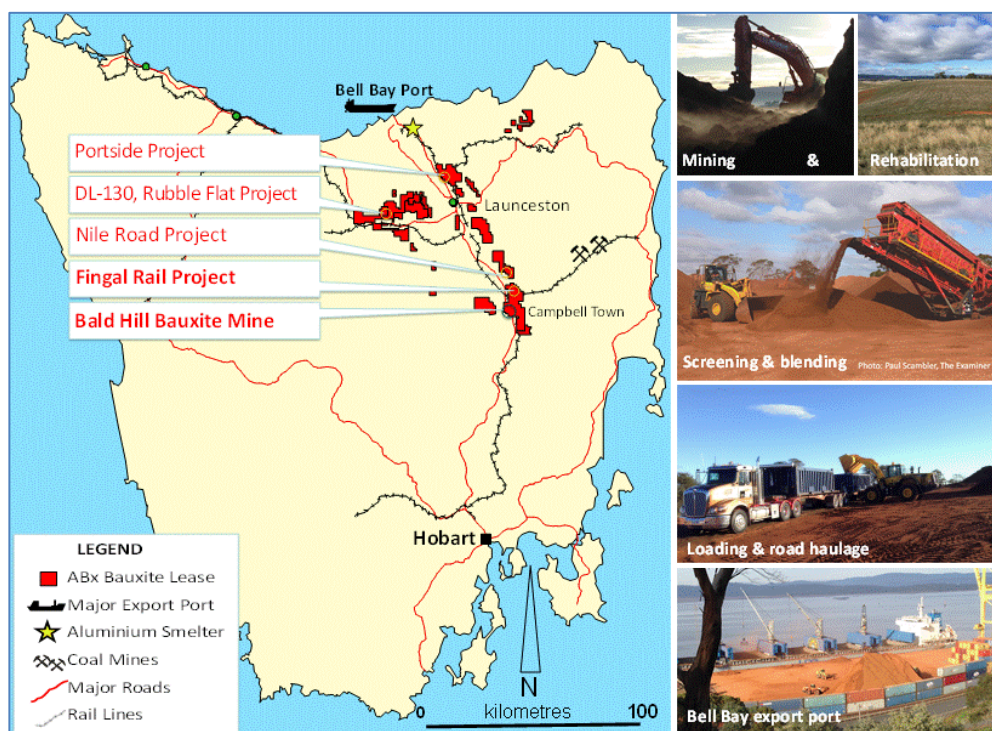


Figure 5

Location of Bald Hill Bauxite Project, other development prospects & Tasmanian infrastructure

Stocks

Currently, ABx has approximately 130,000 tonnes of bauxite stockpiled in Tasmania:

- 2,050 tonnes of cement grade and fertiliser grade bauxite in its product stockpiles
- 60,800 tonnes of grade controlled, ready for blending bauxite;
- 30,200 tonnes of screened material ready for classification into product categories; and
- 36,700 tonnes of broken ore stocks ready for screening for future needs

LOI Signed: ABx entered into a Letter of Intent to supply chemical grade bauxite for the treatment of waste water in Bangladesh with the Aziz group which is a chemical manufacturing company and trading house. The strategy is to develop markets for a range of ABx bauxite types.

Chemical Grade Bauxite

ABx has agreed to develop and supply Chemical Grade Bauxite for the manufacture of PAC (Polyaluminum Chloride) for the treatment of the large volumes of industrial waste water in Bangladesh, especially water from textile plants that carry trace levels of coloured dyes.

Cement Grade Bauxite

The Company will appoint Aziz Group of Bangladesh to be the ABx agent for marketing ABx Cement Grade Bauxite to Bangladesh's cement manufacturing industry which is growing strongly. ABx's ultra clean, sodium-free, quartz-free Cement Grade Bauxite provides a perfectly balanced blend of Aluminium, Iron and clay-silica to assist the Bangladesh Cement Industry produce high late-strength cement for the concrete construction industry.

Transport Logistics

ABx and Aziz Group are jointly investigating shipping strategies between Australia and Bangladesh.

Seasonal coordination: Tasmanian Mines with Binjour Bauxite Project

Opportunities exist to make large-tonnage shipments from Tasmania to major customers during the Tasmanian Summer dry months (November to March) and supply bauxite from Binjour in Queensland in the dry season (April to November) which is best for production and shipping from Bundaberg.

This opportunity will be investigated over the coming year as the Binjour feasibility study is finalised and negotiations are completed for off-take agreements for the supply of more than 1 million tonnes of bauxite per year.

Exploration

Penrose Pine Forest Quarry NSW

High-grade, low iron bauxite: The bottom grey-white coloured layer in ABx's Penrose bauxite deposit, located in a pine plantation adjacent to the major Hume Highway 90km inland of Port Kembla (see Figure 6), comprises more than 55% Al_2O_3 and very low in iron content which has potential to make special chemical products and refractory bauxite. Overlying the grey-white bauxite basal layer is a two-metre thick layer of high grade metallurgical bauxite.

