



## Interim Financial Report for the half-year ended 30 June 2017

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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 2016 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

ACN 139 494 885  
ABN 14 139 494 885

### Registered and Corporate Office

Level 2  
Hudson House  
131 Macquarie Street  
Sydney NSW 2000  
Telephone: +61 2 9251 7177  
Fax: +61 2 9251 7500  
Email: [corporate@australianbauxite.com.au](mailto:corporate@australianbauxite.com.au)  
Website: [www.australianbauxite.com.au](http://www.australianbauxite.com.au)

### Auditor

K.S. Black & Co  
Level 5  
350 Kent Street  
Sydney NSW 2000  
Telephone: +61 2 8839 3000

### Lawyers

Piper Alderman  
Level 23, Governor Macquarie Tower  
1 Farrer Place  
Sydney NSW 2000  
Telephone: +61 2 9253 9999

### Bankers

Australia & New Zealand Banking Group Limited  
20 Martin Place  
Sydney NSW 2000  
Telephone: +61 2 9227 1818

St George Bank Limited  
Level 14, 182 George St  
Sydney NSW 2200  
Telephone: +61 2 9236 2230

### Directors

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

### Company Secretary

Henry Kinstlinger

### Share Registry

Computershare Investor Services Pty Limited  
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 2017, 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 \$1.1 million as at 30 June 2017.
- Number of shareholders approximately 2,700.

### Operations

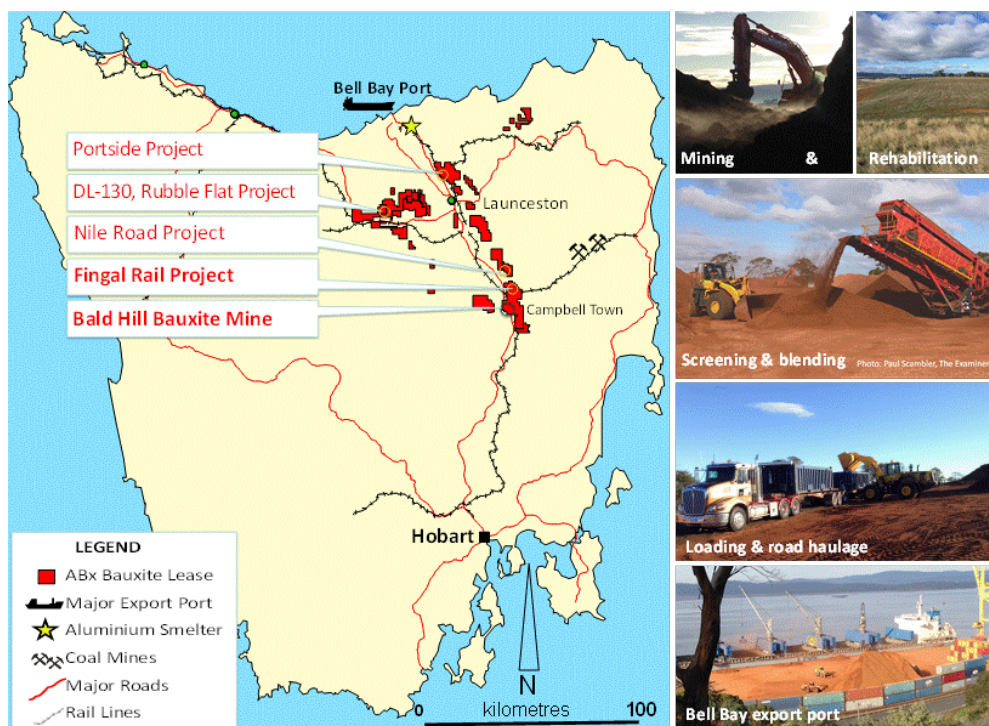
#### Sales

Continuing on from 2016 total sales of approximately 46,000 tonnes of cement grade and fertiliser grade bauxite, ABx announced on 27 July 2017 that it had finalised the sale of up to 33,000 tonnes of cement grade bauxite from its Bald Hill mine near Campbell Town, northern Tasmania (see Figure 1) to a repeat customer. Logistics contracts were finalised promptly and delivery is well advanced. As at 12 September, some 25,000 tonnes have been delivered to Bell Bay port and the full shipment is expected to be delivered to port by 19 September, two to three weeks ahead of schedule.

While this current sale cargo is being transported to Bell Bay port, a further 45,000 tonnes of bauxite will be blended from existing mine stockpiles at the Bald Hill bauxite project at Campbell Town in northern Tasmania in preparation of future sales. ABx is in negotiation with further potential customers.

Project inspections by two major customers were held in early September and the professionalism of the supply process carried out by ABx and its contractors impressed the reviewers.

ABx bauxite is a dust free aggregate, ideal for transport and is very stable in stockpiles. ABx bauxite is rigorously processed by Stornoway contractors at the Bald Hill quarry, carefully transported pit to port by Dave Wagner & Son P/L and efficiently managed at Bell Bay port by QUBE Logistics in conjunction with TasPorts.



**Figure 1: Location of Bald Hill Bauxite Project, other development prospects & Tasmanian infrastructure**

### Stocks

Currently, ABx has over 190,000 tonnes of bauxite stockpiled in Tasmania:

- 36,500 tonnes of cement grade and fertiliser grade bauxite in its product stockpiles
- 84,700 tonnes of grade controlled, ready for blending bauxite;
- 33,000 tonnes of screened material ready for classification into product categories when required; and
- 36,700 tonnes of broken ore stocks ready for screening for future needs

### TasTech Process Technology Verified

The completion of the large scale bulk testing of the TasTech processing technology at the Fingal Rail project in Tasmania confirmed that ABx can produce high specification bauxite from large tonnages for long term contracts enhancing ABx's business. Typical achievements of the TasTech processing technology were a ~25% upgrade of low grade bauxite samples to produce ultra-cleaned metallurgical-grade bauxite; cement-grade bauxite and fertiliser-grade bauxite. ABx plans to fund the introduction of the TasTech processing technology into its ongoing operations from existing cashflow.

