AUSTRALIAN BAUXITE LIMITED

Released March 2017


Photo: Paul Scambler, The Examiner

FOR THE YEAR ENDED 31 DECEMBER 2016

New markets for bauxite from Bald Hill Bauxite Project & plans for 2nd mine at Fingal Rail, Tasmania. Discoveries continuing.

Australian Bauxite Limited
ASX: ABX

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
Website: 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.

Table of Contents

Page

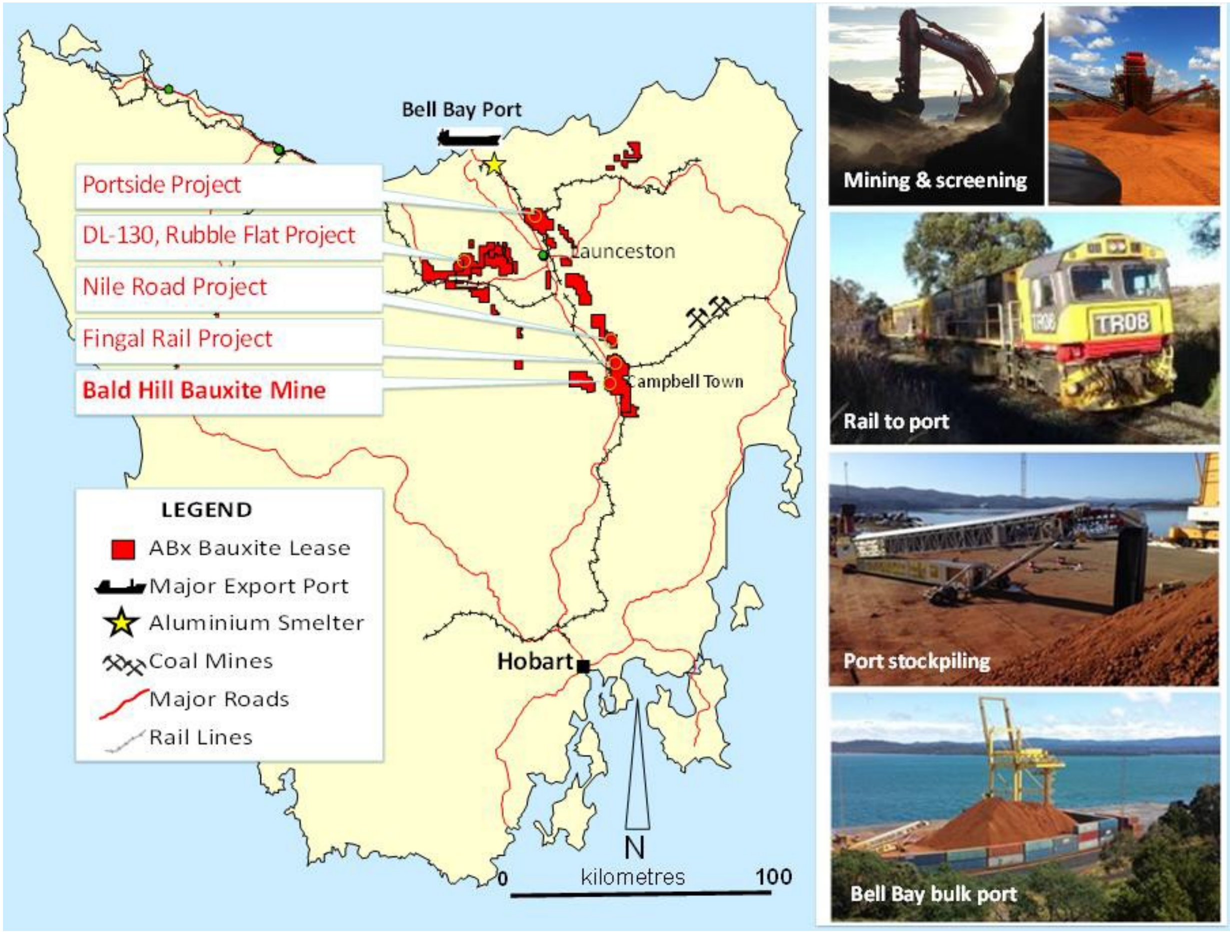


Figure 1: Map showing ABx mines, projects and transport infrastructure in Tasmania

CHAIRMAN'S REVIEW 2016

Dear Shareholder,

Over the past 12 months ABx has extended its capacity to supply cement-grade bauxite into Australasian and international markets whilst remaining ready to sell metallurgical grade bauxite when the seaborne bauxite market returns to balance and prices improve. ABx's portfolio of bauxite resources can be sold into several markets in Asia, India, the Middle East, North America and Australasia, specialising in the gibbsite-rich trihydrate metallurgical bauxite market, the low-alkali high late strength cement-grade bauxite market, the fertiliser-grade market and potentially the high-priced refractory-abrasive grade bauxite markets.

ABx will supplement Australia's reliable supply of a range of bauxites to customers throughout the Pacific Basin in jurisdictions that are supportive of our plans to become an all-year round consistent supplier of clean gibbsite trihydrate metallurgical bauxite. The ABx product is very clean with good handling and can improve the blend with all other bauxites. ABx's ongoing research will lead to additional value-adding to its range of bauxite products.

The Chinese metallurgical bauxite market remains significantly oversupplied mainly due to excessive supply from Guinea and Australia. Chinese buyers stopped sourcing from the three countries that applied bans and additional taxes on bauxite, namely Indonesia, India and Malaysia – a salient lesson about sovereign risks.

As the Chinese aluminium industry rebalances demand and supply for alumina and aluminium metal, prices for metallurgical-grade bauxite are expected to remain unattractive for up to 18 months. As the global economy recovers, shipping costs should rise so that bauxite from Guinea in West Africa will become expensive and China will return to buying from its reliable suppliers in the Indo-Pacific basin.

However, prices in other bauxite markets, especially cement-grade and refractory-abrasive grade bauxite are firming as infrastructure construction expands, especially in North America. A more detailed market summary is presented later in this report.

ABx plans to enter the metallurgical bauxite market only when bauxite prices increase to satisfactory levels. In the meantime, ABx will grow its business by supplying cement-grade bauxite for making high strength cement and supplying fertiliser-grade bauxite for making superphosphate fertiliser. These are conservative industries and considerable market development testwork is needed before sales are finalised, and once a customer converts to ABx's product, repeat sales are very likely.

Long-term: Gibbsite-trihydrate bauxite demand is most critical. Gibbsite-rich trihydrate (THA) bauxites like Indian, Malaysian, Gove, Guinea and ABx bauxite is in strongest demand because it can be processed into alumina (the feedstock for smelting of aluminium) at low temperatures around 140°C thus achieving major cost savings compared with other bauxite types that must be processed at above 250°C. The long-term ABx strategy is to export low temperature, gibbsite trihydrate metallurgical bauxite with low SiO_2 and excellent processing qualities from its Tasmanian mines and eventually building a large bauxite project at Binjour in central QLD, 115kms inland from Bundaberg.

Technology: ABx is accelerating the development of TasTech technology which allows ABx to separate Tasmanian bauxite into three product-types all year round. This will allow simultaneous production of high grade metallurgical-grade gibbsite bauxite exceeding 45% Al_2O_3 for the aluminium industry, cement-grade bauxite for the production of cement, fertiliser-grade and other bauxite-types.

During the research and development associated with this TasTech technology, ABx encountered new technologies that may produce much higher-value products from its type of bauxite. This will be pursued during 2017, starting with independent proof-of-concept tests.

ABx acknowledges the support of all stakeholders, including the local communities in which ABx operates. On behalf of the Board of Directors, I thank the ABx staff and supportive shareholders for your valuable contribution in 2016.

Yours Sincerely,

Paul Lennon

Chairman

30 March 2017

REVIEW OF OPERATIONS

This Review of Operations covers the 12 month period to 31 December 2016.

Australian Bauxite Limited (ABx or the Company) is an emerging bauxite producer and exploration company listed on the Australian Securities Exchange (ASX) on 24 December 2009. Its ASX code is ABX.

ABx currently holds 22 bauxite tenements in New South Wales, Queensland and Tasmania covering 1,975 km^2 and operates its first quarrying operations at the Bald Hill bauxite project in Tasmania. ABx's discovery rate is increasing as knowledge, technology and expertise grows. Its bauxite is high quality gibbsite trihydrate (THA) bauxite and can be processed into alumina at low temperature- the type in short supply globally.

ABx has declared JORC compliant Mineral Resources totalling 124.8 million tonnes (inferred 59.2 Mt, indicated 65.6 Mt – see resource statement in ASX release 25 August 2016) in northern New South Wales and around Taralga-Goulburn in southern New South Wales, a major deposit at Binjour in central Queensland and in northern Tasmania from Campbell Town to Bell Bay in Tasmania, confirming that ABx has discovered significant bauxite deposits including some bauxite of outstanding quality. All tenements are 100% owned, unencumbered and free of third party royalties.

During the year, ABx made its maiden shipment of bauxite sourced from the Bald Hill operations, which commenced in December 2014, as Australia's first new bauxite production project for more than 35 years.

Corporate

In June 2016 the Company issued 662,423 new shares to its directors following approval by shareholders at the 2016 Annual General Meeting in lieu of cash consideration for their services to the Company.

Operations and Exploration

Bauxite operations

During 2016, ABx sold 45,590 tonnes of bauxite comprising 42,000 tonnes of cement-grade bauxite and over 3,590 tonnes of fertiliser grade bauxite. ABx has over 122,500 tonnes of bauxite product stockpiles at the Tasmanian mine sites, sufficient for 3 ship loads, and a further 36,700 tonnes of broken unscreened bauxite ore stocks.

Between April 2016 and May 2016 ABx completed its initial sale and shipment of cement-grade bauxite followed by a second larger sale confirmed and completed in August 2016. These sales came from large product stockpiles following a temporary closure in production due to a glut in cheap Malaysian bauxite into the metallurgical market significantly reducing prices. ABx will focus on supplying the cement and fertiliser markets at prices higher than could be achieved until global economic growth and demand for metallurgical bauxite improves.

Sales

Dispatch Date	Sale Tonnes
20/01/2016	446
8/04/2016	5,557
7/08/2016	35,913
9/09/2016	89
Cement Sub Total	**42,005**
24/11/2015	195
16/03/2016	390
14/09/2016	1,500
Jan-Feb 2017	1,500
Fertiliser Sub Total	**3,584**
Subtotal All Products	**45,590**

Stocks

Product stockpiles (at minesite, blended to specification)

Cement-grade:	35,500 tonnes shippable cement-grade
Fertiliser grade:	2,300 tonnes
Subtotal product s/piles	37,800 tonnes

Mine stockpiles (grade controlled, ready for blending)

Metallurgical grade	16,900 tonnes
Cement-grade:	50,700 tonnes
Fertiliser grade:	17,100 tonnes
Subtotal mine s/piles	84,700 tonnes

Total saleable processed stockpiles: **122,500 tonnes**

A further 33,000 tonnes of screened material is ready for classification into product categories when required.

Broken Ore Stocks ready for screening: 36,700 tonnes

Prices: Sales of cement & fertiliser grade bauxite in 2016 were at higher prices than the metallurgical market price.

Validation feedback: All test results to date on ABx bauxite products by customers have validated the good handling and processing qualities of ABx cement-grade bauxite. ABx's cement grade customers have advised that since using ABx cement-grade bauxite they have operated their cement kilns at maximum throughput rates with zero lost time and lower fuel costs. All cement product has met the highest standards and with increased late strength performance by the cement. ABx works with its customers to further improve production efficiencies.

Cement-Grade Markets: The clean chemistry of ABx's bauxite has allowed ABx to sell cement-grade bauxite which:

1. Consistently increases the late strength of concrete
2. Is alkali salt free for exceptional corrosion resistance
3. Is quartz-free and clay-SiO_2 levels can be adjust to suit customers' requirements
4. Eliminates stoppage and pressure problems in kilns, lowers kiln temperatures and reduces emissions.

As cement makers convert from coal fired production to gas fired production, demand should increase for cement-grade bauxite to add aluminium oxide and lesser iron oxide that would have been provided by the coal. Furthermore, advanced jurisdictions in developed countries are applying tighter controls on the levels of alkalis (salts) in cement to increase the corrosion-resistance of concrete. ABx bauxite is exceptionally low in alkali salts.

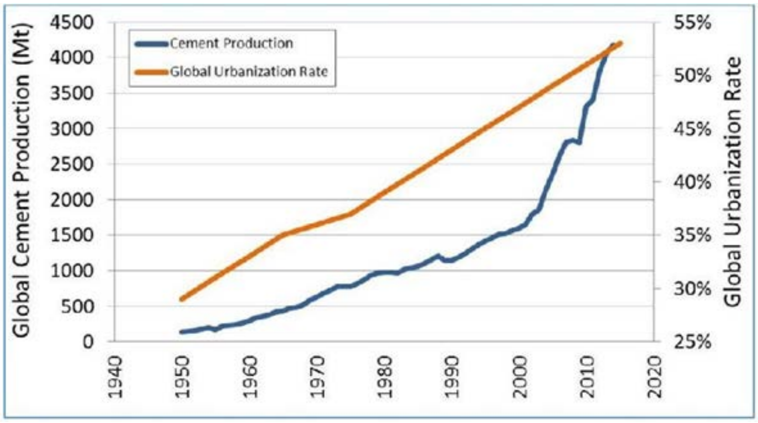


Figure 2: Graph showing the rising cement production rising exponentially as global urbanisation increases.