The strategy for Penrose is to assemble customers and markets for each layer of bauxite that exists in this stratified, special deposit to maximise the operating margins of each product.



Figure 6
Location of the Penrose Bauxite project area

Research: ABx is conducting significant beneficiation research and development test work on the special low-iron bauxite at its laboratory in Tasmania. The work done during the half-year concluded that a combination of several physical sorting methods can significantly upgrade Penrose Bauxite.

ABx is in discussions with two companies that specialise in refractory bauxite and chemical processing of bauxite. During the half-year, ABx continued discussions with a possible nearby customer for the top layer of metallurgical bauxite. A second customer for the top layer has recently approached ABx.

Penrose bauxite is also suited to use for chemical manufacturing, including for make polyaluminium chloride or PAC for water filtration.

ABx has declared bauxite resources totalling 137 million tonnes¹ in eastern Australia – see Figure 7 and Table 1 below.



Figure 7: ABx Project Tenements & Major Infrastructure in ABx’s major bauxite project areas nearest export ports in Eastern Australia as follows, from south to north:

1. Northern Tasmania, south of Bell Bay Port
2. Southern NSW Taralga & Penrose pine forest west of Port Kembla
3. Central Queensland based on the major Binjour Bauxite Project, southwest of Port of Bundaberg

Resource Statement, Definitions and Qualifying Statement

Tabulated below are the Mineral Resources for each ABx Project. The initial ASX disclosure for these Resources is given in the footnotes to the table. Refer to these announcements for full details of resource estimation methodology and attributions.

Table 1: ABx JORC Compliant Resource Estimates

Region	Resource Category	Million Tonnes	Thickness (m)	Al ₂ O ₃	SiO ₂	A/S	Fe ₂ O ₃	TiO ₂	LOI	Al ₂ O ₃ Avl @ 143°C	Rx SiO ₂ %	Avl/Rx ratio	% Lab Yield	O'Burden (m)	Int.Waste (m)	
				%	%	ratio	%	%	%	%	%	%	%	%	%	%
CAMPBELL TOWN AREA TASMANIA ⁷	Inferred	1.3	3.0	42.6	3.5	12	25.4	3.5	24.6	36.7	3.0	12	50	2.1	0.1	
	Indicated	1.4	3.2	42.5	3.2	14	26.4	3.0	24.5	36.2	2.8	14	55	1.8	0.1	
	Total	2.7	3.1	42.5	3.3	13	25.9	3.3	24.5	36.5	2.9	13	52	2.0	0.1	
Fingal Rail Cement-Grade Bauxite ⁸	Inferred	2.4	3.3	30.9	19.5	--	35.4	3.9	16.7	--	--	--	--	1.9	0.1	
	Indicated	3.9	3.8	31.1	19.0	--	35.2	4.0	16.9	--	--	--	--	1.7	0.1	
	Total	6.3	3.6	31.0	19.2	--	35.3	4.0	16.8	--	--	--	--	1.8	0.1	
DL-130 AREA TAS ¹	Inferred	5.7	3.8	44.1	4.3	10	22.8	3.1	25.0	37.6	3.2	12	55	1.5	0.1	
	Total Tas	14.7	3.6	38.2	10.5	n.a.	28.7	3.5	21.4	n.a.	n.a.	n.a.	54	1.7	0.1	
BINJOUR QLD ² DSO, Screen & Cement	Inferred	14.2	4.3	40.7	7.3	6	24.7	4.3	22.1	32.3	6.7	5	80	8.5	0.3	
	Indicated	22.8	4.0	33.5	19.2	2	24.9	4.2	16.8	15.8	17.4	1	63	6.6	0.3	
	Total	37.0	4.1	44.1	3.6	12	23.1	3.7	24.6	39.0	3.0	13	61	8.9	0.3	
TOONDOON QLD ³	Inferred	3.5	4.9	40.2	7.2	6	25.3	4.9	21.7	32.8	5.2	6	67	1.5	0.0	
TARALGA S. NSW ⁴	Inferred	9.9	3.1	40.4	5.7	7	24.6	4.1	22.2	35.2	1.9	18	54	0.1	0.2	
	Indicated	10.2	3.7	41.3	5.3	8	25.9	4.0	22.9	36.1	1.9	19	55	0.7	0.4	
	Total	20.1	5.6	40.8	5.5	7	25.3	4.0	22.6	35.7	1.9	19	55	0.5	0.3	
	PDM-DSO*	Inferred	7.6	2.5	37.0	6.0	6	38.4	3.5	13.3	22.1*	1.3	17	72	0.2	0.1
		Indicated	10.3	3.1	37.6	3.9	10	40.4	3.7	13.5	22.4*	1.1	20	71	0.7	0.4
	Total Taralga	17.8	5.8	37.3	4.8	8	39.6	3.6	13.5	22.3*	1.2	18	72	0.5	0.3	
Total Taralga	37.9	5.7	39.2	5.2	8	32.0	3.8	18.3	35.4	1.6	23	63	0.5	0.3		
INVERELL N. NSW ⁵	Inferred	17.5	4.7	39.8	4.8	8	27.7	4.3	22.2	31.0	4.2	7	61	2.3		
	Indicated	20.5	4.8	40.6	4.7	9	26.9	4.1	22.5	32.0	4.0	8	60	2.4		
	Total	38.0	4.8	40.2	4.7	9	27.3	4.2	22.4	31.6	4.1	8	61	2.4		
GUYRA N. NSW ⁶	Inferred	2.3	4.2	41.4	3.6	12	26.2	3.3	24.6	35.0	2.8	13	56	3.4		
	Indicated	3.8	5.9	43.1	2.6	16	27.3	3.9	24.5	37.4	2.0	18	61	4.4		
	Total	6.0	5.3	42.5	3.0	14	26.9	3.7	24.5	36.5	2.3	16	59	4.0		
GRAND TOTAL ALL AREAS		137.1														