### Bauxite Refining Technology under evaluation

ABx has been granted a global exclusive licence for a bauxite refining technology that produces aluminium fluoride as its main product and a suite of by-products from Tasmanian-type bauxite:

1. Pure bauxite $Al_2O_3 \cdot 3H_2O$ (Zero Silica Bauxite)	Value: US\$ 100 per tonne
2. Pure iron-ore $Fe_2O_3$	Value: US\$ 100 per tonne
3. Pure silica $SiO_2$	Value: US\$2,700 per tonne
4. Pure titania $TiO_2$ pigment	Value: US\$2,500 per tonne
5. Aluminium fluoride $AlF_3$ (main product)	Value: US\$1,000 per tonne

The clean chemistry of ABx's bauxite is ideal for this technology which can also capitalise on the availability in Tasmania of all inputs needed, namely highly skilled workforce at the Bell Bay heavy industrial zone, renewable hydro-electricity, all necessary chemical reagents available fertiliser and zinc production in Tasmania. The technology is a zero-discharge process – all outputs are saleable products.

Summary: Bauxite refining converts Tasmanian bauxite which is valued at US\$50 to US\$70 per tonne into a suite of products worth in excess of US\$800 per tonne of bauxite processed.

This represents a more than 10-times increase in value per tonne.

### Exploration

ABx has declared bauxite resources totalling 124 million tonnes<sup>1</sup> in eastern Australia – see Figure 8

#### Binjour Project, Queensland

ABx and its Indian marketing partner, Rawmin Mining and Industries Pvt. Ltd (Rawmin) has commenced an assessment of ABx's bauxite resources around Binjour, totalling 28 million tonnes<sup>1</sup>. Binjour is located 115 kms from the Bundaberg port (see Figure 2).

Production may commence at ABx's long term mining lease at Toondoon ML 80126 (see Figure 2) which has an inferred resource 3.5 million tonnes of bauxite<sup>1</sup> with potential extensions into the surrounding ABx exploration permit.

The project assessment also covers ABx's high grade discovery at Brovinia, south of Toondoon.

Negotiations with local, state and federal governments are in progress.

Binjour bauxite would be marketed to overseas based clients introduced by Rawmin.

<sup>1</sup> See resource & qualifying statements

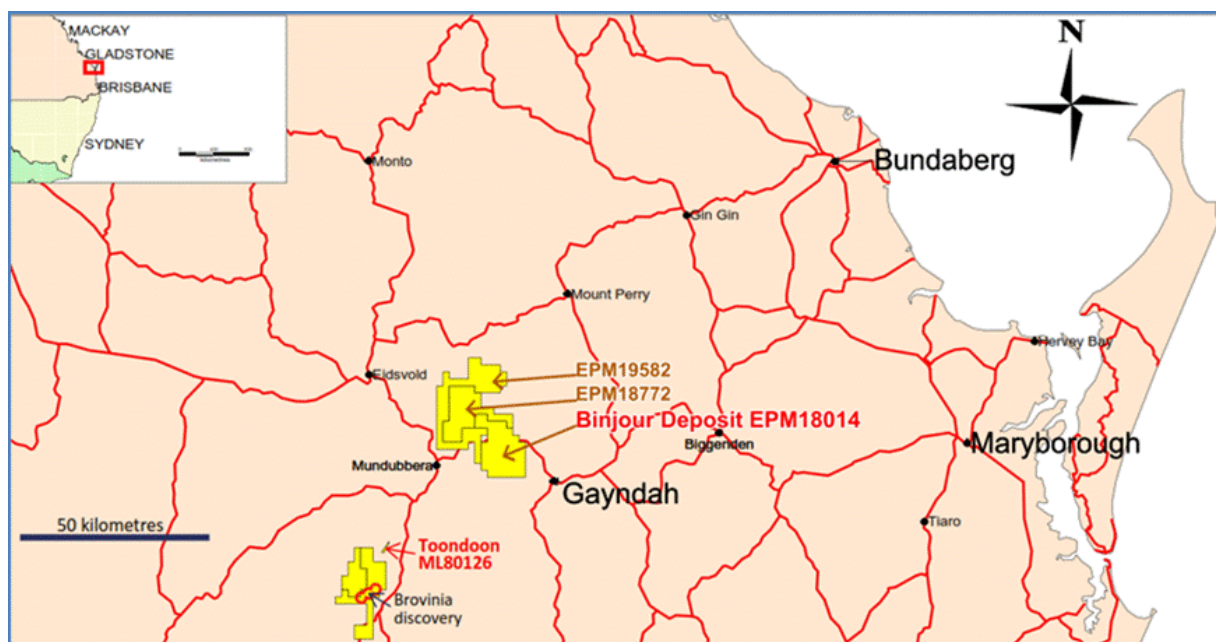


Figure 2: Location, Binjour bauxite project, Toondoon Mining Lease, Brovinia discovery and infrastructure

#### Fingal Rail Bauxite Project Tasmania

ABx concluded bulk mining and processing trials at the Fingal Rail site in northern Tasmania which processes ore from both Fingal Rail and Bald Hill projects using the TasTech technology.

The Fingal Rail project, located 14kms north of Bald Hill Bauxite project, holds significant cement-grade bauxite resources that are ideal for large scale production and sited near the rail line. Fingal Rail resources total 6.3 million tonnes<sup>1</sup> and is the most likely second mine for ABx, operated by the same team that operates at the Bald Hill project.

ABx's total resource base for Tasmania is currently 12 million tonnes<sup>1</sup>.

#### Penrose Pine Forest Quarry, New South Wales

On 27 February 2017 ABx announced its discovery of a high quality refractory grade low iron grey white bauxite at a quarry in the Penrose Pine Plantation approximately 90 kms inland from Port Kembla. Refractory grade bauxite is used for heat containment and abrasives and can sell for 5 times the current price of metallurgical grade bauxite, possibly a new high priced market for the Company's products.

The deposit is close to transport infrastructure and suited for quarrying during pine forest harvest cycles. Extensions to the mineralisation has been secured by an additional tenement granted in June.