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

Infrastructure construction markets: ABx may sell more cement-grade bauxite because of the proposed increase in infrastructure construction that is being proposed by the new US administration. ABx bauxite is suitable for all infrastructure construction, be it walls, bridges, tunnels or roads.

Metallurgical Grade Bauxite Market (for aluminium production):

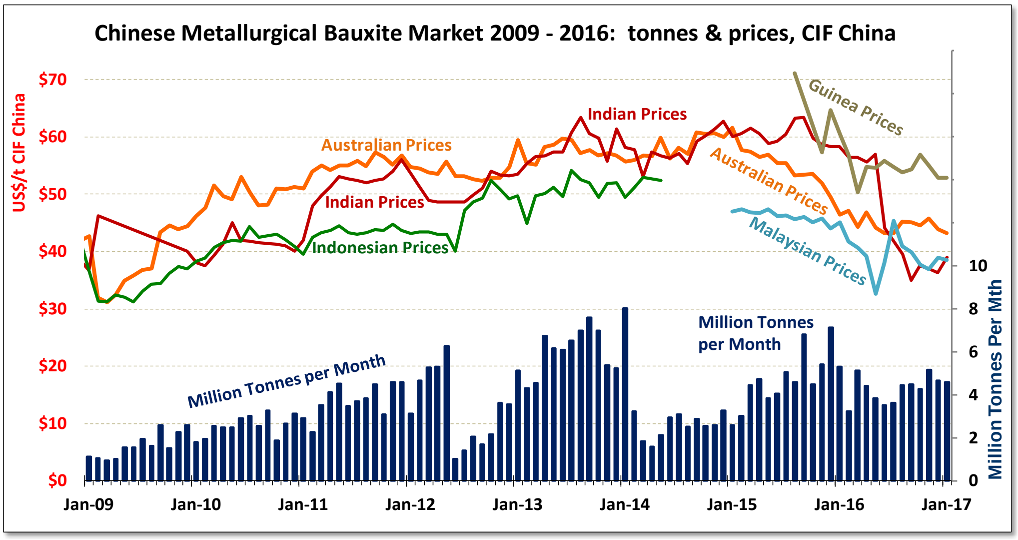


Figure 3: Graph of Chinese bauxite Import tonnes (blue bars) & prices by country in US$ CIF China ports.

Source: Chinese Customs, Bloomberg

Metallurgical-bauxite prices fell in 2015-16 & steadied in late 2016.

The Chinese metallurgical bauxite market was severely disrupted in 2015 & 2016 by oversupply from Malaysia, Guinea and Australia when Chinese demand was weakening. Demand is catching up, prices have stabilised and are expected to improve in 2018. ABx will sell metallurgical bauxite when prices are attractive.

Technology

ABx is accelerating the development of its proprietary TasTech technology which allows ABx to separate Tasmanian bauxite into 3 product-types at good tonnages all year round, namely:

1. high grade metallurgical-grade gibbsite bauxite exceeding 45% Al2O3 for the aluminium industry
2. cement-grade bauxite for the production of cement
3. fertiliser-grade and other bauxite-types.

A large tonnage field test of TasTech is commencing in April 2017 at ABx's next mine at Fingal Rail near Conara. If customer support is sufficient, this second mine could commence within 12 months.

Advanced Technology: The research undertaken for TasTech encountered two advanced technologies that can produce high-purity bauxite and other very high-value products for aluminium and other industries. Testwork is continuing to prove-up the recently discovered value-adding steps.

Rehabilitation

During the year, ABx and its contractor, Stornoway completed stage 1 of the rehabilitation at the Bald Hill bauxite project on schedule and to a high standard. The rehabilitated areas are being monitored so as to increase the Company's expertise in effective rehabilitation.

Figure 4: photographic record of rehabilitation processes, with Pit MB6 as the case study

Figure 5: Blending cement-grade bauxite and fertiliser-grade bauxite at Bald Hill Mine Site

Note the stocks of different types of bauxite

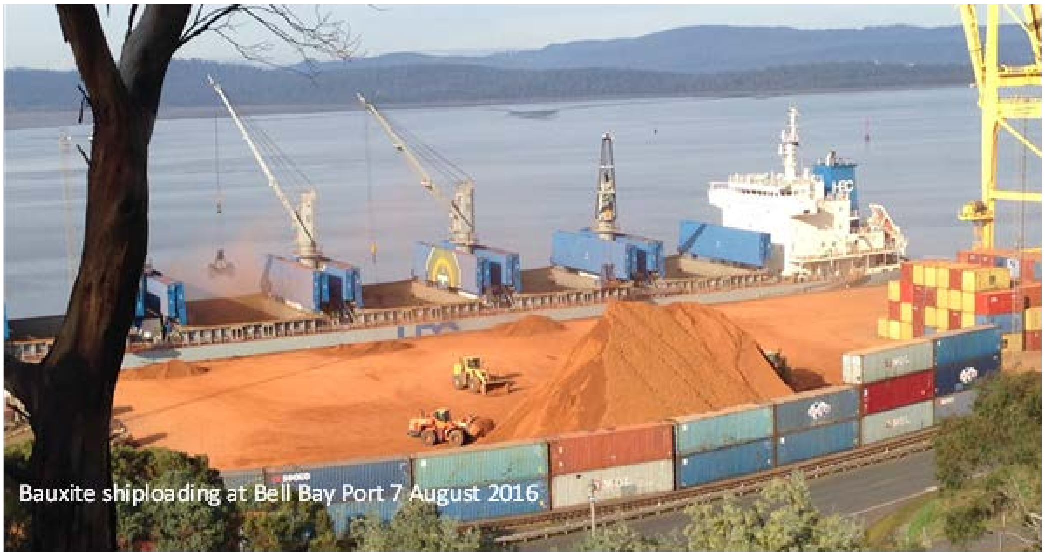


Figure 6: :Loading 35,500 tonnes of bauxite at Bell Bay export port.

Bell Bay port can handle ships up to 65,000 tonnes.

Loading is managed by QUBE Ports at more than 10,000 tonnes per day, achieving 20,000 tonnes per day during a loading in mid 2016

Exploration

On 25 August 2016 ABx announced that it had increased the size of its Fingal Rail cement-grade bauxite resource 5-fold to 6.3 million tonnes bringing the total national bauxite resource to over 124 million tonnes (see resource statement in ASX release 25 August 2016). This increase in resource tonnage will allow ABx to enter into long-term supply contracts with major cement-grade customers.

On 27 February 2017, ABx announced to the ASX the discovery of high quality refactory-grade, low-iron grey-white bauxite at Penrose Pine Plantation some 90kms inland from Port Kembla. Refactory- grade bauxite is used for heat containment and abrasives and can sell up to 5 times the current price of metallurgical grade bauxite. This discovery opens up the possibility of a new high-priced market for ABx's bauxite products to add to its existing suite of bauxite products. This tenement was only granted to ABx in late 2015 which is close to transport infrastructure and suited to quarrying during forest harvest cycles. Exploration of extensions to this deposit will continue simultaneously with market testing of this special bauxite product which is in critical short supply in Australia and globally.

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 year ended 31 December 2016.

Principal activities

The principal continuing activities of the Group for the financial year were conducting the bauxite exploration and development programs in Queensland, New South Wales, and Tasmania.

Consolidated results

The net consolidated loss of the Group for the year ended 31 December 2016 was $0.16 million (2015: net loss $1.04 million). The consolidated loss arises largely from the exploration activities during the year in Eastern Australia and Tasmania.

Total Shareholders' Funds as at 31 December 2016 are $16.88 million.

Additional information on the operations of the Group is disclosed in both the Chairman's Review and the Review of Operations section of this report.

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 4 to 7 of this Annual 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 financial year and up to the date of this report, unless otherwise stated:

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

The number of Directors' Meetings and Directors' Committee Meetings held, and the number of meetings attended, by each of the Directors of the Company during the financial year were:

Directors	**Directors Meetings**		**Remuneration Committee**[1]		**Audit Committee**[2]	
	Attended	Held whilst in office	Attended	Held whilst in office	Attended	Held whilst in office
Paul A Lennon	6	6	1	1	2	2
Ian Levy	6	6	1	1	2	2
Ken Boundy	6	6	1	1	2	2

[1] *From 30 December 2014, the Remuneration Committee is made up of the whole board*

[2] *The Audit Committee is made up the whole board*

INFORMATION ON DIRECTORS AND MANAGEMENT

Directors

Paul Anthony Lennon
Non-Executive Chairman - Appointed on 28 November 2014

Experience and expertise	Mr Lennon served as the 42nd Premier of Tasmania for 4 years (2004 - 2008) and Treasurer (2004-2006). His experience in the resources sector is considerable. He was the Minister for Infrastructure, Energy and Resources (1998-2002), and later Minister for Economic Development, Energy and Resources (2002-2004) while Mr Lennon was the Deputy Premier of Tasmania from (1998-2004). Aside from this prominent ministerial experience, Mr Lennon has previously held senior positions working for and representing trade organisations and workers throughout the 1980's. This experience allowed Mr Lennon to lead negotiations with European, UK, American and Chinese companies in commercial matters of state and national significance.
Other Current Directorships of Listed Companies	None
Former Directorships in the Last Three Years of Listed Companies	None
Special Responsibilities	Chairman Member of the Remuneration and Audit Committee
Interests in Shares	1,473,318 shares – indirectly held

Ian Levy, BSc (Hons), MSc (Dist) DIC FAusIMM FAIG
Managing Director and CEO - Appointed on 23 September 2009

Experience and expertise	Ian Levy has thirty years senior management experience with small to large mining companies, including WMC, Pancontinental Mining, Gympie Gold and CEO of Allegiance Mining, involving development of bauxite, gold, coal, base metals, nickel and industrial minerals projects from discovery to marketing. He was a former founding Director of Gloucester Coal. He was a member of the Joint Ore Reserves Committee (JORC) for 11 years including 4 years as Vice Chairman and Federal President, Australian Institute of Geoscientists.
Other Current Directorships of Listed Companies	None
Former Directorships in the Last Three Years of Listed Companies	None
Special Responsibilities	Managing Director and Chief Executive Officer
Interests in Shares	2,970,189 shares- indirectly held

Ken Boundy, MBA, M Agr Sc, Fellow of AIM, AIAST
Non-Executive Director - Appointed on 6 June 2012

Experience and expertise	Mr Boundy is a company director, strategy consultant and businessman – with particular interests in international marketing. Previously Mr Boundy was Managing Director of the Australian Tourist Commission (and then Tourism Australia) from 2001 to 2005, following 15 years in leadership roles in the private sector which covered Divisional Head and CEO roles in the food, wine and building materials industries.
Other Current Directorships of Listed Companies	Non-Executive Director of Net Comm Wireless Limited.
Former Directorships in the Last Three Years of Listed Companies	None
Special Responsibilities	Member of the Remuneration and Audit Committee
Interests in Shares	180,000 shares – directly held 276,007 shares – indirectly held

Officers

Henry Kinstlinger

Company Secretary

Experience and expertise	Henry Kinstlinger has, for the past thirty years, been actively involved in the financial and corporate management of a number of public companies and non-governmental organisations. He is currently the Joint Company Secretary of Frontier Capital Group Limited, and Raffles Capital Limited. He is a corporate consultant with broad experience in investor and community relations and corporate and statutory compliance.

Francis Choy MCom MBA FCPA (HK) FCPA CA

Chief Financial Officer

Experience and expertise	Francis Choy has held a number of senior positions in corporate financial management roles throughout Australia and South East Asia. He has extensive experience in project finance, compliance, acquisition and investment appraisals. He has been involved in project financing, financial management of property development and telecommunication projects in South East Asia. He held senior financial roles for numerous public listed companies both in Hong Kong and Australia.

Likely developments

Information on likely developments in the operations of the ABx Group, known at the date of this report has been covered generally within the report. In the opinion of the Directors providing further information would prejudice the interests of the Group.

Risk Management

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the Board.

The Company believes that it is crucial for all Board members to be a part of this process, and as such the Board has not established a separate risk management committee.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders' needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets.

Significant changes in nature of activities

Please refer Review of Operations section for details.

Matters subsequent to balance date

At the date of this report, there are no other matters or circumstances which have arisen since 31 December 2016 that have significantly affected or may significantly affect:

- The operations, in financial years subsequent to 31 December 2016, of the Group;
- The results of those operations; or
- The state of affairs, in financial years subsequent to 31 December 2016, of the Group.