* PDM is Al₂O₃ spinel. Al₂O₃ Avl at 225°C is >35%

Explanations: All resources 100% owned & unencumbered. Resource tonnage estimates are quoted as in-situ, pre mined tonnages. All assaying done at NATA-registered ALS Laboratories, Brisbane.
Chemical definitions: Leach conditions to measure available alumina "Al₂O₃ Avl" & reactive silica "Rx SiO₂" is 1g leached in 10ml of 90gpl NaOH at 143°C for 30 minutes. LOI = loss on ignition at 1000°C. "Avl/Rx" ratio is (Al₂O₃ Avl)/(Rx SiO₂) and "A/S" ratio is Al₂O₃/SiO₂. Values above 6 are good, above 10 are excellent. Tonnage is for bauxite in-situ. Lab Yield is for drill dust samples screened by ALS lab at 0.26mm. Production yields are not directly related and are typically between 60% and 75%. Tonnages requiring no upgrade will have 100% yield. Resource estimates exclude large tonnages of potential extensions, overburden & interburden detrital bauxite and underlying transitional bauxite mineralisation. Production will clarify these materials.

The information above relates to Mineral Resources previously reported according to the JORC Code (see Competent Person Statement) as follows:

- ¹ Maiden Tasmania Mineral Resource, 5.7 million tonnes announced on 08/11/2012
- ² Binjour Mineral Resource, 37.0 million tonnes announced on 18/06/2018 (this report)
- ³ QLD Mining Lease 80126 Maiden Resource, 3.5 million tonnes announced on 03/12/2012
- ⁴ Goulburn Taralga Bauxite Resource Increased by 50% to 37.9 million tonnes announced on 31/05/2012
- ⁵ Inverell Mineral Resource update, 38.0 million tonnes announced on 08/05/2012
- ⁶ Guyra Maiden Mineral Resource, 6.0 million tonnes announced on 15/08/2011
- ⁷ Initial resources for 1st Tasmanian mine, 3.5 million tonnes announced on 24/03/2015
- ⁸ Resource Upgrade for Fingal Rail Project, Tasmania announced on 25/08/2016

Tabulated Resource numbers have been rounded for reporting purposes. The Company conducts regular reviews of these Resources and Reserve estimates and updates as a result of material changes to input parameters such as geology, drilling data and financial metrics.

Global Mineral Resources declared to 18/06/2018 total 137.1 million tonnes.

Qualifying statements

General

The information in this report that relate to Exploration Information and Mineral Resources are based on information compiled by Jacob Rebek and Ian Levy who are members of The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Mr Rebek and Mr Levy are qualified geologists and Mr Levy is a director of Australian Bauxite Limited.

Mainland

The information relating to Mineral Resources on the Mainland was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. Mr Rebek and Mr Levy have sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Rebek and Mr Levy have consented in writing to the inclusion in this report of the Exploration Information in the form and context in which it appears.

Tasmania

The information relating to Exploration Information and Mineral Resources in Tasmania has been prepared or updated under the JORC Code 2012. Mr Rebek and Mr Levy have sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which they are undertaking 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 Rebek and Mr Levy have consented in writing to the inclusion in this report of the Exploration Information in the form and context in which it appears.