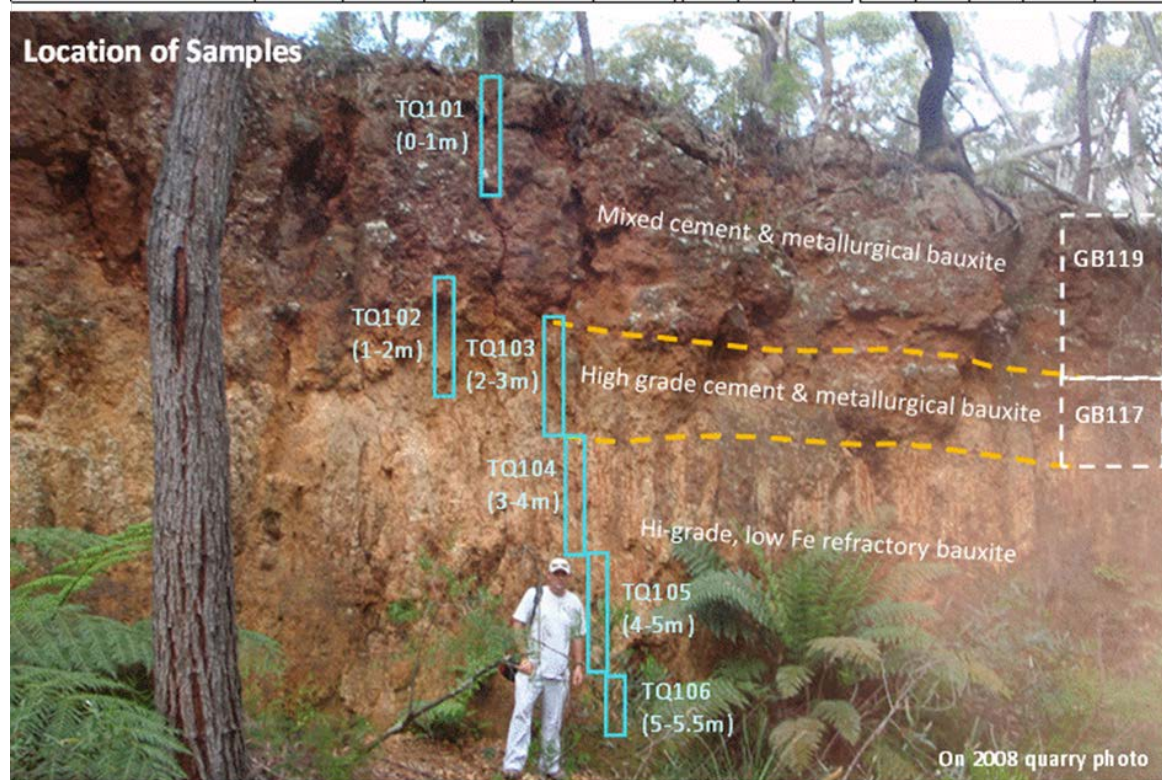
**Commercialisation potential:** The deposit has potential for high profitability even at modest tonnage rates, supplying cement and high margin refractory industries.

Through ABx's marketing partner, Rawmin of India, ABx is making enquiries with manufacturers of these high-value refractory bauxite products to assess the potential for early development.

Negotiations have commenced with a company that specialises in the refractory and abrasive bauxite industry. Considerable test work and bulk sampling will be required to optimise the development of this high quality bauxite discovery.

Figure 3 shows the layers and grades at the discovery location.

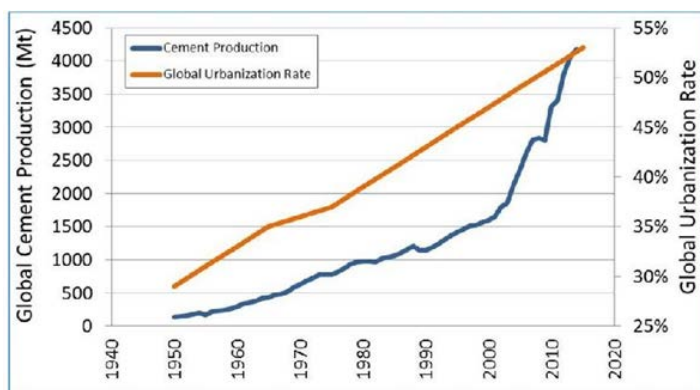
PENROSE QUARRY BAUXITE LAYERS	Al <sub>2</sub> O <sub>3</sub>	SiO <sub>2</sub>	Fe <sub>2</sub> O <sub>3</sub>	TiO <sub>2</sub>	LOI	CaO	Na <sub>2</sub> O	K <sub>2</sub> O	MgO	P <sub>2</sub> O <sub>5</sub>	SO <sub>3</sub>	Metres	Density
	%	%	%	%	%	%	%	%	%	%	%	m	t/m <sup>3</sup>
Top: Cement-Grade	40.40	4.69	29.45	6.46	18.65	0.01	0.01	0.01	0.04	0.04	0.10	1.80	2.05
Mid: Metallurgical-Grade	50.63	5.46	6.38	9.33	27.85	0.01	0.01	<0.01	0.03	0.04	0.10	1.00	1.85
Bottom: Refractory-Grade	54.61	6.60	3.31	7.56	27.68	0.01	0.01	<0.01	0.02	0.04	0.11	2.50	1.75



**BAUXITE MARKETS**

**ABx sells into the strengthening cement markets until Chinese metallurgical demand recovers**

Whilst prices for metallurgical-grade bauxite remain soft, ABx will grow its bauxite business by supplying cement-grade bauxite for making high-strength cement and supplying fertiliser-grade bauxite for making superphosphate fertiliser. As demand for stronger, low alkali cement increases for infrastructure construction, demand should increase for premium cement-grade bauxite such as ABx bauxite which is exceptionally low in alkali salts, is quartz-free and has good materials handling performance.