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 *Queensland Government Environmental Protection Act (1994)* as reprinted February 2007.
- The Company's operations in the State of NSW involve exploration activities including drilling. These operations are governed by the *Environment Planning and Assessment Act 1979.*
- The Company's operations in the State of Tasmania involve exploration activities including drilling. 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

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 Eastern 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.

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.

REMUNERATION REPORT – AUDITED

This information provided in this Remuneration Report has been audited as required under section 308 (3C) of the *Corporations Act 2001.*

This report outlines the remuneration arrangements in place for Directors and Executives of the Company.

Remuneration committee

The Remuneration Committee, which presently consists of the whole board, will serve to determine the remuneration levels of any Executive Director's remuneration (including base salary, incentive payments, equity awards and service contracts) and remuneration issues for Non-Executive Directors.

The Committee meets as often as required but not less than once per year.

The Committee met once during the year as disclosed in the table of Directors Meetings disclosed on page xx.
Options granted to directors and key management personnel do not have performance conditions. As such the Group does not have a policy for directors and key management personnel removing the "at risk" aspect of options granted to them as part of their remuneration.

Directors' and other Key Management Personnel remuneration

The following persons were Directors of the Company during the whole financial year, unless otherwise stated.

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

The following persons were other key management personnel of the Company during the financial year:

- Leon Hawker Chief Operating Officer
- Paul Glover General Manager
- Henry Kinstlinger Company Secretary
- Benny Amzalak Investor Relationship Officer
- Francis Choy Chief Financial Officer

Executive's remuneration and other terms of employment are reviewed annually having regard to relevant comparative information and independent expert advice. As well as basic salary, remuneration packages include superannuation. Directors are also able to participate in an Employee Share Option Plan.

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Group's operations.

Consideration is also given to reasonableness, acceptability to shareholders and appropriateness for the current level of operations.

Remuneration of Non-Executive Directors is determined by the Board based on recommendations from the Remuneration Committee and the maximum amount approved by shareholders from time to time.

Performance conditions

The elements of remuneration as detailed within the Remuneration Report are dependent on the satisfaction of the individual's performance and the Group's financial performance.

The Board undertakes an annual review of its performance and the performance of the Board Committees.

Details of the nature and amount of each element of the remuneration of each Director of the Company and each specified executive of the Company and the Group receiving the highest remuneration are set out in the following tables. The remuneration amounts are the same for the Company and the Group.

Directors and Other Key Management Personnel of Australian Bauxite Limited

	Short Term Employee Benefits		Post Employment Benefits	Long Term Benefits		
	Salary & other fees	Non-Monetary Benefits	Super-annuation	Long Service Leave	Share Based Payments	Total
Consolidated Group 2016	$	$	$	$	$	$
Directors						
Paul A Lennon	**53,333**	-	-	-	**46,667**	**100,000**
Ian Levy	**35,000**	-	-	-	-	**35,000**
Ken Boundy	-	-	-	-	**33,333**	**33,333**
Total-Directors	**88,333**	-	-	-	**80,000**	**168,333**
Other KMP						
Leon Hawker	**200,000**	-	**19,000**	**3,498**	-	**222,498**
Paul Glover	**110,000**	-	**37,825**	**6,441**	-	**154,266**
Henry Kinstlinger	**109,890**	-	-	-	-	**109,890**
Benjamin Amzalak	**60,000**	-	-	-	-	**60,000**
Francis Choy	-	-	-	-	-	-
Total-KMP	**479,890**	-	**56,825**	**9,939**	-	**546,654**
Consolidated Group 2015	$	$	$	$	$	$
Directors						
Paul A Lennon	70,000	-	-	-	-	70,000
Ian Levy	170,000	7,200	-	-	-	177,200
Ken Boundy	20,000	-	-	-	-	20,000
Total-Directors	260,000	7,200	-	-	-	267,200
Other KMP						
Leon Hawker	200,000	-	19,000	7,804	-	226,804
Robert Williams	200,000	-	18,998	3,326	-	222,324
Julian Rockett	-	-	-	-	-	-
Henry Kinstlinger	109,890	7,200	-	-	-	117,090
Benjamin Amzalak	60,000	-	-	-	-	60,000
Francis Choy	-	-	-	-	-	-
Total-KMP	569,890	7,200	37,998	11,130	-	626,218

The amounts reported represent the total remuneration paid by entities in the Australian Bauxite Group of companies in relation to managing the affairs of all the entities within the Australian Bauxite Group.

There is no performance conditions related to any of the above payments.

There is no other element of Directors and Executives remuneration.

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 for the year 2016.

Corporate Service agreements

The Company has entered into a Corporate Service Agreement with Hudson Corporate Limited pursuant to which Hudson Corporate Limited has agreed to provide its 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 Corporate Services Agreement provide that Hudson Corporate Limited shall act in accordance with the directions of the Board.

Share options granted to Directors and Other Key Management Personnel

For details please refer to Note 24 of the financial statements.

End of audited remuneration report.

Loans to Directors and Key Management Personnel

Details of individuals with loans above $100,000 during the year are set out below.

	Balance at the start of the year	Advance/ (Repayments)	Interest payable for the year	Balance at the end of the year	Highest indebtedness during the year	Additional interest otherwise payable*
	$	$	$	$	$	$
Consolidated - KMP						
2016						
Henry Kinstlinger						
- ESOP	**704,346**	**-**	**42,203**	**746,549**	**746,549**	**14,068**
- unsecured loan	**39,313**	**-**	**2,708**	**42,021**	**42,021**	**904**
Benjamin Amzalak	**18,581**	**-**	**922**	**19,503**	**19,503**	**-**
2015						
Henry Kinstlinger						
- ESOP	710,534	(52,360)	46,172	704,346	704,346	15,391
- unsecured loan	36,613	-	2,700	39,313	39,313	900
Benjamin Amzalak	17,661	-	920	18,581	18,581	-

* *Market interest rate 6% (2015: 6%). This represents the difference between interest charged at the latter and interest paid.*

Terms and conditions of loans

The full recourse loan partly relates to the individual's participation in the Company's Employee Share Option Plan. Loans are secured against the Employee Share Option Plan (ESOP). A second unsecured interest bearing full recourse loan of $30,000 was advanced in 2012. Loans are repayable should the employee leave the Company. Part of the secured shares were sold in repaying the advance. Full provision was made in 2016. None were written down during the year.

An unsecured interest bearing full recourse loan of $35,000 was advanced to a consultant in 2014. The loan is repayable should the consultant leave the Company. Full provision was made in 2016. None were written down during the year.

There were no other loans made to Directors or Specified Executives of the Company and the Group during the period commencing at the beginning of the financial year and up to the date of this report.

Shares under option

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

Class	Date options granted	Expiry Date	Exercise Price	No. of Options
Performance Options*				
- unallocated			$0.30	1,380,000
				1,380,000

**Unallocated options under the Employee Share Option Plan, expiry date is three years from date of issue.*

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

Shares issued on the exercise of options

No options were issued or exercised during the year.

Directors' and Officers' indemnities and insurance

During the financial year Australian Bauxite Limited (holding company) paid an insurance premium, insuring the Company's Directors, (as named in this report), Company Secretary, Executive officers and employees against liabilities not prohibited from insurance by the *Corporations Act 2001*.

A confidentiality clause in the insurance contract prohibits disclosure of the amount of the premium and the nature of insured liabilities.

Proceedings on behalf of the Company

No person has applied to the Court under Section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in or on behalf of the Company with leave of the Court under Section 237 of the *Corporations Act 2001*.

Auditor's independence declaration

The auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 18.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditor (K.S. Black & Co) for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity:

	Consolidated Group	
	2016	2015
	$	$
Audit services:		
Amounts paid or payable to auditors for audit and review of the financial report for the entity or any entity in the Group		
Audit and review services	**29,760**	27,745
Taxation and other advisory services:		
Amounts paid or payable to auditors for non-audit taxation and advisory services for the entity or any entity in the Group		
Taxation	**1,460**	1,295
Advisory services	**-**	-
	1,460	1,295

The Directors' Report, incorporating the Remuneration Report, is signed in accordance with a Resolution of the Board of Directors.

Ian Levy
Managing Director & Chief Executive Officer

Paul Lennon
Non-Executive Chairman

Signed at Sydney
30 March 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 year ended 31 December 2016 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 is 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 30 day of March 2017

Scott Bennison

Scott Bennison
Partner

Phone 02 8839 3000
Fax 02 8839 3055

CORPORATE GOVERNANCE STATEMENT

The Company has adopted a Corporate Governance Plan, which forms the basis of a comprehensive system of control and accountability for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent they are applicable to the Company, the Board has adopted the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 3rd Edition **("Principles and Recommendations**").

In light of the Company's size and nature, the Board considers that the current board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The Company's main corporate policies and practices as at the date of this Annual Report are outlined below and the Company's full Corporate Governance Plan is available in the corporate governance information section of the Company's website (http://www.australianbauxite.com.au/Corporate-Governance.htm).

(a) Board Responsibilities

The Board is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- maintain and increase Shareholder value;
- ensure a prudential and ethical basis for the Company's conduct and activities;
- ensure compliance with the Company's legal and regulatory objectives consistent with these goals, and to achieve this the Board assumes the following responsibilities:
    a. developing initiatives for profit and asset growth;
    b. reviewing the corporate, commercial and financial performance of the Company on a regular basis;
    c. acting on behalf of, and being accountable to, the Shareholders; and
    d. identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis;

(b) Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting.

However, subject thereto, the Company is committed to the following principles:

- the Board is to comprise of persons with the appropriate skills, experience and attributes for the Company and its business; and
- the principal criteria for the appointment of new Directors are their ability to add value to the Company and its business. All incumbent Directors bring an independent judgement to bear in deliberations and the current representation is considered adequate given the stage of the Company's development. The names, qualifications and relevant experience of each Director are set out on page xx.

(c) Code of Conduct

As part of its commitment to recognising the legitimate expectations of stakeholders and promoting practices necessary to maintain confidence in the Company's integrity, the Company has an established Code of Conduct (**the Code**) to guide compliance with legal, ethical and other obligations to legitimate stakeholders and the responsibility and accountability required of the Company's personnel for reporting and investigating unethical practices or circumstances where there are breaches of the Code.

These stakeholders include employees, clients, customers, government authorities, creditors and the community as whole. This Code governs all of the Company's commercial operations and the conduct of Directors, employees, consultants, contactors and all other people when they represent the Company. This Code also governs the responsibility and accountability required of the Company's personnel for reporting and investigating unethical practices.

The Board, management and all employees of the Group are committed to implementing this Code and each individual is accountable for such compliance. A copy of the Code is given to all employees, contractors and relevant personnel, including directors, and is available on the Company's website (under "Corporate Governance").

(d) Diversity Policy

The Board has adopted a diversity policy which provides a framework for the Company to achieve, among other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives.

(e) Continuous Disclosure

The Board has directed the Company Secretary to be responsible for overseeing and co-ordinating disclosure of information to the ASX as well as communicating with the ASX.

The Board has established a written policy for ensuring compliance with ASX Listing Rule disclosure requirements and accountability at senior executive level for that compliance. A copy of the Company's continuous disclosure policy can be found on the Company's web site (under "Corporate Governance").

(f) Audit Committee and Management of Risk

The Company's directors comprise the audit and risk committee.

(g) Remuneration Arrangements

The Board will decide the remuneration of an executive Director, without the affected executive Director participating in that decision-making process.

The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed $200,000 per annum.

In addition, a Director may be paid fees or other amounts (subject to any necessary Shareholder approval) for example non-cash performance incentives such as Options as determined by the Board where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors. The Board reviews and approves the remuneration policy to enable the Company to attract and retain executives and Directors who will create value for Shareholders having consideration to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility. The Board is also responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

(h) Shareholder Communications

The Board tries to ensure that Shareholders are provided with sufficient information to assess the performance of the Company and its Directors and to make well-informed investment decisions. Information is communicated to Shareholders through:

- annual and half-yearly financial reports and quarterly reports;
- annual and other general meetings convened for Shareholder review and approval of Board proposals;
- continuous disclosure of material changes to ASX for open access to the public; and,
- the Company maintains a website where all ASX announcements, notices and financial reports are published as soon as possible after release to ASX.

The auditor is invited to attend the annual general meeting of Shareholders. The Chairman will permit Shareholders to ask questions about the conduct of the audit and the preparation and content of the audit report.

(i) Trading in the Company's Shares

The Company's Share Trading Policy prohibits Directors from taking advantage of their position or information acquired, in the course of their duties, and the misuse of information for personal gain or to cause detriment to of the Company.

Directors, senior executives and employees are required to advise the Company Secretary of their intentions prior to undertaking any transaction in the Company's securities.

If an employee, officer or director is considered to possess material non-public information, they will be precluded from making a Security transaction until after the time of public release of that information.

A copy of the Company's Policy on Dealing with Company Securities is available on the Company's website (under "Corporate Governance").