Table 2: Tenement information required under LR 5.3.3

Tenement No.	Location
New South Wales	
EL 6997	Inverell
EL 7361	Guyra
EL 8370	Penrose Forest
EL 7357	Taralga
EL 7681	Taralga Extension
EL 8600	Penrose Quarry
Queensland	
EPM 18014	Binjour
EPM 18772	Binjour Extension
EPM 25146	Toondoon EPM
EPM 19427	Brovinia 2
ML 80126	Toondoon ML
Tasmania	
EL 7/2010	Conara
EL 9/2010	Deloraine
EL 16/2012	Reedy Marsh
EL 18/2014	Prosser's Road
ML 1961 P/M	Bald Hill Bauxite

Notes:

During the half-year, one exploration licence was relinquished.

All tenements are in good standing, 100% owned and not subject to Farm-in or Farm-out agreements, third-party royalties nor encumbered in any way

All tenements are in good standing, 100% owned and not subject to Farm-in or Farm-out agreements, third-party royalties nor encumbered in any way.

DIRECTORS' REPORT

Your directors present their report together with the financial statements of the parent entity and the consolidated entity (referred to hereafter as the Group) consisting of Australian Bauxite Limited (the Company) and the entities it controlled at the end of or during the period ended 30 June 2018 and the Auditor's Review Report thereon.

Principal activities	The principal continuing activities of the Group during the reporting period were selling bauxite mineral, conducting the bauxite development and exploration programs.
Financial performance	The net consolidated loss of the Group for the six months ended 30 June 2018 was \$1.59 million (2017: Loss \$0.77 million). Cash holding of the Group at 30 June 2018 was \$1.89 million. The Group will have sufficient cash reserves to fund its current exploration and development programs.
Review of operations	Information on the operations and financial position of the Group and its business strategies and prospects are set out in the Review of Operations on pages 3 to 10 of this report.
Dividends	The Directors of the Company do not recommend that any amount be paid by way of dividend. The Company has not paid or declared any amount by way of dividend since the commencement of the financial year.

Directors

The following persons were directors of Australian Bauxite Limited during the whole of the period and up to the date of this report, unless otherwise stated:

- Paul Lennon Non-Executive Chairman
- Ian Levy Managing Director / CEO
- Ken Boundy Non-Executive Director

Subsequent Events

At the date of this report there are no matters or circumstances which have arisen since 30 June 2018 that have significantly affected or may significantly affect:

- the operations, in financial half-year subsequent to 30 June 2018, of the Group;
- the results of those operations; or
- the state of affairs, in financial half-year subsequent to 30 June 2018, of the Group.

Rounding

The amounts contained in the half year financial report have been rounded to the nearest thousand dollars (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the Class Order applies.

Directors' Report (continued)

Environmental Regulations

The Group is subject to significant environmental regulation in respect of its exploration activities as follows:

- The Company's operations in the State of Queensland involve drilling operations. These operations are governed by the *Environmental Protection Act (1994)*.
- The Company's operations in the State of NSW involve exploration activities. These operations are governed by the *Environment Planning and Assessment Act 1979*.
- The Company's operations in the State of Tasmania involve drilling operations. These operations are governed by the *Environmental Management and Pollution Control Act 1994*.
- The Company operates within the resources sector and conducts its business activities with respect for the environment while continuing to meet the expectations of the shareholders, employees and suppliers.
- The Company aims to ensure that the highest standard of environmental care is achieved, and that it complies with all relevant environmental legislation. The Directors are mindful of the regulatory regime in relation to the impact of the Company's activities on the environment.
- To the best of the directors' knowledge, the Group has adequate systems in place to ensure compliance with the requirements of all environmental legislation described above and are not aware of any breach of those requirements during the financial year and up to the date of the Directors' Report.

Environmental Code of Practice for Bauxite Mineral Exploration, adopted 1 March 2010

The Company is committed to conducting its exploration programs by following industry best practice in accordance with published government guidelines and codes.

The following policy is specific to bauxite exploration on the Company's east Australian bauxite province.

Access to Land

Prior to the commencement of any work, the Company makes contact with landholders/leaseholders and discusses the general aims and types of work likely to be conducted. Discussion with landowners, leaseholders and Native Title Claimants is ongoing. It commences prior to any work being conducted and continues throughout the program and beyond the cessation of exploration work.

The Company establishes conditions of access with landholders and where practicable, signs a written access agreement that sets out conditions and includes a schedule of agreed compensation payments. The Company endeavours to provide landholders with ample warning prior to commencing any work and landholders are kept informed upon commencement, during and upon completion of an exploration program.

Type of Land

The type of land is determined and its inhabitants are assessed to identify areas of particular environmental concern including identification of sensitive areas or areas prone to erosion, water catchment, heritage sites, and areas home to vulnerable and endangered species.

Land use is taken into consideration and land under cultivation is not disturbed without the express consent of the landholder.