**Figure 4: Graph showing cement production rising exponentially vs global urbanisation.**

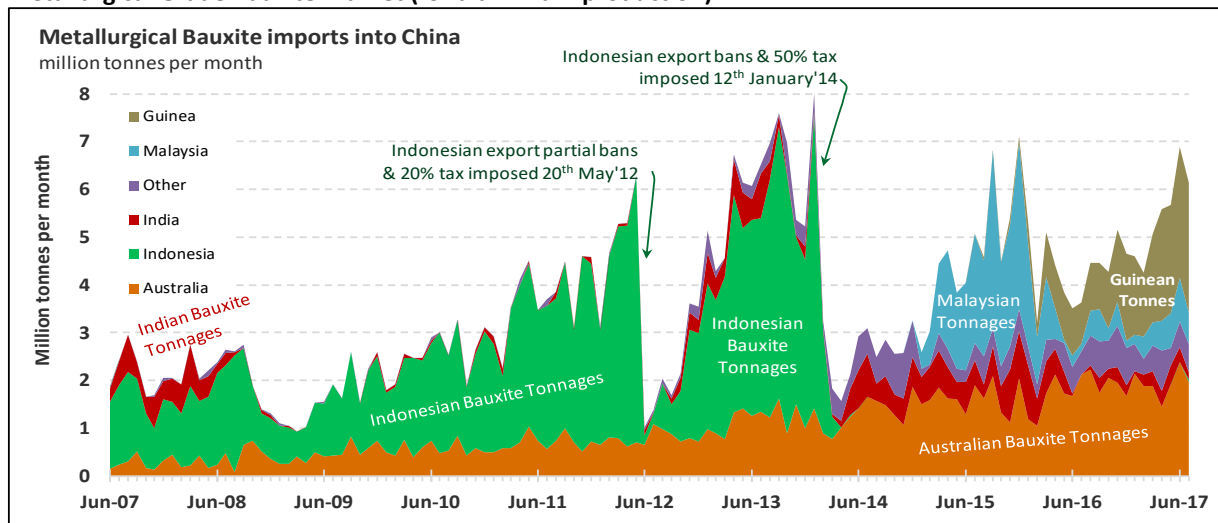
**Source:** Urbanisation - increased demand for cement, steel, aluminium, copper.... 3.12.2016

**Infrastructure construction markets**

ABx's low-sodium, low alkali, quartz-free cement-grade bauxite supplies the right forms of Al<sub>2</sub>O<sub>3</sub>, Fe<sub>2</sub>O<sub>3</sub> and SiO<sub>2</sub> in the correct ratio to increase the production rate of high-strength, corrosion-resistant

Portland cement, by stopping kiln blockages, reducing fuel consumption and reducing wear rates on the kiln refractory brick linings.

**Metallurgical Grade Bauxite Market (for aluminium production)**



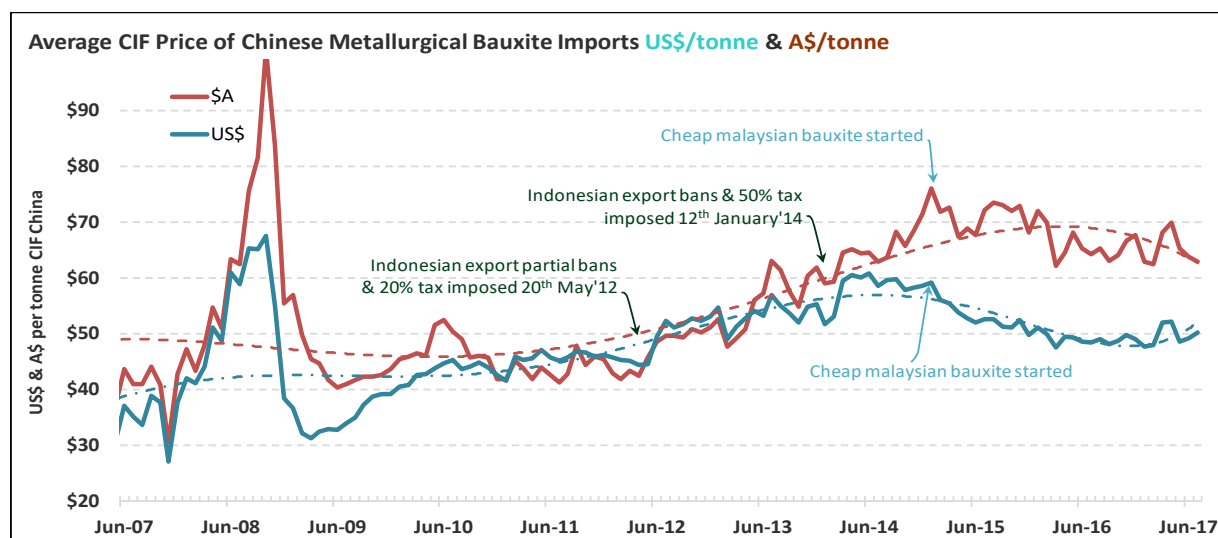
**Figure 5: Graph of Chinese metallurgical bauxite import tonnes.** Note the surging tonnages imported into China from Guinea since October 2015.

Source: Chinese Customs, Bloomberg

**Commentary on tonnages:** Demand for bauxite continues to grow in China as aluminium production grows. Indonesia imposed partial bans and high export duties on bauxite in 2012 and imposed a total ban in 2014. Sales to China ceased completely and are only just starting again on a very small scale. In 2015, bauxite mining commenced from Malaysia along the east coast of the Malay Peninsula and supply that would normally have come from Indonesia was replaced by Malaysian supply in the short-term. In late 2015, India imposed a heavy export duty on bauxite shipped from India. Almost immediately, China reduced its purchases from India (see heavy red tonnages in Figure 5 above).

During 2015-16, Chinese aluminium companies established their own mines in Guinea and have their own low-cost, large tonnage bulk-shipping supply chains from Guinea to China. Bauxite from Guinea has grown from zero tonnes in October 2015 to become the largest supplier into China, supplying 2.72 million tonnes in July 2017, as compared to 1.97 million tonnes from Australia.