(j) Corporate Social Responsibility

The Company is committed to conducting our operations and activities in harmony with the environment and society, and wherever practicable to work in collaboration with communities and government institutions in decision-making and activities for effective, efficient and sustainable solutions.

Our aim is to minimize our environmental footprint and safeguard the environment while sharing the benefits of share the benefits of mining with our employees and the community and contribute to economic and social development, minimizing our environmental footprint and safeguarding the environment, now and for future generations.

A copy of the Company's Environmental and Social Charter is available on the ABX website (under "Corporate Governance").

(k) Departures from recommendations

The Company is required to report any departures from the recommendations in its annual financial report.

The Company's compliance and departures from Recommendations as at the date of this Annual Report are set out in the following table:

ASX Corporate Governance Council's Corporate Governance Principles and Recommendations

PRINCIPLE	Response
PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT	
Recommendation 1.1	
The entity should have and disclose a charter, which sets out the respective roles and responsibilities of the board, the Chair and management and includes a description of those matters expressly reserved to the board and those delegated to management.	Complies. The Company's Corporate Governance Plan includes a Board Charter, which discloses the specific responsibilities of the Board. The responsibilities delegated to the senior management team are set out in the Board Charter. The Board Charter can be viewed at the Company's website http://www.australianbauxite.com.au.
Recommendation 1.2	
The entity should undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director. The entity should provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	Complies. The Company conducts background and reference checks for all directors. These checks will be expanded to include the required checks described in Guidance Note 1, paragraph 3.15 issued by the ASX before appointing an additional person or putting forward to Shareholders a candidate for election, as a Director.
Recommendation 1.3	
The entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Does not yet comply. Not all Directors have written agreements setting out the terms of their appointments. The Company will endeavour to finalise these agreements shortly.
Recommendation 1.4	
The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Complies. The Company Secretary has been appointed and is accountable directly to the Board, through the Chairperson, on all matters to do with the proper functioning of the Board.
Recommendation 1.5	
The entity should establish a diversity policy and disclose the policy of a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and the entity's progress in achieving them.	Complies. The Board has established a Diversity Policy. Details of the Company's measurable objectives for achieving gender diversity and its progress towards achieving them and the entity's gender diversity figures are set out in the Company's annual report.
The entity should disclose in its annual report the measurable objectives for achieving gender diversity set by the board in accordance with the entity's diversity policy and its progress towards achieving them.	The Diversity Policy is disclosed on the Company's website.
The entity should disclose in its annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Details of the Company's measurable objectives for achieving gender diversity and its progress towards achieving them and the entity's gender diversity figures are set out in the Company's annual report.

Recommendation 1.6	
The entity should have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Will comply. The Company will disclose the process for evaluating the performance of the Board, its committees and individual directors in its future annual reports. Details of the performance evaluations undertaken will be set out in future annual reports.
Recommendation 1.7	
The entity should have and disclose a process for periodically evaluating the performance of its senior executives and disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process	Complies. Senior executive key performance indicators are set annually, with performance appraised by the Board, and reviewed in detail by the Board. The internal review is to be conducted on an annual basis and if deemed necessary an independent third party will facilitate this internal review. Details of the performance evaluations undertaken will be set out in future annual reports.
PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE	
Recommendation 2.1	
The entity's board should have a nomination committee which has at least three members, a majority of whom are independent directors; and is chaired by an independent director	Does not comply. The Company does not have a nomination committee
The entity should disclose the charter of the committee, the members of the committee; and as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings.	Currently the role of the nomination committee is undertaken by the full Board. The Company intends to establish a nomination committee once the Company's operations are of sufficient magnitude.
If the entity does not have a nomination committee, it should disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	The Company does not have a nomination committee. The Board evaluates the skills, experience of its members and then determines whether additional members should be invited to the Board to complement or replace the existing members.
Recommendation 2.2	
The entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	Does not yet comply. The Company intends to develop a board skill matrix setting out the mix of skills and diversity the Board has and require. The skill matrix will be available at the Company's website once finalised.

Recommendation 2.3	
The entity should disclose the names of the directors considered by the board to be independent directors and the length of service of each director.	Complies. The Company's independent directors are Mr Ken Boundy and Mr Paul Anthony Lennon
The entity should disclose if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd edition) but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion.	The independence of each director and the length of service of each director is outlined in the Company's annual report. Details of any relevant interest, position, association or relationship impacting upon a director's independence are set out in the Company's annual report.
Recommendation 2.4	
A majority of the board of a listed entity should be independent directors.	Complies. The Company has three directors. Two of these directors are the non-executive directors.
Recommendation 2.5	
The chair of the board of the entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	Complies. The chair is an independent director, and is a different person to the CEO of the entity.
Recommendation 2.6	
A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	Does not yet comply. Currently the induction of new directors and plan for professional development is managed informally by the full Board. The Company intends to develop a formal program for inducting new directors and providing appropriate professional development opportunities consistent with the development of the Company.
PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY	
Recommendation 3.1	
The entity should establish a code of conduct for its directors, senior executives and employees; and disclose that code or a summary of it.	Complies. The Board has established a Code of Conduct to guide compliance with legal, ethical and other obligations to legitimate stakeholders and the responsibility and accountability required of the Group's personnel for reporting and investigating unethical practices or circumstances where there are beaches of the Code. Code of Conduct is available on the Company's website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING	
Recommendation 4.1	
The board of the entity should have an audit committee which consists only of non-executive directors, a majority of which are independent directors and is chaired by a chair that is not the chair of the board. The entity should disclose the charter of the committee, the members of the committee and as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings.	Partially complies The Board has established an audit and risk committee Charter. Members of the committee comprise the whole board of directors who have appropriate and relevant financial experience to act in this capacity. A summary of the charter and details of the number of times the audit and risk committee met throughout the period and the individual attendances of the members at those meetings are set out in the Company's annual report. The full audit and risk committee charter is available on the Company's website
Recommendation 4.2	
The board should disclose whether it has, before approving the entity's financial statements for the financial period, receive assurance from its Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively in all material respects in relation to financial reporting risks.	Complies. The Board requires the Chief Executive Officer and the Chief Financial Officer to provide such a statement before approving the entity's financial statements for a financial period.
Recommendation 4.3	
When the entity has an AGM it should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Complies. The external auditor attends AGMs and is available to answer questions from Security Holders relevant to the audit.
PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE	
Recommendation 5.1	
The entity should establish written policies designed to ensure compliance with ASX Listing rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	Complies. The Company has a written policy on information disclosure. The focus of these policies and procedures is continuous disclosure and improving access to information for investors. The Company's continuous disclosure policy can be viewed at the Company's website
PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS	
Recommendation 6.1	
The entity should provide information about itself and its governance to investors via its website.	Complies. The Company has provided specific information about itself and its key personnel and has developed a comprehensive Corporate Governance Plan. Details can be found at the Company's website.

Recommendation 6.2	
The entity should design and implement an investor relations program to facilitate effective two-way communication with shareholders.	Complies. The Company has established a Shareholder's Communication Policy. The Company recognises the importance of forthright communications and aims to ensure that the shareholders are informed of all major developments affecting the Company. Details of the Shareholder's Communication Policy can be found at the Company's website.
Recommendation 6.3	
The entity should disclose the policies and processes it has in place to facilitate and encourage participation at general meetings of security holders.	Complies. The Shareholder's Communication Policy is available on the Company's website and details are set out in the Company's annual report.
Recommendation 6.4	
The entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Complies. The Company has provided the option to receive communications from, and send communications to, the entity and its security registry electronically.
PRINCIPLE 7: RECOGNISE AND MANAGE RISK	
Recommendation 7.1	
The board of a listed entity should have a committee or committees to oversee risk, each of which has at least three members, a majority of whom are independent directors and is chaired by an independent director. The entity should disclose the charter of the committee, the members of the committee and at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings	Complies. The Board has established an audit and risk committee to oversee risk which comprises the whole Board of Directors. Complies. The Company's charter for the audit and risk committee available at the Company's website and the details of the number of times the committee has met and the individual attendances is outlined in the Company's annual report.

Recommendation 7.2	
The board or board committee of the board should review the entity's risk management framework at least annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risk the entity faces and to ensure that they remain with the risk appetite set by the Board	Complies.
The entity should also disclose in relation to each reporting period, whether such a review has taken place	The Company's Corporate Governance Plan includes a Risk Management Review Procedure and Compliance and Control policy. The Board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Board has delegated to the audit and risk committee the responsibility for implementing the risk management system. Details of the number of times the committee conducted a risk management review in relation to each reporting period will be disclosed in its annual reports.
Recommendation 7.3	
The entity should disclose if it has an internal audit function, how the function is structured and what role it performs. If the entity does not have an internal audit function, the entity should disclose that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Does not yet comply. The Board has delegated the internal audit function to the audit and risk committee and intends to establish and implement the structure and role of the internal audit function. The Company will disclose the details of the internal audit function in its future annual reports.
Recommendation 7.4	
The entity should disclose whether, and if so how, it has regard to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Complies. The Company has an Audit and Risk committee appointed to manage economic sustainability and risk. In addition to this the Company also has an Environmental and Social Charter on its website, and manages environmental and social sustainability risks accordingly. With respect to the Tenements the Company complies with environmental regulatory requirements and risk through the relevant authorities issued pursuant to permits from the relevant government departments in NSW, Qld and Tasmania.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY	
Recommendation 8.1	
The board should establish a remuneration committee which has at least three members, a majority of whom are independent directors.	Does not yet comply due to the size of the Company.
If the entity does not have a remuneration committee, the entity should disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	The Board has adopted a Remuneration Committee Charter. However, the Company is not of a size that justifies having a separate Remuneration Committee so matters typically considered by such a committee are dealt with by the full Board. The Board has reviewed, through independent sources, the level and composition of remuneration for Directors and senior executives to ensure that such remuneration is appropriate and not excessive.
Recommendation 8.2	
The entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives and ensure that the different roles and responsibilities of non-executive directors compared to executive directors and other senior executives are reflected in the level and composition of their remuneration.	Complies. The Company distinguishes the structure of Non-executive Directors' remuneration from Executive Directors and senior executives. Details of the policies and practices regarding remuneration are set out in the Company's annual report. The Remuneration Committee Charter is disclosed on the Company's website
Recommendation 8.3	
If the entity has an equity-based remuneration scheme it should have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and disclose that policy or a summary of it.	Complies. The Company's Policy on Dealing with Company Securities prohibits executive staff from undertaking hedging or other strategies that could limit the economic risk associated with Company Securities issued under any equity based remuneration scheme. The Company's Share Trading Policy can be viewed on the Company's website.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

		Consolidated Group	
		2016	2015
	Notes	**$**	$
Revenue	4	**4,117,128**	1,638,018
Administrative and exploration expenses		**(3,879,279)**	(2,375,775)
Consulting and professional expenses		**(243,428)**	(192,754)
Finance costs		**(158,103)**	(114,147)
(Loss)/Profit before income tax expense		**(163,682)**	(1,044,658)
Income tax expense	6(a)	**-**	-
(Loss)/Profit after tax for the year		**(163,682)**	(1,044,658)
Other Comprehensive Income			
Other comprehensive income		**-**	-
Tax expenses		**-**	-
Other comprehensive income after tax		**-**	-
Total comprehensive (loss)/income attributable to members of the consolidated entity		**(163,682)**	(1,044,658)
Earnings/(Loss) per share		**Cents**	Cents
Basic (loss)/earnings per share (cents)	23	**(0.12)**	(0.74)
Diluted (loss)/earnings per share (cents)	23	**(0.11)**	(0.73)

The above Statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Notes	Consolidated Group	
		2016	2015
ASSETS		**$**	$
Current assets			
Cash and cash equivalents	7	**1,846,614**	1,496,106
Trade and other receivables	8	**(103,371)**	109,065
Other current assets	9	**142,560**	76,834
Financial assets	12	**-**	-
Total current assets		**1,885,803**	1,682,005
Non-current assets			
Trade and other receivables	8	**73,626**	110,568
Plant and equipment	10	**618**	5,205
Mining tenements	11	**16,432,224**	18,043,930
Total non-current assets		**16,506,468**	18,159,703
Total Assets		**18,392,271**	19,841,708
LIABILITIES			
Current liabilities			
Trade and other payables	13	**890,040**	2,256,562
Employee benefits provision	14	**101,461**	106,020
Other Liabilities	15	**9,015**	-
Total current liabilities		**1,000,516**	2,362,582
Non-current liabilities			
Employee benefits provision	14	**73,001**	79,470
Other Liabilities	15	**435,000**	435,000
Total non-current liabilities		**508,001**	514,470
Total Liabilities		**1,508,517**	2,877,052
Net Assets		**16,883,754**	16,964,656
EQUITY			
Issued capital	16	**24,823,027**	24,740,247
Reserves	17	**593,250**	593,250
Accumulated losses		**(8,532,523)**	(8,368,841)
Total Equity		**16,883,754**	16,964,656