Mineral Exploration Programs Access

The Company utilises existing tracks for access where possible. Climatic conditions are considered when assessing areas to avoid access during extreme conditions such as during bush fire risk during hot, windy conditions and damage to tracks after heavy rain. Surface disturbances are kept to a minimum.

Directors' Report (continued)

Drilling

Drilling programs include rehabilitation and where possible holes are positioned in areas requiring little or no clearing. Small, manoeuvrable drill rigs are used to minimise the need for track clearing and to reduce ground compaction. Where required, topsoil is removed and stored separately so that it can be replaced during rehabilitation of the site. Ground sheets are used where required to avoid oil/fuel spills contaminating the soil.

Rehabilitation

Drill sites are rehabilitated as soon as practicable and drill holes are filled and capped where necessary. Landholders are asked to confirm at the end of each program that exploration has been conducted to their satisfaction and that sites have been rehabilitated.

Qualifying Statements

With respect to Exploration Results: The information is extracted from the following ASX release entitled:

Which are available to view on www.australianbauxite.com.au/Media.htm. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Information in this report relating to Exploration Information & Mineral Resources are based on information compiled by Jacob Rebek & Ian Levy who are members of The Australasian Institute of Mining & Metallurgy & the Australian Institute of Geoscientists. Mr Rebek & Mr Levy are qualified geologists & Mr Levy is a director of ABx. Information in this report relating to Mineral Resources in Tasmania has been prepared or updated by Mr Levy in accordance with the JORC Code 2012.

Mr Rebek and Mr Levy have sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which they are undertaking 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 Resources. Mr Rebek and Mr Levy have consented to the inclusion in this announcement of the Exploration Information in the form and context in which it appears.

Directors' Report (continued)

Auditor's Independence Declaration

A copy of the independence declaration by the auditor K.S. Black and Co. under section 307C is included on page 15 of this half year financial report.

Signed in accordance with a resolution of the Directors:



Ian Levy
Managing Director



Paul Lennon
Chairman

Sydney
12 September 2018

AUDITOR'S INDEPENDENCE DECLARATION

Level 6
350 Kent Street
SYDNEY NSW 2000

75 Lyons Road
DRUMMOYNE NSW 2047

K.S. Black & Co.

ABN 48 117 920 558

20 Grose Street
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PO Box 2210
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INDEPENDENT AUDITOR'S REVIEW REPORT

To the Directors of Australian Bauxite Limited

Report on the Consolidated Interim Financial Report

We have reviewed the accompanying half-year Consolidated Interim Financial Report of Australian Bauxite Limited, which comprises the statement of financial position as at 30 June 2018, and the statement of profit or loss and other comprehensive income, statement in changes in equity and the statement of cash flows; for the half-year then ended, a summary of significant accounting policies, other selected explanatory notes and the declaration by those charged with governance.

The Director's Responsibility for 30 June 2018 Consolidated Interim Financial Report

The Directors of the Consolidated Group are responsible for the preparation and fair presentation of the half-year Consolidated Interim Financial Report in accordance with *Accounting Standard AASB 101* 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 is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Consolidated Interim Financial Report

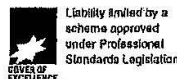
Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the financial report is not presented fairly, in all material respects, with the Corporations Law 2001. As the auditor of Australian Bauxite Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of the person responsible for financial and accounting matters, and applying analytical and 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.

Independence

In conducting our review, we have complied with the independence requirements of the Australian professional accounting bodies.

Phone 02 8899 3000
Fax 02 8899 3055



Liability limited by a
scheme approved
under Professional
Standards Legislation



INDEPENDENT AUDITOR'S REVIEW REPORT

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Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of Australian Bauxite Limited does not present fairly, in all material respects including:

- i. Giving a true and fair view of the entity's financial position as at 30 June 2018 and of its performance for the financial half-year ended on that date; and
- ii. Complying with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.


KS Black & Co
Chartered Accountants



Scott Bennison
Partner

Dated: 12/9/18

Phone 02 8839 3000
Fax 02 8839 3055

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scheme approved
under Professional
Standards Legislation
 **GOVERNANCE
EXCELLENCE**


CHARTERED ACCOUNTANTS
AUSTRALIA & NEW ZEALAND

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Lead Auditors' Independence Declaration under Section 307C of the Corporations Act 2001

To the Director's of Australian Bauxite Limited

I declare that, to the best of my knowledge and belief, during the half-year ended 30 June 2018 there has been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

The entities are in respect of Australian Bauxite Limited and the entities it controlled during the period.