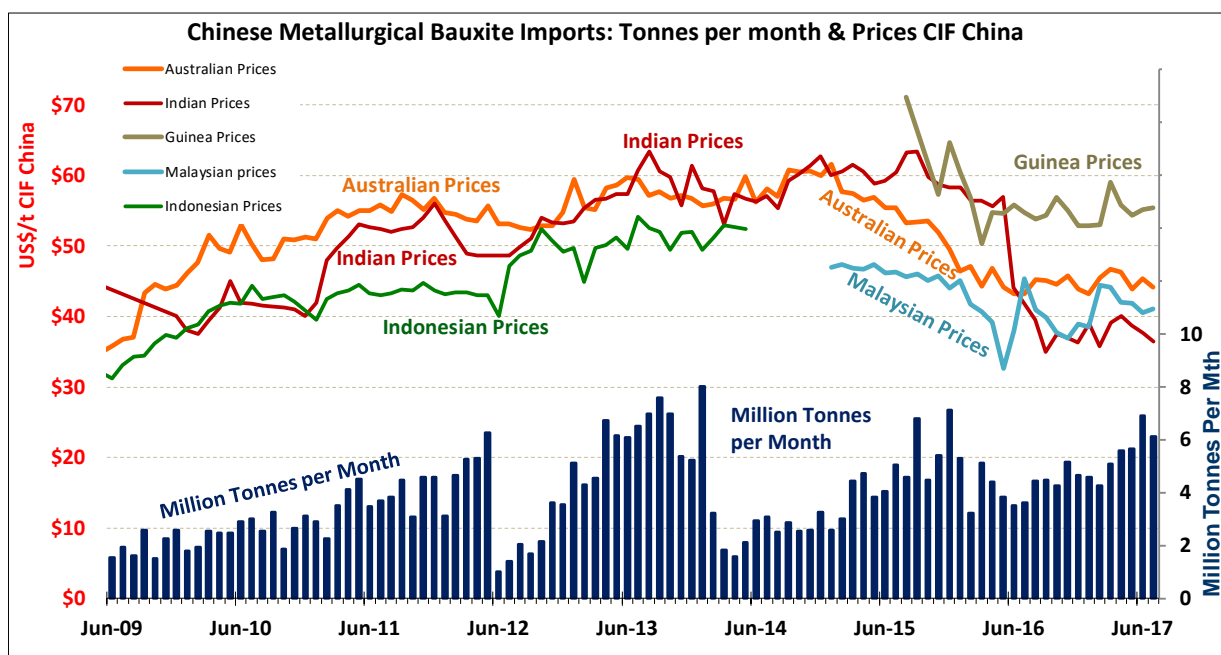
**Figure 6: Graph of Chinese metallurgical bauxite averaged import prices in US\$ and A\$/tonne CIF China**



Source: Chinese Customs, Bloomberg

**Commentary on prices:** Metallurgical-bauxite prices fell significantly in 2015-16 as bauxite from Malaysia was dumped into an already weakening bauxite market. Prices remained flat during 2016 as supply from

Guinea in western Africa into China has grown massively. Average prices have risen slightly during 2017 as the proportion of the more expensive bauxite from Guinea has increased.



**Figure 7: Chinese metallurgical bauxite import tonnes & prices for major supplier countries in US\$ per tonne CIF China. Note that prices for bauxite from Guinea in West Africa are significantly higher than bauxite from Australia, India & Malaysia**

Source: Chinese Customs, Bloomberg

Since bauxite supply from Guinea reached a stable level in 2016, prices for bauxite have stabilised at their new levels.

The relative prices from each country represents a combination of cost of delivery and relative quality differences. This pattern resembles the pattern for other bulk commodities like iron ore and coal.

**Overall market commentary**

During these current times of extraordinarily cheap shipping costs, the flood of bauxite from Guinea effectively creates a ceiling on metallurgical bauxite prices, even during the strongly growing tonnage demand for imported bauxite in China.

In recent weeks, China has provided a US\$20 billion loan to Guinea to upgrade the supply chain logistics for bauxite supply into China. Clearly, China intends to retain a significant presence in Guinea for the long-term. China’s strategies to create a reliable and controlled supply of vital bauxite ore supplies into China have succeeded remarkably well.

ABx will sell metallurgical bauxite only when prices and sale terms are attractive



**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 <sub>2</sub> O <sub>3</sub>	SiO <sub>2</sub>	A/S	Fe <sub>2</sub> O <sub>3</sub>	TiO <sub>2</sub>	LOI	Al <sub>2</sub> O <sub>3</sub> Avl	Rx SiO <sub>2</sub>	Avl/Rx	% Lab	O'Burden	Int.Waste
				%	%	ratio	%	%	%	@ 143°C %	%	ratio	Yield	(m)	(m)
CAMPBELL TOWN AREA TASMANIA <sup>7</sup>	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 <sup>8</sup>	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 <sup>1</sup>	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 <sup>2</sup>	Inferred	9.0	3.9	43.7	4.5	10	22.4	3.6	24.2	38.0	3.8	10	59	8.2	0.3
	DSO Indicated	15.5	5.3	44.2	3.1	15	23.4	3.7	24.9	39.5	2.6	15	62	9.4	0.3
	Total	24.5	4.8	44.1	3.6	12	23.1	3.7	24.6	39.0	3.0	13	61	8.9	0.3
TOONDOON QLD <sup>3</sup>	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 <sup>4</sup>	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	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 <sup>5</sup>	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 <sup>6</sup>	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	
<b>GRAND TOTAL ALL AREAS</b>		<b>124.6</b>													

\* PDM is Al<sub>2</sub>O<sub>3</sub> spinel. Al<sub>2</sub>O<sub>3</sub> 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 "Al<sub>2</sub>O<sub>3</sub> Avl" & reactive silica "Rx SiO<sub>2</sub>" 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 (Al<sub>2</sub>O<sub>3</sub> Avl)/(Rx SiO<sub>2</sub>) and "A/S" ratio is Al<sub>2</sub>O<sub>3</sub>/SiO<sub>2</sub>. 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:

<sup>1</sup> Maiden Tasmania Mineral Resource, 5.7 million tonnes announced on 08/11/2012

<sup>2</sup> Binjour Mineral Resource, 24.5 million tonnes announced on 29/06/2012

<sup>3</sup> QLD Mining Lease 80126 Maiden Resource, 3.5 million tonnes announced on 03/12/2012

<sup>4</sup> Goulburn Taralga Bauxite Resource Increased by 50% to 37.9 million tonnes announced on 31/05/2012

<sup>5</sup> Inverell Mineral Resource update, 38.0 million tonnes announced on 08/05/2012

<sup>6</sup> Guyra Maiden Mineral Resource, 6.0 million tonnes announced on 15/08/2011

<sup>7</sup> Initial resources for 1st Tasmanian mine, 3.5 million tonnes announced on 24/03/2015

<sup>8</sup> 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 30/06/2017 total 124.6 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.

### Disclaimer Regarding Forward Looking Statements

This ASX announcement (Announcement) contains various forward-looking statements. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements are inherently subject to uncertainties in that they may be affected by a variety of known and unknown risks, variables and factors which could cause actual values or results, performance or achievements to differ materially from the expectations described in such forward-looking statements.