The above Statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

Consolidated Group	Notes	**Issued Capital**	**Options Reserve**	**Accumulated Losses**	**Total Equity**
		$	**$**	**$**	**$**
Balance at 1 January 2016	16	**24,740,247**	**593,250**	**(8,368,841)**	**16,964,656**
Share placement fund received		**583,380**	**-**	**-**	**583,380**
Share issued in lieu of services		**80,000**	**-**	**-**	**80,000**
Share placement cost		**(580,600)**	**-**	**-**	**(580,600)**
Loss for the year		**-**	**-**	**(163,682)**	**(163,682)**
Balance at 31 December 2016	16	**24,823,027**	**593,250**	**(8,532,523)**	**16,883,754**
Balance at 1 January 2015	16	24,483,627	593,250	(7,324,183)	17,752,694
Contributions of equity		256,620	-	-	256,620
Loss for the year		-	-	(1,044,658)	(1,044,658)
Balance at 31 December 2015	16	24,740,247	593,250	(8,368,841)	16,964,656

The above Statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	Consolidated Group	
		2016	2015
		$	$
Cash flows from operating activities			
Receipts from customers		**2,583,033**	7,807
Payments to suppliers, service providers and employees		**(2,980,519)**	(6,202,441)
Interest paid		**(56,451)**	-
Interest received		**44,480**	110,172
Net cash (used in)/provided by from operating activities	19	**(409,457)**	(6,084,462)
Cash flows from investing activities			
Acquisition of plant and equipment		**-**	-
Acquisition of investment		**-**	-
Repayment from/(Advance to) other party		**-**	52,360
Government fund refunded		**1,257,952**	1,467,097
Net cash provided by/(used in) from investing activities		**1,257,952**	1,519,457
Cash flows from financing activities			
Proceeds from issues of shares		**262,900**	256,620
Share issuing costs		**-**	-
Advance from/(repayment to) other entities		**(760,887)**	1,094,381
Net cash used in/(provided by) from financing activities		**(497,987)**	1,351,001
Net (increase)/ decrease in cash and cash equivalents		**350,508**	(3,214,004)
Cash and cash equivalents at the beginning of the year		**1,496,106**	4,710,110
Cash and cash equivalents at the end of the year	7(a)	**1,846,614**	1,496,106

The above Statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. CORPORATE INFORMATION

The consolidated financial statement and notes of Australian Bauxite Limited for the year ended 31 December 2016 was authorised for issue in accordance with a resolution of the Directors and covers Australian Bauxite Limited as an individual parent entity as well as the consolidated entity consisting of Australian Bauxite Limited and its subsidiaries as required by the *Corporations Act 2001.*

The consolidated financial statement and notes is presented in Australian currency.

Australian Bauxite Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange (**ASX**).

The Company was incorporated as an unlisted public company on 23 September 2009 and successfully listed on the ASX on 24 December 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Critical judgements

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

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
- 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 financial year, 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.

Going Concern

This financial report has been prepared on a going concern basis, which contemplates the continuity of business activities and the realisation of assets and payments of liabilities in the normal course of business.

The directors believe the Company will be able to pay its debts as and when they fall due and to fund near term anticipated activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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 (the "parent entity") as at reporting date and the results of all subsidiaries for the year then ended. Australian Bauxite Limited and its subsidiaries together are referred to in this financial report as the Group.

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

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

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

Intercompany transactions, balances and unrealised gains on transactions between consolidated entity companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 businesses 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).

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.

Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- The consideration transferred;
- Any non-controlling interest; and
- The acquisition date fair value of any previously held equity interests over the acquisition date fair value of net assets acquired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity holdings shall form the cost of the investment in the separate financial statements.

Fair value remeasurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The purchase method of accounting is used to account for the acquisitions of subsidiaries by the Group.

Under the full goodwill method, the fair value of the non-controlling interests is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

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. Reporting to management by segments is on this basis.

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 services provided is receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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.

The Company and its wholly owned entities are part of a tax-consolidated group under Australian taxation law. Australian Bauxite Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

The amounts receivable/payable under tax funding arrangements are due upon notification by the entity which is issued soon after the end of each financial year. Interim funding notices may also be issued by the head entity to its wholly owned subsidiary. These amounts are recognised as current intercompany receivables or payables.

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 and 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

g. 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.

h. Cash and cash equivalents

For the purpose of the statement of cash flows, cash 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.

i. 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.

j. Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

(a) the amount at which the financial asset or financial liability is measured at initial recognition;

(b) less principal repayments;

(c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and

(d) less any reduction for impairment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after reporting date. (All other loans and receivables are classified as non-current assets.)

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after reporting date. (All other investments are classified as current assets.)

If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be disposed of within 12 months after reporting date. (All other financial assets are classified as current assets.)

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

k. 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 expensed 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 amortised 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. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

l. Property, plant and equipment

Land and building are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measure reliably. All other repairs and maintenance are charged to the Consolidated Statement of Profit or Loss and other Comprehensive Income during the financial period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Increases in the carrying amounts arising on revaluation of land and buildings are credited to the asset revaluation reserve in equity. A revaluation surplus is credited to the asset revaluation reserve included within shareholder's equity unless it reverses a revaluation decrease on the same asset previously recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. A revaluation deficit is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive unless it directly offsets a previous revaluation surplus on the same asset in the asset revaluation reserve.

On disposal, any revaluation reserve relating to sold assets is transferred to retained earnings. Independent valuations are performed regularly to ensure the carrying amounts of land and buildings do not differ materially from the fair value at the Consolidated Statement of Financial Position date.

Land is not depreciated. Depreciation on other assets is calculated using the straight line, over their estimated useful lives, as follows:

Plant and equipment 5-15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Statement of Financial Position date.

Any asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

m. Leases

Company as lessee

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases, and capitalised at inception of the lease at the fair value of the leased property, or if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the Consolidated Statement of Profit or Loss and Other Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Capitalised leased assets are depreciated over the shorter for the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership of the net asset are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to the Consolidated Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis.

Company as lessor

Lease income from operating leases is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on a straight –line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying value of the leased asset and recognised as an expense over the lease term on the bases as the lease income.

n. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

o. 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.

p. Employee benefits

(i) Short term employee benefits

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) Other long term employee benefits

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.

q. Contributed equity

Ordinary shares are classified as equity

r. 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 sheet 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.

s. 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.

t. New accounting standards for application

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. We have viewed these standards and interpretations and there are none having any material effect.

3. FINANCIAL RISK MANAGEMENT

a. General objectives, policies and processes

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function.

The Groups' risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Group where such impacts may be material. The Board receives reports from the Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Group's finance function also reviews the risk management policies and processes and reports their findings to the Audit Committee.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the group's competitiveness and flexibility. Further details regarding these policies are set out below:

b. Credit Risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Group incurring a financial loss. This usually occurs when debtors or counterparties to derivative contracts fail to settle their obligations owing to the Group.

The maximum exposure to credit risk at balance date is as follows:

	Consolidated Group	
	2016	2015
Financial Assets	**$**	$
Current		
Cash and cash equivalents	**1,846,614**	1,496,106
Trade and other receivables	**704,629**	762,240
Non-Current		
Trade and other receivables	**135,726**	132,568
	2,686,969	2,390,914
Financial liabilities		
Current		
Trade and other payables	**890,040**	2,256,562
Non-Current		
Other payable	**-**	-
	890,040	2,256,562

3. FINANCIAL RISK MANAGEMENT continued

c. Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulties raising funds to meet commitments associated with financial instruments that is, borrowing repayments. There is no bank borrowing at the balance date. It is the policy of the Board of Directors that treasury reviews and maintains adequate committed credit facilities and the ability to close-out market positions.

Maturity Analysis of financial assets

	Carrying Amount	Contractual Cash Flows	< 6 mths	6 - 12 mths	1 - 3 years	> 3 years
Consolidated 2016	**$**	**$**	**$**	**$**	**$**	**$**
Current						
Cash and cash equivalent	**1,846,614**	**1,846,614**	**1,191,614**	**-**	**655,000**	**-**
Trade and other receivables	**704,629**	**704,629**	**4,677**	**699,952**	**-**	**-**
Non-current						
Trade and other receivables	**135,726**	**135,726**	**-**	**-**	**135,726**	**-**
Total financial assets	**2,686,969**	**2,686,969**	**1,196,291**	**699,952**	**790,726**	**-**
Consolidated 2015						
Current						
Cash and cash equivalent	1,496,106	1,496,106	800,220	-	695,886	-
Trade and other receivables	762,240	762,240	-	-	762,240	-
Non-current						
Trade and other receivables	132,568	132,568	-	-	132,568	-
Total financial assets	2,390,914	2,390,914	800,220	-	1,590,694	-

3. FINANCIAL RISK MANAGEMENT continued

Maturity Analysis of financial liabilities

	Carrying Amount	Contractual Cash Flows	< 6 mths	6 - 12 mths	1 - 3 years	> 3 years
	$	$	$	$	$	$
Consolidated Group 2016						
Financial Liabilities						
Current						
Trade and other payables	**890,040**	**890,040**	**384,057**	**-**	**505,983**	**-**
Non-Current						
Other Liabilities	-	-	-	-	-	-
Total financial liabilities at amortised cost	**890,040**	**890,040**	**384,057**	**-**	**505,983**	**-**
Consolidated Group 2015						
Financial Liabilities						
Current						
Trade and other payables	1,721,645	1,721,645	1,215,662	-	505,983	-
Accrued payable	534,917	534,917	534,917	-	-	-
Non-Current						
Other Liabilities	-	-	-	-	-	-
Total financial liabilities at amortised cost	2,256,562	2,256,562	1,750,579	-	505,983	-

d. Interest rate risk

The Group is constantly monitoring its exposure to trends and fluctuations in interest rates in order to manage interest rate risk. There is no bank borrowing at the balance date; therefore there is no material exposure to interest rate risk.

Sensitivity analysis

There is no bank borrowing at the balance date.

The following tables demonstrate the sensitivity to reasonably possible changes in interest rates, with all other variables held constant, of the Group's profit after tax (through the impact on fluctuation on deposit interest rate). There is no impact on the Group's equity.

	Carrying Amount	+1% of Profit/ (Loss)	-1% of Profit/ (Loss)
Consolidated Group 2016	$	$	$
Cash and cash equivalents	**1,846,614**	**18,466**	**(18,466)**
Tax charge of 30%	**-**	**(5,540)**	**5,540**
After tax increase/(decrease)	**1,846,614**	**12,926**	**(12,926)**
Consolidated Group 2015	$	$	$
Cash and cash equivalents	1,496,106	14,961	(14,961)
Tax charge of 30%	-	(4,488)	4,488
After tax increase/(decrease)	1,496,106	10,473	(10,473)

3. FINANCIAL RISK MANAGEMENT continued

e. Currency risk

In 2016, the consolidated entity and parent entity were not exposed to foreign currency risk (2015: Nil)

f. Capital risk management

The Group considers its capital to comprise its ordinary share capital and reserves.

In managing its capital, the group's primary objectives are to pay dividends and maintain liquidity. These objectives dictate any adjustments to capital structure. Rather than set policies, advice is taken from professional advisors as to how to achieve these objectives. There has been no change in either these objectives or what is considered capital in the year.

4. REVENUE

	Consolidated Group	
	2016	2015
Revenue	**$**	$
Sale of mineral	**2,584,319**	7,807
Interest income	**93,309**	163,114
	2,677,628	170,921
Other Income		
Government research and development concession refunded	**1,395,474**	1,467,097
Others	**44,026**	-
	4,117,128	1,638,018

5. EXPENSES

	Consolidated Group	
	2016	2015
	$	$
Profit/(loss) before income tax arrived after (charging)/crediting the following specific items:		
Directors and employee salaries and on costs not capitalised	**(236,675)**	(201,658)
Consulting and professional fee	**(243,428)**	(192,754)
Depreciation	**(4,587)**	(25,241)
Interest paid	**(56,451)**	(11,966)
Doubtful debt provision	**(50,100)**	(38,000)

6. INCOME TAX

a. Income tax expense

	Consolidated Group	
	2016	2015
	$	$
Current tax expense	**-**	-
Deferred tax expense	**-**	-
Total income tax expense	**-**	-
Deferred tax expense		
Increase/(decrease) in deferred tax expense	**-**	-

b. Numerical reconciliation of income tax expense to prima facie tax payable

(Loss/Profit) from continuing operations before income tax expense	**(163,682)**	(1,044,658)
Income tax expense (benefit) calculated at 30% (2015:30%)	**(49,105)**	(376,801)
Timing differences not brought to account	**304,192**	(1,041,692)
Tax losses not brought to account accrued during the year	**(255,086)**	1,418,493
Income tax expense/(benefit) at effective tax rate of 30% (2015:30%)	**-**	-

c. Unrecognised deferred tax assets and liabilities

Deferred tax assets and liabilities have not been recognised in the balance sheet for the following items:

	Consolidated Group	
	2016	2015
	$	$
Prior year unrecognised tax losses now ineligible due to change in tax consolidation group	**-**	-
Other deductible temporary differences	**(136,335)**	463,610
Deferred tax asset in respect of exploration activities not brought to account	**4,969,250**	3,463,948
Deferred tax liability in respect of exploration activities not recognized to the extent of unrecognized deferred tax asset	**(4,528,723)**	(4,969,250)
Deferred tax asset/(liability) in respect of exploration activities not recognised to the extent of unrecognised deferred tax asset & failure of the probability criteria	**304,192**	(1,041,692)

7. CASH AND CASH EQUIVALENTS

	Consolidated Group	
	2016	2015
	$	$
Cash and cash equivalents	**1,191,614**	800,220
Cash held in trust - tenement guarantee	**655,000**	695,886
	1,846,614	1,496,106

a. Reconciliation to cash at the end of the year

	Consolidated Group	
	2016	2015
	$	$
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:		
Cash and cash equivalents	**1,846,614**	1,496,106
Balances per Statement of Cash Flows	**1,846,614**	1,496,106
Weighted Average Interest Rates	**1.27%**	1.78%

b. Interest rate risk exposure

The Group's and the parent entity's exposure to interest rate risk is discussed in Note 3.