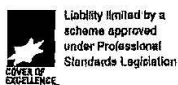
KS Black & Co
Chartered Accountants



Scott Bennison
Partner

Dated in Sydney on this *16th* day of *September* 2018

Phone 02 8839 3000
Fax 02 8839 3055



DECLARATION BY DIRECTORS

The Directors of the Company declare that:

1. The financial statements and notes, set out on pages 19 to 33, are in accordance with the *Corporations Act 2001*, and:
 - give a true and fair view of the financial position of the consolidated entity as at 30 June 2018 and of its performance for the half-year ended on that date; and
 - comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.
2. In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



Ian Levy
Managing Director



Paul Lennon
Chairman

Sydney
12 September 2018

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
for the Half-Year Ended 30 June 2018

	Notes	Consolidated Group	
		Half- year ended 30 Jun 2018 \$'000	Half- year ended 30 Jun 2017 \$'000
REVENUE	3	95	240
Development, exploration and administrative expenses	3	(1,655)	(1,012)
Finance expenses	3	(32)	(2)
PROFIT/(LOSS) FROM OPERATIONS BEFORE INCOME TAX		(1,592)	(774)
Income tax expense		-	-
NET PROFIT/(LOSS) FOR THE PERIOD		(1,592)	(774)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income before income tax		-	-
Income tax expenses		-	-
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		(1,592)	(774)
Profit attributable to non-controlling interests		-	-
TOTAL COMPREHENSIVE INCOME / (LOSS) ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		(1,592)	(774)
EARNINGS PER SHARE		Cents	Cents
Basic earnings/(losses) per share (cents per share)		(1.10)	(0.54)
Diluted earnings/(losses) per share (cents per share)		(1.09)	(0.54)

This Statement of Profit or Loss and other Comprehensive Income is to be read in conjunction with the notes to the interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

	Notes	Consolidated Group	
		30 Jun 2018 \$'000	31 Dec 2017 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	4	1,890	1,938
Trade and other receivables		370	(43)
Other current assets		79	83
Financial assets		-	-
Total current assets		2,339	1,978
Non-current assets			
Trade and other receivables		43	52
Plant and equipment		-	-
Mining tenements	5	16,141	16,850
Total non-current assets		16,184	16,902
Total Assets		18,523	18,880
LIABILITIES			
Current liabilities			
Trade and other payables		1,880	905
Employee benefits provision		130	119
Other Liabilities		24	21
Total current liabilities		2,034	1,045
Non-current liabilities			
Employee benefits provision		95	85
Other Liabilities		435	435
Total non-current liabilities		530	520
Total Liabilities		2,564	1,565
Net Assets		15,959	17,315
EQUITY			
Issued capital	6	25,311	25,075
Reserves		593	593
Accumulated losses		(9,945)	(8,353)
Total Equity		15,959	17,315

This Statement of Financial Position is to be read in conjunction with the notes to the interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the Half-Year Ended 30 June 2018

	Notes	Issued Capital \$'000	Options Reserve \$'000	Accumulated Losses \$'000	Total Equity \$'000
Consolidated					
At 31 December 2016		24,823	593	(8,532)	16,884
Share placement		-	-	-	-
Loss for the period		-	-	(774)	(774)
At 30 June 2017		24,823	593	(9,306)	16,110
At 30 June 2017		24,823	593	(9,306)	16,110
Share placement		-	-	-	-
Share issued in lieu of services		252	-	-	252
Profit for the period		-	-	953	953
As at 31 December 2017	6	25,075	593	(8,353)	17,315
At 31 December 2017	6	25,075	593	(8,353)	17,315
Share placement		-	-	-	-
Share Issued in lieu of services		236	-	-	236
Loss for the period		-	-	(1,592)	(1,592)
At 30 June 2018	6	25,311	593	(9,945)	15,959

This Statement of Changes in Equity is to be read in conjunction with the notes to the interim financial report.

CONSOLIDATED STATEMENT OF CASH FLOW

for the Half-Year Ended 30 June 2018

	Notes	Consolidated	
		Half-year ended 30 Jun 2018	Half-year ended 30 Jun 2017
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipt from customer		58	52
Interest received		14	13
Payment for exploration and development expenditures		(544)	(697)
Payments for administration expenses		(119)	(163)
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES		(591)	(795)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(2)	-
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(2)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues/placements		-	-
Controlled entities – convertible note		665	-
Repayment to/advance from other parties		(120)	(18)
NET CASH FLOWS PROVIDED BY/(USED IN) FROM FINANCING ACTIVITIES		545	(18)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the reporting period		1,938	1,846
CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD	4	1,890	1,033

This Statement of Cash Flow is to be read in conjunction with the notes to the interim financial report.

NOTES TO THE FINANCIAL STATEMENTS

for the Half-Year Ended 30 June 2018

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT Reporting Entity

Australian Bauxite Limited (the "**Company**") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 30 June 2018 comprises the Company and its controlled entities (together referred to as the "**consolidated entity**").

Statement of Compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

Estimates

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the interim financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporation Act 2001*.