ABx does not give any assurance that the anticipated results, performance or achievements expressed or implied in those forward-looking statements will be achieved.

**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 8440	New Stannifer
EL 8600	Penrose Quarry

Queensland	
EPM 17790	Hampton
EPM 17830	Haden
EPM 17831	Hillgrove
EPM 18014	Binjour
EPM 18772	Binjour Extension
ML 80126	Toondoon ML
EPM 25146	Toondoon EPM
EPM 19427	Brovinia 2

Tasmania	
EL 4/2010	Evandale
EL 7/2010	Conara
EL 9/2010	Deloraine
EL 3/2012	Ross
EL 12/2012	Scottsdale
EL 16/2012	Reedy Marsh
ML 1961 P/M	Bald Hill Bauxite
EL 18/2014	Prosser's Road

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.

**Note:**

During the quarter, an exploration license was granted, EL8600 at Penrose Quarry, NSW.

About Australian Bauxite Limited

ASX Code ABX Web: www.australianbauxite.com.au

Australian Bauxite Limited (ABx) has its first bauxite mine in Tasmania and holds the core of the Eastern Australian Bauxite Province. ABx's 22 bauxite tenements in Queensland, New South Wales & Tasmania exceed 1,975 km<sup>2</sup> and were selected for (1) good quality bauxite; (2) near infrastructure connected to export ports; & (3) free of socio-environmental constraints. All tenements are 100% owned, unencumbered & free of third-party royalties.

ABx's discovery rate is increasing as knowledge, technology & expertise grows.

The Company's bauxite is high quality gibbsite trihydrate (THA) bauxite that can be processed into alumina at low temperature.

ABx has declared large Mineral Resources at Inverell & Guyra in northern NSW, Taralga in southern NSW, Binjour in central QLD & in Tasmania, confirming that ABx has discovered significant bauxite deposits including some of outstandingly high quality.

At Bald Hill near Campbell Town, Tasmania, the Company's first bauxite mine commenced operations in December 2014 – the first new Australian bauxite mine for more than 35 years.

ABx aspires to identify large bauxite resources in the Eastern Australian Bauxite Province, which is a globally significant bauxite province. ABx has created significant bauxite developments in 3 states - Queensland, New South Wales and Tasmania. Its bauxite deposits are favourably located for direct shipping of bauxite to both local and export customers.

ABx endorses best practices on agricultural land, strives to leave land and environment better than we find it.



Figure 8 : ABx Project Tenements and Major Infrastructure in Tasmania, NSW & QLD, Eastern Australia

## 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 2017 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 2017 was \$0.77 million (2016: Profit \$0.53 million). Cash holding of the Group at 30 June 2017 was \$1 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 12 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 2017 that have significantly affected or may significantly affect:

- the operations, in financial half-year subsequent to 30 June 2017, of the Group;
- the results of those operations; or
- the state of affairs, in financial half-year subsequent to 30 June 2017, 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](http://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)

## TENEMENT LIST (as at 14 August 2017)

Licence No	Project	Status	Date Granted	Expiry Date	Size Sq km
EL 6997	Inverell	Granted	24-Dec-07	24-Dec-17	147
EL 7361	Guyra	Granted	17-Jul-09	17-Jul-19	30
EL 8440	New Stannifer	Granted	8-Jul-16	8-Jul-21	147
<b>Total ABx1 Ten:</b>				<b>Total</b>	<b>324</b>
EL 7357	Taralga	Granted	1-Jul-09	1-Jul-19	123
EL 7681	Taralga Extension	Granted	11-Jan-11	11-Jan-19	54
EL 8370	Penrose Forest	Granted	6-May-15	6-May-18	129
EL 8600	Penrose Quarry	Granted	20-Jun-17	20-Jun-23	6
<b>Total ABx2 Ten:</b>				<b>Total</b>	<b>306</b>
ML 80126	Toondoon ML	Granted	24-Nov-05	30-Nov-30	1
EPM 17830	Haden	Granted	25-Feb-09	24-Feb-18	24
EPM 17831	Hillgrove	Granted	25-Feb-09	24-Feb-18	18
EPM 17790	Hampton	Renewal Pending	28-Apr-09	27-Apr-17	42
EPM 18014	Binjour	Granted	9-Oct-09	8-Oct-18	126
EPM 18772	Binjour Extension	Granted	31-Jan-11	30-Jan-18	42
EPM 25146	Toondoon EPM	Granted	7-Jan-14	6-Jan-20	9
EPM 19427	Brovinia 2	Renewal Pending	28-Jul-15	27-Jul-17	39
<b>Total QLD Ten.</b>				<b>Total QLD</b>	<b>301</b>
EL 4/2010	Evandale	Granted	14-Sep-10	13-Sep-17	83
EL 7/2010	Conara	Granted	14-Sep-10	13-Sep-17	184
EL 9/2010	Deloraine	Granted	14-Sep-10	13-Sep-17	211
EL 3/2012	Ross	Granted	11-Sep-12	10-Sep-17	93
EL 12/2012	Scottsdale	Granted	12-Dec-12	11-Dec-17	46
EL 16/2012	Reedy Marsh	Granted	16-Jun-13	15-Jun-18	95
EL 18/2014	Prossers Road	Granted	2-Dec-14	1-Dec-19	114
ML 1961P/M	Bald Hill Bauxite	Granted	19-Sep-14	21-Oct-23	
<b>Total TAS Ten.</b>				<b>Total TAS</b>	<b>826</b>
<b>TOTAL # TEN.</b>				<b>TOTAL</b>	<b>1,757</b>



**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 18 of this half year financial report.

Signed in accordance with a resolution of the Directors:



**Ian Levy**  
Managing Director



**Paul Lennon**  
Chairman

Sydney  
13 September 2017

## AUDITOR'S INDEPENDENCE DECLARATION

Level 6  
350 Kent Street  
SYDNEY NSW 2000

75 Lyons Road  
DRUMMOYNE NSW 2047

# K.S. Black & Co.

ABN 48 117 620 556

20 Grose Street  
North Parramatta NSW 2151

PO Box 2210  
North Parramatta NSW 1750

### AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF AUSTRALIAN BAUXITE LIMITED

I declare that, to the best of my knowledge and belief, during the half year ended 30 June 2017 there has been:

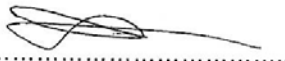
- a. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- b. no contraventions of any applicable code of professional conduct in relation to the audit.