8. TRADE AND OTHER RECEIVABLES

	Parent Entity	
	2016	2015
Current	**$**	$
Trade receivable	**1,286**	-
Tenement security deposit	**72,000**	97,000
Other deposits	**(180,121)**	5,136
Receivable advance to other parties	**808,073**	762,240
Receivables - GST	**3,391**	42,689
Provision for doubtful debt	**(808,000)**	(798,000)
	(103,371)	109,065
Non-Current		
Receivable - Employee share plan	**135,726**	132,568
Provision for doubtful debt	**(62,100)**	(22,000)
	73,626	110,568

a. Impaired receivables and receivables past due

None of the current or non-current receivables are impaired or past due but not impaired. Provision to Mr Kinstlinger advances were made and the related securities were partly disposed in repaying the advance.

b. Other deposits

These amounts mainly relate to prepaid field exploration expenditures.

Receivable advance to other parties

In 2010 the Company advanced a $520,000 interest bearing full recourse loan to Mr Henry Kinstlinger, Company Secretary, under a personal loan and the employee share option plan. The Company further advanced a $30,000 unsecured interest bearing full recourse loan to Mr Kinstlinger in 2012.

The Company advanced a $35,000 interest bearing full recourse unsecured loan to consultant in 2014.

A provision of $808,000 was made at reporting date.

Please refer to Note 24 for details.

Receivables - GST

These amounts relate to receivables for GST paid.

c. Receivable Employee share plan

The Company advanced $126,000 interest bearing full recourse loan to three employees under the Company's employee share option plan in late 2014. A provision of $62,100 was made at reporting date.

Please refer Note 24 for details.

d. Interest rate risk

Information about the Group's and the parent entity's exposure to interest rate risk in relation to trade and other receivables is provided in Note 3.

8. TRADE AND OTHER RECEIVABLES continued

e. Fair value and credit risk

Current trade and other receivables

Due to the short term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

Non-current trade and other receivables

The fair values and carrying values of non-current receivables are as follows:

The controlled entities receivables have no terms of repayment and are not interest bearing.

	2016		2015	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
	$	**$**	$	$
Consolidated Group				
Receivable - Employee Share Plan	**135,726**	**73,626**	132,568	84,000
Receivables - Other Parties	**808,073**	**-**	762,240	121,667

9. OTHER CURRENT ASSETS

	Consolidated Group	
	2016	2015
	$	$
Prepayments	**142,560**	76,834
	142,560	76,834

10. PLANT AND EQUIPMENT

	Consolidated Group 2016 $	2015 $
Plant and equipment		
At cost	**78,015**	78,015
Accumulated depreciation	**(77,397)**	(72,810)
Carrying value	**618**	5,205
Motor vehicles		
At cost	**86,535**	86,535
Accumulated depreciation	**(86,535)**	(86,535)
Carrying value	**-**	-
Total carrying value	**618**	5,205

Reconciliations

Reconciliations of the carrying amounts of each class of plant & equipment at the beginning and end of the current and previous financial year are set out below:

Consolidated Group 2016	**Plant & equipment $**	**Motor Vehicles $**	**Total $**
Carrying amount at 1 January 2016	**5,205**		**5,205**
Additions	**-**	**-**	**-**
Depreciation	**(4,587)**	**-**	**(4,587)**
Carrying amount at 31 December 2016	**618**	**-**	**618**
Consolidated Group 2015			
Carrying amount at 1 January 2015	18,641	11,805	30,446
Additions	-	-	-
Depreciation	(13,436)	(11,805)	(25,241)
Carrying amount at 31 December 2015	5,205	-	5,205

11. MINING TENEMENTS

	Consolidated Group 2016 $	2015 $
Mining tenements	**16,432,224**	18,043,930

The recoverability of the carrying amount of evaluation and exploration assets is dependent upon successful development and commercial exploitation, or alternatively the sale of the respective areas of interest.

11. MINING TENEMENTS CONTINUED

Application No	Licence No	Project	Status	Area (sq km)	Mining tenement cost + capitalisation
ABx1 Pty Ltd					
	EL 6997	Inverell	Granted	147	2,455,679
	EL 7361	Guyra	Granted	30	605,288
	EL 7597	Merriwa - 2	Granted	159	32,873
	EL8440	New Stanifer	Granted	147	
				483	3,093,840
ABx2 Pty Ltd					
	EL 7357	Taralga	Granted	123	1,752,364
	EL 7681	Taralga Extension	Renewal Pending	111	455,706
	EL 8370	Penrose Forest	Granted	129	7,379
				363	2,215,449
ABx3 Pty Ltd					
	EPM 17830	Haden	Granted	24	204,807
	EPM 17831	Hillgrove	Granted	18	184,078
	EPM 17790	Hampton	Granted	42	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		Brovinia 2	Application	39	7,267
				300	3,229,813
ABx4 Pty Ltd					
	EL 4/2010	Evandale	Granted	83	95,286
	EL 7/2010	Conara	Granted	184	2,889,372
	EL 9/2010	Deloraine	Granted	142	1,008,868
	EL 37/2010	Westbury	Granted	71	300,172
	EL 3/2012	Ross	Granted	93	104,954
	EL 12/2012	Scottsdale	Granted	46	187,254
	EL 16/2012	Reedy Marsh	Granted	95	563,928
	EL 18/2014	Prossers Road	Granted	114	288,253
	ML 1961P/M	Bald Hill	Granted		1,796,369
		Mining Production			-
		Harami			1,158,668
				828	8,393,124
Total				1,974	16,932,226
Impairment provision					(500,000)
					16,432,226

12. FINANCIAL ASSETS

	Consolidated Group 2016 $	Consolidated Group 2015 $
Investment –at cost	**32,376**	-
Impairment provision	**(32,376)**	-
	-	-

13. TRADE AND OTHER PAYABLES

	Consolidated Group 2016 $	Consolidated Group 2015 $
Current		
Trade payables	**22,798**	645,310
Other payables	**867,242**	1,611,252
	890,040	2,256,562

14. EMPLOYEE BENEFITS PROVISION

	Consolidated Group 2016 $	Consolidated Group 2015 $
Current		
Staff Leave Entitlement	**101,461**	106,020
Non-Current		
Staff Leave Entitlement	**73,001**	79,470

15. OTHER LIABILITIES

Current		
Accrued payable	**9,015**	-
Non-Current		
Provision for mine rehabilitation	**435,000**	435,000

16. ISSUED CAPITAL

	Consolidated Entity and Parent Entity 2016 Number of Shares	Consolidated Entity and Parent Entity 2015 Number of Shares	Consolidated Entity and Parent Entity 2016 $	Consolidated Entity and Parent Entity 2015 $
Ordinary shares issued	**142,170,153**	140,507,730	**24,823,027**	24,740,247

a. Movements during the year:
Consolidated Entity and Parent Entity

	2016 Number of Shares	2015 Number of Shares	2016 $	2015 $
Opening balance	**141,507,730**	140,507,730	**24,740,247**	24,483,627
Share placement – fund received	**-**	-	**583,380**	6,620
Share placement – in lieu of services	**662,423**	1,000,000	**80,000**	250,000
Share issuing costs	**-**	-	**(580,600)**	-
Closing balance	**142,170,153**	141,507,730	**24,823,027**	24,740,247

16. ISSUED CAPITAL CONTINUED

b. Performance Employee Options

No employee performance options were exercised during the year. (2015: $nil option)

No other performance option is granted or exercised 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.

d. Options

There were no options on unissued ordinary shares outstanding at the end of the financial year.

1,380,000 unallocated performance options have been approved for granting relevant to the Company's Employee Share Option Plan.

17. RESERVES

	Consolidated Group	
	2016	2015
	$	$
Option Reserves	**593,250**	593,250

The Company granted 8,200,000 options to directors and other key management personnel under the Company employee share option plan in 2009.
The Company granted a further 500,000 success options.
The Company allocated 420,000 performance options to three eligible employees in 2011.
Please refer Note 26 to the financial statements for details.

18. INVESTMENT IN CONTROLLED ENTITIES

Name of Entity	Class of Shares	Equity Holding		Country of Incorporation
		2016	2015	
		%	%	
ABx 1 Pty Ltd	Ordinary	**100**	100	Australia
ABx 2 Pty Ltd	Ordinary	**100**	100	Australia
ABx 3 Pty Ltd	Ordinary	**100**	100	Australia
ABx 4 Pty Ltd	Ordinary	**100**	100	Australia
ABx 5 Pty Ltd	Ordinary	**100**	100	Australia
ABxTASML1 Pty Ltd	Ordinary	**100**	100	Australia
XBxTASML1 Pty Ltd	Ordinary	**100**	100	Australia
Tasmanian Bauxite Operation Pty Ltd	Ordinary	**100**	100	Australia

18. INVESTMENT IN CONTROLLED ENTITIES CONTINUED

Parent Entity Financial Information

a. Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	Parent Entity	
	2016	2015
	$	$
Balance Sheet		
Current assets	**1,133,169**	847,859
Total assets	**22,244,830**	22,370,293
Current liabilities	**998,244**	1,785,554
Total liabilities	**1,071,246**	1,865,024
Shareholder's equity		
Issued Capital	**24,823,027**	24,740,247
Reserves	**593,250**	593,250
Accumulated losses	**(4,242,692)**	(4,828,228)
Profit and Loss		
Profit/(Loss) for the year	**585,536**	573,707
Total comprehensive profit/(loss)	**585,536**	573,707

b. Guarantees entered into by the parent entity

Australian Bauxite Limited has not provided guarantees to some of the subsidiaries within the Group. No liability was recognised Australian Bauxite Limited in relation to these guarantees as the likelihood of payment is not probable.

c. Contingent liabilities of the parent entity

Refer to note 21.

d. Contractual commitments by the parent entity for the acquisition of property, plant and equipment.

There are no contractual commitments by the parent entity for the acquisition of property, plant and equipment.

19. RECONCILIATION OF (LOSS)/PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	Consolidated Group	
	2016	2015
	$	$
(Loss)/Profit for the year	**(163,682)**	(1,044,658)
Capitalised exploration expenditure	**1,611,705**	(4,082,674)
Government fund refunded	**(1,395,474)**	(1,467,097)
Change in operating assets and liabilities:		
(Increase)/Decrease in trade and other receivables	**204,897**	564,291
(Increase)/Decrease in other current assets	**(65,725)**	(65,221)
Increase/(Decrease) in trade and other creditors and provisions	**(601,178)**	10,897
(Increase) in deferred tax assets	**-**	-
Increase in deferred tax liabilities	**-**	-
Net cash (outflow)/inflow from operating activities	**(409,457)**	(6,084,462)

20. SEGMENT INFORMATION

The Group operates one business being the mineral, exploration and development of resources in Australia.

	Mineral Exploration and Development of Resources in Australia	
	2016	2015
	$	$
Revenue		
- Sale	**2,584,319**	7,807
- Interest income	**93,309**	163,114
- R&D Tax offset income	**1,395,474**	1,467,097
- Others	**44,026**	-
Total Revenue	**4,117,128**	1,638,018
Exploration and Other Expenses	**(4,276,223)**	(2,657,435)
Depreciation & amortisation expenses	**(4,587)**	(25,241)
Segment results	**(163,682)**	(1,044,658)
Assets		
Current assets	**1,885,803**	1,682,005
Plant & equipment	**618**	5,205
Exploration and evaluation assets	**16,432,224**	18,043,930
Other non current assets	**73,626**	110,568
Total assets	**18,392,271**	19,841,708
Current liabilities	**(1,000,516)**	(2,362,582)
Non-current liabilities	**(508,001)**	(514,470)
Net assets	**16,883,754**	16,964,656

21. COMMITMENTS AND CONTINGENT LIABILITIES

Tenement Expenditure Commitments	Consolidated Group	
	2016	2015
	$	$
Minimum tenement exploration expenditures	**599,500**	974,333
Tenement lease payment	**66,443**	96,166
	665,943	1,070,499

The minimum exploration expenditure commitments $0.59 million and lease payments $0.06 million on the Company's exploration tenements totalling approximately $0.66 million over the remaining term of the tenements.