Statement of Compliance

Compliance with Australian Accounting Standards ensures that the financial report of Australian Bauxite Limited complies with International Financial Reporting Standards ("IFRS").

Critical to accounting estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- (i) Options valuation
Refer to Note for estimates and assumptions used to calculate the valuation of options.

Critical judgements

Management have made the following judgements when applying the Group's accounting policies:

- (i) Capitalisation of exploration costs

The Group follows the guidance of AASB 6 Exploration for and Evaluation of Mineral Resources when determining if exploration costs incurred can be capitalised. This determination requires significant judgement. In making this judgement, the Group evaluates if any one of the following conditions is met:

- The exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and

NOTES TO THE FINANCIAL STATEMENTS continued**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued**

- Exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas of interest are continuing.
- During the period, there were commodity price drops. No impairment losses were recognised as no significant production has occurred resulting in sales at prices requiring write-down of capitalised expenditures.

If one of the above conditions is met then the Group has made the judgement to capitalise the associated exploration expenses.

Historical cost convention

These financial statements have been prepared on an accruals basis and are based on the historical cost convention except where noted in these accounting policies.

Material accounting policies

The policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

(b) Principles of consolidation*Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Australian Bauxite Limited (“parent entity”) as at reporting date and the results of all subsidiaries for the period then ended.

Subsidiaries are all those entities over which the parent entity 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 parent entity controls another entity.

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

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

Intercompany transactions, balances and unrealised gains on transactions between consolidated entity entities 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 consolidated entity.

Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or business under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

NOTES TO THE FINANCIAL STATEMENTS continued**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued**

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent arrangement is also included, subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised for the major business activities as follows:

Interest Revenue

Interest revenue is recognised as it accrues taking into account the effective yield on the financial asset.

Other Income

Income from other sources is recognised when proceeds or the fee in respect of other products or service provided is receivable.

(e) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS continued**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued**

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.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(f) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis except for the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(g) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand and in at call deposits with banks or financial institutions, investment in money market instruments maturing within less than two months, net of bank overdrafts.

(h) Trade and other receivables

Trade receivables are recognised initially at original invoice amounts and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 60 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that entities in the Group will not be able to collect all amounts due according to the original terms of receivables.

(i) Acquisition of assets

The purchase method of accounting is used to account for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

(j) Tenement exploration, evaluation and development costs

Costs incurred in the exploration for, and evaluation of, tenements for suitable resources are carried forward as assets provided that one of the following conditions is met:

- the carrying values are expected to be justified through successful development and exploitation of the area of interest; or

NOTES TO THE FINANCIAL STATEMENTS continued**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued**

- exploration activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of recoverable mineral resources, and active and significant operations in relation to the area are continuing.

Expenses failing to meet at least one of the aforementioned conditions are written off as incurred.

Costs associated with the commercial development of resources are deferred to future periods, provided they are, beyond any reasonable doubt, expected to be recoverable. These costs are amortized from the commencement of commercial production of the product to which they relate on a straight-line basis over the period of the expected benefit.

Costs associated with the development of resources are expensed as incurred if their recoverability is unlikely or unable to be determined.

(k) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting period. 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.

(l) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Restoration and rehabilitation provisions

Both for close down and restoration and for environmental clean-up costs from exploration programs, if any, a provision will be made in the accounting period when the related disturbance occurs, based on the net present value of estimated future costs.

(n) Employee Benefits*(i) Wages, salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave 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 reporting date.

NOTES TO THE FINANCIAL STATEMENTS continued**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued****(o) Share based payments**

Ownership-based remuneration is provided to employees via an employee share option plan.

Share-based compensation is recognised as an expense in respect of the services received, measured on a fair value basis.

The fair value of the options at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance date, the Group revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

(p) Earnings per share (EPS)

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for costs of servicing equity (other than dividends), the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

NOTES TO THE FINANCIAL STATEMENTS continued

3. REVENUE AND EXPENSES

Specific Items

Profit/(loss) before income tax expense/(benefit) includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the consolidated entity:

	Consolidated	
	Half- year ended 30 Jun 2018 \$'000	Half-year ended 30 Jun 2017 \$'000
Revenue		
Sale of mineral	57	52
Interest income	38	37
	95	89
Other income		
Cost recovery and others	-	151
	95	240
Development, exploration and administration expenses		
Development costs and exploration costs not capitalized	(1,267)	(695)
Consultancy and professional fees	(44)	(66)
Director and employee expenses	(217)	(180)
Other administrative expenses	(127)	(71)
	(1,655)	(1,012)
Finance expenses		
Depreciation	(1)	(1)
Others	(31)	(1)
	(32)	(2)

4. CASH AND CASH EQUIVALENTS

	Consolidated	
	30 Jun 2018 \$'000	31 Dec 2017 \$'000
Cash at bank and deposit	1,275	1,323
Cash held in trust – tenement guarantees and deposits	615	615
	1,890	1,938

NOTES TO THE FINANCIAL STATEMENTS continued

5. MINING TENEMENT

	Consolidated	
	30 Jun 2018	31 Dec 2017
	\$'000	\$'000
Tenement interest, development costs and capitalized exploration expenditures	16,141	16,850
	16,141	16,850

The ultimate recoupment of costs carried forward for exploration and evaluation assets is dependent on the successful development and commercial exploration or sale of the respective areas.