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 *13<sup>th</sup>* day of *September* 2017



Scott Bennison  
Partner

Phone 02 8839 3000  
Fax 02 8839 3055

Liability limited by a  
scheme approved  
under Professional  
Standards Legislation



COVER OF  
EXCELLENCE



CHARTERED ACCOUNTANTS  
AUSTRALIA • NEW ZEALAND

**INDEPENDENT AUDITOR'S REVIEW REPORT**

Level 6  
350 Kent Street  
SYDNEY NSW 2000

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DRUMMOYNE NSW 2047

**K.S. Black & Co.**

ABN 48 117 620 550

20 Grose Street  
North Parramatta NSW 2151

PO Box 2210  
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**INDEPENDENT AUDITOR'S REVIEW REPORT**

To the Members of Australian Bauxite Limited

**Report on the Half-Year Financial Report***Conclusion*

We have reviewed the accompanying half-year financial report of Australian Bauxite Limited, which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the consolidated statement in changed in equity and the statement of cash flows for the half-year ended on that date, noted comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the entity comprising the company at the half-year's end or from time to time during the half-year.

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, the financial position of Australian Bauxite Limited as at 30 June 2017, and of its financial performance and its cash flows for the half year ended on that date, in accordance with Australian Auditing and Assurance Standards applicable to review engagements.

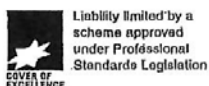
**Directors' responsibility for the financial report**

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 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**

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 Standard on *Review Engagements ASRE 2410 Review of a Financial Performed by Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporation Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and its performance for the half-year ended on that date;

Phone 02 8839 3000  
Fax 02 8839 3055



Level 6  
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# K.S. Black & Co.

ABN 48 117 820 556

20 Grose Street  
North Parramatta NSW 2151

PO Box 2210  
North Parramatta NSW 1750

and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Australian Bauxite Limited, ASRE 2410 required 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, primary of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is subsequently less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurances 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 *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Australian Bauxite Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

### Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Australian Bauxite Limited is not in accordance with the *Corporations Act 2001* including:

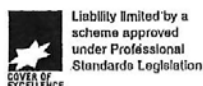
- a) giving a true and fair view of the entity's financial position as at 30 June 2017 and of its performance for the financial half-year ended on that date; and
- b) complying with Australian Accounting Standards *AASB 134 Interim Financial Reporting and Corporations Regulations 2001*

KS Black & Co  
Chartered Accountants

  
Scott Bennison  
Partner

Dated: 13/9/17  
Sydney

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 22 to 37, 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 2017 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  
13 September 2017

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**  
for the Half-Year Ended 30 June 2017

	Notes	Consolidated Group	
		Half- year ended 30 Jun 2017	Half- year ended 30 Jun 2016
		\$'000	\$'000
<b>REVENUE</b>	3	<b>240</b>	3,988
Development, exploration and administrative expenses	3	<b>(1,012)</b>	(3,362)
Finance expenses	3	<b>(2)</b>	(92)
<b>PROFIT/(LOSS) FROM OPERATIONS BEFORE INCOME TAX</b>		<b>(774)</b>	534
Income tax expense		-	-
<b>NET PROFIT/(LOSS) FOR THE PERIOD</b>		<b>(774)</b>	534
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income before income tax		-	-
Income tax expenses		-	-
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>		-	-
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>		<b>(774)</b>	534
Profit attributable to non-controlling interests		-	-
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY</b>		<b>(774)</b>	534
<b>EARNINGS PER SHARE</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings/(losses) per share (cents per share)		<b>(0.54)</b>	0.38
Diluted earnings/(losses) per share (cents per share)		<b>(0.54)</b>	0.37

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 2017

	Notes	Consolidated Group	
		Jun 2017	Dec 2016
		\$'000	\$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	1,033	1,846
Trade and other receivables		120	(103)
Other current assets		202	142
Financial assets		-	-
Total current assets		<u>1,355</u>	<u>1,885</u>
<b>Non-current assets</b>			
Trade and other receivables		68	74
Plant and equipment		1	1
Mining tenements	5	<u>16,219</u>	<u>16,432</u>
Total non-current assets		<u>16,288</u>	<u>16,507</u>
<b>Total Assets</b>		<u>17,643</u>	<u>18,392</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		904	890
Employee benefits provision		107	101
Other Liabilities		<u>10</u>	<u>9</u>
Total current liabilities		<u>1,021</u>	<u>1,000</u>
<b>Non-current liabilities</b>			
Employee benefits provision		77	73
Other Liabilities		<u>435</u>	<u>435</u>
Total non-current liabilities		<u>512</u>	<u>508</u>
<b>Total Liabilities</b>		<u>1,533</u>	<u>1,508</u>
<b>Net Assets</b>		<u>16,110</u>	<u>16,884</u>
<b>EQUITY</b>			
Issued capital		24,823	24,823
Reserves		593	593
Accumulated losses		<u>(9,306)</u>	<u>(8,532)</u>
<b>Total Equity</b>		<u>16,110</u>	<u>16,884</u>

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 2017

Consolidated	Notes	Issued Capital \$'000	Options Reserve \$'000	Accumulated Losses \$'000	Total Equity \$'000
<b>At 31 December 2015</b>		24,740	593	(8,369)	16,964
Share placement – received		226	-	-	226
Profit for the period		-	-	534	534
<b>At 30 June 2016</b>		<u>24,966</u>	<u>593</u>	<u>(7,835)</u>	<u>17,724</u>
<b>At 30 June 2016</b>		24,966	593	(7,835)	17,724
Share placement – received		357	-	-	357
Share issued in lieu of services		80	-	-	80
Share placement cost		(580)	-	-	(580)
Loss for the period		-	-	(697)	(697)
<b>As at 31 December 2016</b>	6	<u>24,823</u>	<u>593</u>	<u>(8,532)</u>	<u>16,884</u>
<b>At 31 December 2016</b>	6	<b>24,823</b>	<b>593</b>	<b>(8,532)</b>	<b>16,884</b>
Share placement		-	-	-	-
Loss for the period		-	-	(774)	(774)
<b>At 30 June 2017</b>	6	<u>24,823</u>	<u>593</u>	<u>(9,306)</u>	<u>16,110</u>