Executive services agreement

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 for the calendar year 2016.

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 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 Corporate Services Agreement provide that Hudson Corporate Limited shall act in accordance with the directions of the Board.

There are no other material contingent liabilities as at the date of this report.

22. EVENTS SUBSEQUENT TO BALANCE DATE

At the date of this report there are no other matters or circumstances, which have arisen since 31 December 2016 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 December 2016, of the Group;
- the results of those operations; or
- the state of affairs, in financial years subsequent to 31 December 2016, of the Group.

23. EARNINGS/(LOSS) PER SHARE

	Consolidated Group	
	2016	2015
	Cents	Cents
Basic earnings/(loss) per share	**(0.12)**	(0.74)
Fully diluted earnings/(loss) per share	**(0.11)**	(0.73)
	2016	2015
	$	$
Profit/(loss) from continuing operations used in calculating basic and fully diluted earnings per share	**(163,682)**	(1,044,658)
	2016	2015
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**141,838,942**	141,007,730
Adjustments for calculation of diluted earnings per share:		
Options issued	**1,380,000**	1,380,000
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**143,218,942**	142,387,730

24. KEY MANAGEMENT PERSONNEL DISCLOSURES

a. Directors

The following persons were Directors of Australian Bauxite Limited during the whole of the financial year unless otherwise stated:

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

b. Other Key Management Personnel

The following persons were other key management personnel of Australian Bauxite Limited during the financial year:

- Leon Hawker Chief Operating Officer
- Paul Glover General Manager
- Henry Kinstlinger Company Secretary
- Benjamin Amzalak Investor Relationship Officer
- Francis Choy Chief Financial Officer

c. Compensation of Key Management Personnel

	Consolidated Group	
	2016	2015
Directors	**$**	$
Short term employee benefits	**88,333**	267,200
Post employment benefits	**-**	-
Long term benefits	**-**	-
Termination benefits	**-**	-
Share based payments	**80,000**	-
	168,333	267,200
Other Key Management Personnel		
Short term employee benefits	**479,890**	577,090
Post employment benefits	**56,825**	37,998
Long term benefits	**9,939**	11,130
Termination benefits	**-**	-
Share based payments	**-**	-
	546,654	626,218

24 KEY MANAGEMENT PERSONNEL DISCLOSURES continued

Directors and other key management personnel of Australian Bauxite Limited

	Short Term Employee Benefits		Post Employment Benefits	Long Term Benefits		
	Salary & other fees	**Non-Monetary Benefits**	**Super-annuation**	**Long Service Leave**	**Share Based Payments**	**Total**
Consolidated Group 2016	**$**	**$**	**$**	**$**	**$**	**$**
Directors						
Paul A Lennon	**53,333**	**-**	**-**	**-**	**46,667**	**100,000**
Ian Levy	**35,000**	**-**	**-**	**-**	**-**	**35,000**
Ken Boundy	**-**	**-**	**-**	**-**	**33,333**	**33,333**
Total-Directors	**88,333**	**-**	**-**	**-**	**80,000**	**168,333**
Other KMP						
Leon Hawker	**200,000**	**-**	**19,000**	**3,498**	**-**	**222,498**
Paul Glover	**110,000**	**-**	**37,825**	**6,441**	**-**	**154,226**
Henry Kinstlinger	**109,890**	**-**	**-**	**-**	**-**	**109,890**
Benjamin Amzalak	**60,000**	**-**	**-**	**-**	**-**	**60,000**
Francis Choy	**-**	**-**	**-**	**-**	**-**	**-**
Total-KMP	**479,890**	**-**	**56,825**	**9,939**	**-**	**546,654**
Consolidated Group 2015						
Directors	$	$	$	$	$	$
Paul A Lennon	70,000	-	-	-	-	70,000
Ian Levy	170,000	7,200	-	-	-	177,200
Ken Boundy	20,000	-	-	-	-	20,000
Total-Directors	260,000	7,200	-	-	-	267,200
Other KMP						
Leon Hawker	200,000	-	19,000	7,804	-	226,804
Robert Williams	200,000	-	18,998	3,326	-	222,324
Julian Rockett	-	-	-	-	-	-
Henry Kinstlinger	109,890	7,200	-	-	-	117,090
Benjamin Amzalak	60,000	-	-	-	-	60,000
Francis Choy	-	-	-	-	-	-
Total-KMP	569,890	7,200	37,998	11,130	-	626,218

The amounts reported represent the total remuneration paid by entities in the Australian Bauxite Group of companies in relation to managing the affairs of all the entities within the Australian Bauxite Group.

There are no performance conditions related to any of the above payments.

There are no other elements of Directors and Executives remuneration.

24. KEY MANAGEMENT PERSONNEL DISCLOSURES continued

d. Employee Share Option Plan

The Company has adopted an Employee Share Option Plan, (**ESOP**) for its employees. A person is an employee of the Company if that person is an Executive Director, Non-executive Director or considered by the Board to be employed by the Company or a related party of the Company.

The purpose of the ESOP is to provide an opportunity for all eligible employees of the Company to participate in the growth and development of the Company through participation in the equity of the Company.

The Company believes it is important to provide incentives to employees in the form of options which provide the opportunity to participate in the share capital of the Company. The Company expects to apply the proceeds of exercise of the Options to working capital needs, asset or business acquisitions and general corporate purposes. All options to be issued must be consistent with any applicable Listing Rules and having regard to regulatory constraints under the *Corporations Act 2001*, ASIC policy or any other law applicable to the Company.

e. Shareholdings and Option Holdings of Key Management Personnel

Particulars of Interest in the Issued Capital of the Company's Ordinary Shares and Options:

Directors	Shares Direct Interest	Shares Indirect interest	Options
Paul A Lennon	**-**	**1,473,318**	**-**
Ian Levy	**-**	**2,970,189**	**-**
Ken Boundy	**180,000**	**276,007**	**-**

Shareholdings and Option Holdings of Key Management Personnel
Shares held in Australian Bauxite Limited
2016

Directors	Balance at beginning of year	Changes during the year	Balance at end of year
Paul A Lennon	**500,000**	**973,318**	**1,473,318**
Ian Levy	**2,970,189**	**-**	**2,970,189**
Ken Boundy	**180,000**	**276,007**	**456,007**
Other Key Management Personnel			
Henry Kinstlinger	**608,333**	**(608,333)**	**-**

Shareholdings and Option Holdings of Key Management Personnel
Shares held in Australian Bauxite Limited
2015

Directors	Balance at beginning of year	Changes during the year	Balance at end of year
Paul A Lennon	161,728	338,272	500,000
Ian Levy	2,970,189	-	2,970,189
Ken Boundy	180,000	-	180,000
Other Key Management Personnel			
Henry Kinstlinger	800,000	(191,667)	608,333

24. KEY MANAGEMENT PERSONNEL DISCLOSURES continued

f. Loans to Directors and Key Management Personnel

Details of individuals with loans above $100,000 during the year are set out below:

	Balance at the start of the year	Advance/ (Repayments)	Interest payable for the year	Balance at the end of the year	Highest indebtedness during the year	Additional interest otherwise payable*
	$	$	$	$	$	$
Consolidated - KMP						
2016						
Henry Kinstlinger						
- ESOP	**704,346**	**-**	**42,203**	**746,549**	**746,549**	**54,068**
- unsecured loan	**39,313**	**-**	**2,708**	**42,021**	**42,021**	**904**
Benjamin Amzalak	**18,581**	**-**	**922**	**19,503**	**19,503**	**-**
2015						
Henry Kinstlinger						
- ESOP	710,534	(52,360)	46,172	704,346	704,346	15,391
- unsecured loan	36,613	-	2,700	39,313	39,313	900
Benjamin Amzalak	17,661	-	920	18,581	18,581	-

Terms and conditions of loans

The $520,000 interest bearing, full recourse loan partly relates to the individual's participation in the Company's Employee Share Option Plan. Loans are secured against the shares. A second unsecured interest bearing, full recourse loan of $30,000 was advanced to an individual in 2012. Loans are repayable should employees leave the Company. None were written down during the year.

An unsecured interest bearing full recourse loan of $35,000 was advanced to a consultant in 2014. The loan is repayable should the consultant leave the Company. None were written down during the year.

There were no other loans made to Directors or Specified Executives of the Company and the Group during the period commencing at the beginning of the financial year and up to the date of this report.

25. REMUNERATION OF AUDITORS

	Consolidated Group	
	2016	2015
	$	$
Audit services:		
Amounts paid or payable to auditors for audit and review of the financial report for the entity or any entity in the Group		
Audit and review services	**29,760**	27,745
Taxation and other advisory services:		
Amounts paid or payable to auditors for non-audit taxation and advisory services for the entity or any entity in the Group		
Taxation	**1,460**	1,295
Advisory services	**-**	-
	1,460	1,295

26. SHARE BASED PAYMENTS

On June 2016 the Company issued 662,423 shares at 0.1207 cents each in lieu of cash consideration to directors for their services rendered $80,000.

27. RELATED PARTY TRANSACTIONS

a. Parent Entities

The parent entity within the Group is Australian Bauxite Limited.

b. Subsidiaries

Interests in subsidiaries are disclosed in Note 18.

c. Key Management Personnel Compensation

Key management personnel compensation information is disclosed in Note 24.

d. Transactions with Related Parties

There is no transaction with related parties during the year ended 31 December 2016.

e. Outstanding Balance

	Consolidated Group	
	2016	2015
Receivable	**$**	$
Non-current		
Advance to related entities	**-**	-
Payable		
Non-current		
Advance from related entities	**-**	-

f. Guarantees

No guarantees were given or received from related parties during the year.

g. Terms and Conditions

All transaction were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for repayment of loans between the parties and that no interest is charged on outstanding balances.

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements, comprising the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and accompanying notes, are in accordance with the *Corporations Act 2001* and:

   (a) comply with Accounting Standards which as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

   (b) give a true and fair view of the financial position as at 31 December 2016 and of the performance for the year ended on that date of the Company and the consolidated entity.

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.

3. The remuneration disclosures included on pages 13 to 15 of the Directors' Report (as part of audited Remuneration Report), for the year ended 31 December 2016, comply with section 300A of the *Corporations Act 2001.*

4. The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

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

Ian Levy
Managing Director & Chief Executive Officer

Paul Lennon
Non-Executive Chairman

Signed at Sydney
30 March 2017

INDEPENDENT AUDITORS' REPORT

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

INDEPENDENT AUDITOR'S REPORT

To the Members of Australian Bauxite Limited

Opinion

We have audited the financial report of Australian Bauxite Limited (the company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

i) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the year then ended; and
ii) complying with Australian Accounting Standards and *the Corporations Regulations 2001.*

Basis of opinion

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

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

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

Key audit matters

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

Phone 02 8839 3000
Fax 02 8839 3055

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

Key audit matter	How our audit addressed the key audit matter
Impairment of mining tenements Refer to note 11 (Mining tenements, property, plant and equipment) At 31 December 2016, the Group has capitalised mining tenement costs of $16.43m. AASB 136, *'Impairment of Assets'* requires that the recoverable amount of an asset, or cash generating unit to which it belongs, be determined whenever an indicator of impairment exists. The Group's assessment of the recoverable amount of its producing and non producing bauxite assets was a key audit matter because the carrying value of the assets are material to the financial statements and management's assessment of recoverable amounts incorporated significant internal and external judgments and assumption including commodity prices, available reserves, residual values and discount rates.	Our procedures included, amongst others: • Assessing whether the external expert engaged by management to provide independent valuations were appropriately experienced and qualified; • We evaluated management's key assumptions and estimates used to determine the recoverable amount of its assets, including those related to forecast commodity prices and revenue costs, discounted rates an estimated residual values; • We checked the mathematical accuracy of the cash flow models, testing inputs, from valuation reports produced, as well as external inputs, including spot and forecast process for bauxite at the reporting date; • We assessed the accuracy of management's forecasting by assessing the reliability of historical forecasts and reviewing whether current market conditions would impact those forecasts; and • Assessing whether appropriate disclosure regarding significant areas of uncertainty has been made in the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2016, but does not include the financial report and the auditor's report thereon.

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

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

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

Phone 02 9839 3000
Fax 02 9839 3055

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our representation of our responsibilities for the audit of the financial report is located at The Australian Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/Home.aspx. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report include in pages 15 to 17 of the directors' report for the year ended 31 December 2016.

In our opinion, the Remuneration Report for the year ended 31 December 2016 complies with section 300A of the Corporation Act 2001.