The carrying values of the exploration tenements are valued using the Exploration Expenditure Method and are limited to exploration expenditure incurred by the Company and its subsidiaries. Historical expenditure by other entities has not been included.

The Company regularly considers the commercial viability of its exploration tenements and reduces the area or relinquishes the exploration tenement where the commercial prospects are diminished.

NOTES TO THE FINANCIAL STATEMENTS continued

Tenement List

Application No	Licence No	Project	Status	Area (sq km)	Total \$
ABx1 Pty Ltd					
	EL 6997	Inverell	Granted	54	2,480,776
	EL 7361	Guyra	Granted	30	616,434
				84	3,097,210
ABx2 Pty Ltd					
	EL 7357	Taralga	Granted	123	1,557,749
	EL 7681	Taralga Extension	Granted Renewal	54	464,486
	EL 8370	Penrose Forest	Pending	57	112,271
	EL 8600	Penrose Quarry	Granted	6	35,512
				240	2,170,018
ABx3 Pty Ltd					
			Renewal		
	EPM 18014	Binjour	Pending	126	2,299,113
	EPM 18772	Binjour Extension	Granted	21	531,469
	EPM 25146	Toondoon	Granted	9	29,388
	EPM 19427	Brovinia 2	Granted	18	21,212
	ML 80126	Toondoon			
				174	2,881,182
ABx4 Pty Ltd					
					-
	EL 7/2010	Conara	Granted	129	3,132,218
	EL 9/2010	Deloraine	Granted Renewal	136	1,038,397
	EL 16/2012	Reedy Marsh	Pending	95	582,276
	EL 18/2014	Prossers Road	Granted	56	294,745
	ML 1961P/M	Bald Hill Mining Production	Granted		1,648,292
					1,796,369
				416	8,492,297
Sub - total					
				914	16,640,707
Provision					
					(500,000)
					<u>16,140,707</u>

NOTES TO THE FINANCIAL STATEMENTS continued

6. ISSUED CAPITAL

	Consolidated Entity and Parent Entity		Consolidated Entity and Parent Entity	
	June 2018	Dec 2017	June 2018	Dec 2017
	Shares	Shares	\$'000	\$'000
Ordinary shares issued	145,967,005	143,874,673	25,311	25,075
Movements during the year:				
Opening balance	143,874,673	142,170,153	25,075	24,823
Share placement	-	-	-	-
Share issued in lieu of services	2,092,332	1,704,520	236	252
Share issuing costs	-	-	-	-
Closing balance	145,967,005	143,874,673	25,311	25,075

(b) Options

There have been no options issued or granted over unissued shares during the reporting period.

(c) Terms and Conditions

Each ordinary share participates equally in the voting rights of the Company. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

7. COMMITMENTS AND CONTINGENT LIABILITIES

The minimum exploration expenditure commitments and lease payments on the Company's exploration tenements totalling approximately \$1.01 million (2017:\$0.68 million) over remaining term of tenements.

Executive services agreement

In addition the Company has agreed with Mr Ian Levy as Managing Director in providing the services to the Company at an agreed rate of \$250,000 per annum.

Corporate Service agreement

The Company has entered into a Corporate Service Agreement with Hudson Asset Management Pty Limited pursuant to which Hudson Asset Management Pty Limited has agreed to provide its office management, registered office, administrative, accounting and secretarial services.

The term of the Corporate Services Agreement has no fixed expiry term and the fee payable is that amount agreed between the parties from time to time. The terms of the Services Agreement provide that Hudson Asset Management Pty Limited shall act in accordance with the directions of the Board.

NOTES TO THE FINANCIAL STATEMENTS continued**8. SEGMENT REPORTING**

The consolidated entity operates one business being the mining and exploration of bauxite, minerals and related development projects in Australia.

9. EVENTS SUBSEQUENT TO BALANCE DATE

At the date of this report there are no other matters or circumstances, other than noted above, which have arisen since 30 June 2018 that have significantly affected or may significantly affect:

- the operations, in financial half-year subsequent to 30 June 2018, of the Group;
- the results of those operations; or
- the state of affairs, in financial half-year subsequent to 30 June 2018, of the Group.