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 2017

	Notes	Consolidated	
		Half-year ended 30 Jun 2017	Half-year ended 30 Jun 2016
		\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipt from customer		52	234
Interest received		13	15
Costs recovery		(697)	-
Payment for exploration and development expenditures		(163)	(1,033)
Payments for administration expenses		-	(96)
Interest paid		-	(13)
<b>NET CASH FLOWS USED IN OPERATING ACTIVITIES</b>		<b>(795)</b>	<b>(893)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of tenements		-	-
Payments for plant and equipment		-	-
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from share issues/placements		-	225
Advance from other parties		(18)	(661)
Repayment to other parties		-	500
<b>NET CASH FLOWS (USED IN )FROM FINANCING ACTIVITIES</b>		<b>(18)</b>	<b>64</b>
<b>NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(813)</b>	<b>(829)</b>
Cash and cash equivalents at the beginning of the reporting period		1,846	1,496
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD</b>	4	<b>1,033</b>	<b>667</b>

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 2017****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 2017 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 30 June 2016 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 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.

**NOTES TO THE FINANCIAL STATEMENTS continued****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued****(f) Goods and services tax (GST) continued**

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.

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

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

**(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.



## NOTES TO THE FINANCIAL STATEMENTS continued

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

## (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.

## 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:

	<b>Consolidated</b>	
	<b>Half- year ended</b>	Half-year ended
	<b>30 Jun 2017</b>	30 Jun 2016
	<b>\$'000</b>	\$'000
<b>Revenue</b>		
Sale of mineral	52	2,523
Interest income	37	39
	<u>89</u>	<u>2,562</u>
<b>Other income</b>	<b>151</b>	<b>1,426</b>
Cost recovery and others	<u>240</u>	<u>3,988</u>
<b>Development, exploration and administration expenses</b>		
Development costs and exploration costs not capitalized	(695)	(2,969)
Consultancy and professional fees	(66)	(114)
Director and employee expenses	(180)	(169)
Other administrative expenses	(71)	(110)
	<u>(1,012)</u>	<u>(3,362)</u>
<b>Finance expenses</b>		
Depreciation	(1)	(4)
Others	(1)	(88)
	<u>(2)</u>	<u>(92)</u>

**4. CASH AND CASH EQUIVALENTS**

	<b>Consolidated</b>	
	<b>30 Jun 2017</b>	31 Dec 2016
	<b>\$'000</b>	\$'000
Cash at bank and deposit	<b>418</b>	1,191
Cash held in trust – tenement guarantees and deposits	<b>615</b>	655
	<b>1,033</b>	1,846

**5. MINING TENEMENT**

	<b>Consolidated</b>	
	<b>30 Jun 2017</b>	31 Dec 2016
	<b>\$'000</b>	\$'000
Tenement interest, development costs and capitalized exploration expenditures	<b>16,219</b>	16,432
	<b>16,219</b>	16,432

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)	Mining tenement cost + capitalisation
<b>ABx1 Pty Ltd</b>					
	EL 6997	Inverell	Renewal Pending	297	2,455,679
	EL 7361	Guyra	Granted	138	605,288
	EL 7597	Merriwa - 2	Granted	159	32,873
				594	3,093,840
<b>ABx2 Pty Ltd</b>					
	EL 7357	Taralga	Granted	246	1,539,724
	EL 7681	Taralga Extension	Granted	300	455,706
ELA 5141	EL 8370	Penrose Forest			7,379
				546	2,002,808
<b>ABx3 Pty Ltd</b>					
	EPM 17830	Haden	Granted	24	204,807
	EPM 17831	Hillgrove	Granted	18	184,078
	EPM 17790	Hampton	Renewal Pending	90	126,068
	EPM 18014	Binjour	Granted	126	2,182,605
	EPM 18772	Binjour Extension	Granted	42	500,238
	EPM 25146	Toondoon	Granted	9	24,750
EPMA 19427	EPM 19427	Brovinia 2	Application	39	7,267
				348	3,229,813
<b>ABx4 Pty Ltd</b>					
	EL 4/2010	Evandale	Granted	83	95,286
	EL 7/2010	Conara	Granted	154	2,889,372
	EL 9/2010	Deloraine	Granted	168	1,008,868
	EL 37/2010	Westbury	Granted	107	300,172
	EL 3/2012	Ross	Granted	103	104,954
	EL 12/2012	Scottsdale	Granted	82	187,254
	EL 16/2012	Reedy Marsh	Granted	109	563,928
	EL 18/2014	Prossers Road	Granted	135	288,253
		Harami			1,158,668
		Mining Production			1,796,369
				941	8,393,124
				2,429	16,719,584
<b>Total</b>					(500,000)
<b>Less provision</b>					16,219,584

## NOTES TO THE FINANCIAL STATEMENTS continued

## 6. ISSUED CAPITAL

	Consolidated Entity and Parent Entity		Consolidated Entity and Parent Entity	
	June 2017 Number of Shares	Dec 2016 Number of Shares	June 2017 \$'000	Dec 2016 \$'000
Ordinary shares issued	<b>142,170,153</b>	142,170,153	<b>24,823</b>	24,823

Movements during the year:

Opening balance	<b>142,170,153</b>	141,507,730	<b>24,823</b>	24,740
Share placement – in lieu of director fee	-	662,423	-	80
Share placement fund	-	-	-	583
<b>Share issuing costs</b>	-	-	-	(580)
Closing balance	<b>142,170,153</b>	142,170,153	<b>24,823</b>	24,823

## (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 \$0.68 million (2016:\$0.89 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 Corporate Limited pursuant to which Hudson Corporate 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 Corporate Limited shall act in accordance with the directions of the Board.

#### **8. SEGMENTREPORTING**

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 2017 that have significantly affected or may significantly affect:

- the operations, in financial half-year subsequent to 30 June 2017, of the Group;
- the results of those operations; or
- the state of affairs, in financial half-year subsequent to 30 June 2017, of the Group.