Responsibilities

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

KS Black & Co
Chartered Accountants

Scott Bennison

Scott Bennison
Partner
Dated: 30 March 2017
Sydney

Phone 02 8839 3000
Fax 02 8839 3055

SHAREHOLDER INFORMATION

As at 28 February 2017

A. Substantial Holders

Those shareholders who have lodged notice advising substantial shareholding under the Corporations Act 2001 are as follows:

	Shareholder	No. of Shares	% held
1	Citicorp Nominees Pty Limited	11,470,504	8.07
2	WSF Pty Ltd <Woodstock Super Fund A/C>	9,133,232	6.45

B. Distribution of Equity Securities

Range	Total Holders	Units	% of Issued Capital
1 - 1,000	79	23,721	0.02
1,001 - 10,000	1,377	7,933,690	5.58
10,001 - 100,000	1,153	39,356,884	27.68
100,001 - 500,000	144	32,291,341	22.71
500,001 - 1,000,000	18	12,790,643	9.00
1,000,001 - and above	14	49,773,874	35.01
Rounding			**0.00**
Total	**2,785**	**142,170,153**	**100.00**

C. Unmarketable Parcels

	Minimum Parcel size	Holders	Units
Minimum $500.00 parcel at $0.14 per unit	3,572	484	1,008,701

D. Twenty Largest Shareholders

The names of the twenty largest holders of quoted equity securities aggregated are listed below:

Rank	Name	Units	% of Issued Capital
1	Citicorp Nominees Pty Limited	11,470,504	8.07
2	WSF Pty Ltd <Woodstock Super Fund A/C>	10,616,817	7.47
3	Washington H Soul Pattinson & Company Limited	6,805,744	4.79
4	Yarraandoo Pty Ltd <Yarraandoo Super Fund A/C>	5,000,000	3.52
5	London Wall Investments Pty Ltd <The Jenkins Family A/C>	3,223,000	2.28
6	Gleneagle Securities Nominees Pty Limited	2,975,742	2.10
7	Justevian Pty Limited <Justevian Superfund A/C>	2,970,189	2.09
8	David Foord	2,909,355	2.05
9	C&D Vrisakis	2,100,000	1.48
10	Henry Erwin Spira <Spira Family Super Fund A/C>	1,800,000	1.27
11	Romsup Pty Ltd <Romadak Super Fund A/C>	1,559,000	1.10
12	Paramul Pty Ltd <Lennon Super Fund A/C>	1,473,318	1.03
13	JP Morgan Nominees Aust Ltd	1,184,448	0.83
14	HSBC Custody Nominees (Aust) Ltd	1,091,866	0.77
15	R Adams & J Adams <R & J Adams Super Fund A/C>	991,728	0.70
16	The Summit Hotel Bondi Beach Pty Ltd	945,797	0.67
17	Romadek Pty Ltd	828,333	0.58
18	Davmin Pty Ltd	800,000	0.56
19	J & M Killen	700,000	0.49
20	P Baster & C Bellemore	670,000	0.47
	Subtotal Top 20:	**60,115,841**	**42.32**
	Total Remaining Holders Balance	82,054,312	57.68
	Total shares on issue	142,170,153	100.00

E. Unquoted Securities (other than options issued under an Employee Share Option Plan)

Class	Exercise Price	Expiry Date	No. of Securities	No. of Holders	Name where holder holds 20% or more	Percentage held
N/A	N/A	N/A	N/A	N/A	N/A	N/A

E. Voting Rights

There are no restrictions on voting rights. On a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote. Where a member holds shares which are not fully paid, the number of votes to which that member is entitled on a poll in respect of those part paid shares shall be that fraction of one vote which the amount paid up bears to the total issued price thereof. Option holders have no voting rights until the options are exercised.

F. List of Escrowed Securities

There are no escrowed securities as at 28 February 2017.

G. Tenement Schedule

Application No	Licence No	Project	Status	Date Granted	Expiry Date	Area (sq km)	Minimum Annual Expenditure ($AUD)
ABx1 Pty Ltd							**New South Wales**
	EL 6997	Inverell	Granted	24-Dec-07	24-Dec-17	147	$64,500
	EL 7361	Guyra	Granted	17-Jul-09	17-Jul-19	30	$10,000
	EL 7597	Merriwa - 2	Granted	18-Aug-10	18-Aug-17	159	$41,500
	EL 8440	New Stannifer	Granted	8-Jul-16	8-Jul-21	147	-
					Total	**483**	**$116,000**
ABx2 Pty Ltd							
	EL 7357	Taralga	Granted	01-Jul-09	01-Jul-19	123	$10,000
	EL 7681	Taralga Extension	Renewal Pending	11-Jan-11	11-Jan-16	111	$15,000
	EL 8370	Penrose Forest	Granted	6-May-15	6-May-18	129	$20,750
					Total	**363**	**$45,750**

G. Tenement Schedule continued

Application No	Licence No	Project	Status	Date Granted	Expiry Date	Area (sq km)	Minimum Annual Expenditure ($AUD)
ABx3 Pty Ltd							**Queensland**
	ML 80126*	Toondoon ML	Granted	24-Nov-05	30-Nov-30	1	
	EPM 17830	Haden	Granted	25-Feb-09	24-Feb-18	24	$12,000
	EPM 17831	Hillgrove	Granted	25-Feb-09	24-Feb-18	18	$9,000
	EPM 17790	Hampton	Granted	28-Apr-09	27-Apr-17	42	$21,000
	EPM 18014	Binjour	Granted	09-Oct-09	08-Oct-18	126	$120,000
	EPM 18772	Binjour Extension	Granted	31-Jan-11	30-Jan-18	42	$21,000
	EPM 25146	Toondoon	Granted	07-Jan-14	06-Jan-17	9	$4,500
	EPM 19427	Brovinia 2	Granted	28-Jul-15	27-Jul-17	39	$25,000
					Total QLD	**301**	**$212,500**
ABx4 Pty Ltd							**Tasmania**
	EL 4/2010	Evandale	Granted	14-Sep-10	13-Sep-16	83	$15,000
	EL 7/2010	Conara	Granted	14-Sep-10	13-Sep-16	184	$20,000
	EL 9/2010	Deloraine	Granted	14-Sep-10	13-Sep-16	142	$20,000
	EL 37/2010	Westbury	Granted	07-Nov-11	06-Nov-16	71	$25,000
	EL 3/2012	Ross	Granted	11-Sep-12	10-Sep-17	93	$25,000
	EL 12/2012	Scottsdale	Granted	12-Dec-12	11-Dec-17	46	$75,500
	EL 16/2012	Reedy Marsh	Granted	16-Jun-13	15-Jun-18	95	$30,000
	EL 18/2014	Prossers Road	Granted	02-Dec-14	01-Dec-19	114	$34,750
	ML 1961P/M	Bald Hill Bauxite	Granted	19-Sep-14	21-Oct-23		
					Total TAS	**828**	**$245,250**
					TOTAL	**1,975**	**$619,500**

As at 28 February 2017
*Denotes that the respective ABx subsidiary MANAGES the licence but does not HOLD it.

Qualifying statements

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 Annual Report 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.

Resource Statements

Tabulated below are the Mineral Resources for each ABx Project with footnote references to the initial ASX disclosure for these Resources that have full details of resource estimation methodology and attributions.

Table 1: ABx JORC Compliant Resource Estimates

Region	Resource Category	Million Tonnes	Thickness (m)	Al_2O_3 %	SiO_2 %	A/S ratio	Fe_2O_3 %	TiO_2 %	LOI %	Al_2O_3 Avl @ 143°C %	Rx SiO_2 %	Avl/Rx ratio	% Lab Yield	O'Burden (m)	Int.Waste (m)
CAMPBELL TOWN	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
AREA TASMANIA [7]	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-	Inferred	2.4	3.3	30.9	19.5	--	35.4	3.9	16.7	--	--	--	--	1.9	0.1
Grade Bauxite [8]	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]	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 [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	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		**124.6**													

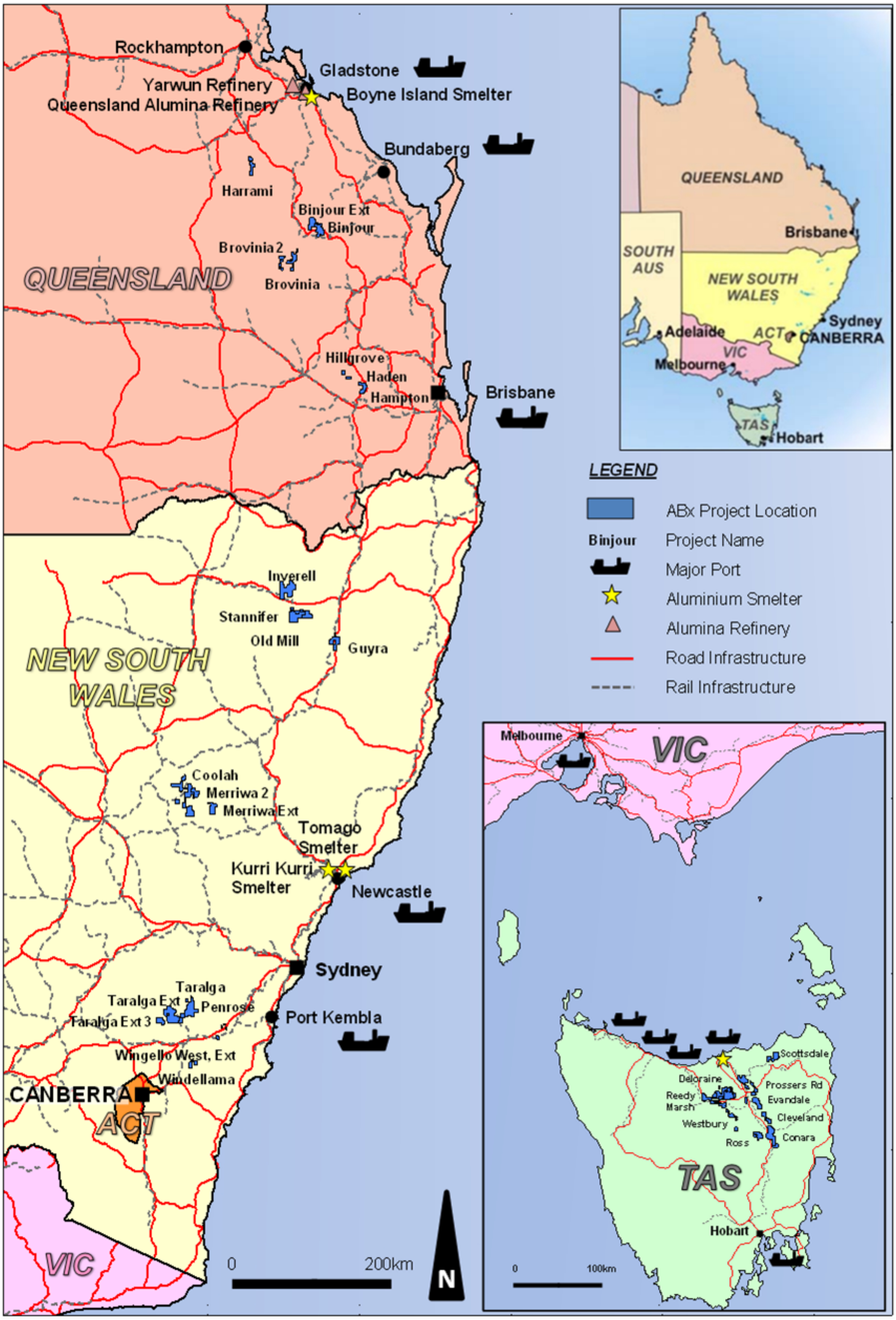
* PDM is Al_2O_3 spinel. Al_2O_3 Avl at 225°C is >35%

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, 24.5 million tonnes announced on 29/06/2012*
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 25/08/2016 total 124.6 million tonnes.


Rockhampton
Gladstone
Yarwun Refinery
Queensland Alumina Refinery
Boyne Island Smelter
Bundaberg
Harrami
Binjour Ext
Binjour
Brovinia 2
Brovinia
QUEENSLAND
Hillgrove
Haden
Hampton
Brisbane
Inverell
Stannifer
Old Mill
Guyra
NEW SOUTH WALES
Coolah
Merriwa 2
Merriwa Ext
Tomago Smelter
Kurri Kurri Smelter
Newcastle
Sydney
Taralga
Taralga Ext
Penrose
Taralga Ext 3
Port Kembla
Wingello West, Ext
Windellama
CANBERRA
ACT
VIC
0
200km
N
QUEENSLAND
Brisbane
SOUTH AUS
NEW SOUTH WALES
Sydney
Adelaide
ACT
CANBERRA
VIC
Melbourne
TAS
Hobart
LEGEND
ABx Project Location
Binjour
Project Name
Major Port
Aluminium Smelter
Alumina Refinery
Road Infrastructure
Rail Infrastructure
Melbourne
VIC
Scottsdale
Deloraine
Prossers Rd
Reedy Marsh
Evandale
Westbury
Cleveland
Conara
Ross
TAS
Hobart
0
100km

WWW.AUSTRALIANBAUXITE.COM.AU
Level 2, 131 Macquarie Street
NSW 2000 Australia
ACN 139 494 885 ABN 14 139 494 885

AUSTRALIAN BAUXITE LIMITED