



Interim Financial Report for the half-year ended 30 June 2016

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2015 and any public announcements made by Australian Bauxite Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

CORPORATE DIRECTORY

Australian Bauxite Limited

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ABN 14 139 494 885

Registered and Corporate Office

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Lawyers

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Level 23, Governor Macquarie Tower
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Bankers

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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 and CEO)
Ken Boundy

Company Secretary

Henry Kinstlinger

Share Registry

Computershare Investor Services Pty Limited
Level 3
60 Carrington Street
Sydney NSW 2000, Australia
Telephone: 1300 327 328 (within Australia)

ASX Code – ABX

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

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

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

REVIEW OF OPERATIONS

Corporate

- In May 2016, at ABx’s AGM, all resolutions put to the meeting were passed on a show of hands. Approval given by shareholders to issue 662,423 shares to the Non-Executive directors in lieu of cash consideration for their services
- Group cash balance was \$2.9 million as at 31 August 2016.
- Number of shareholders grows to approximately 2,800.

Operations & Exploration

Bald Hill Bauxite Project. ABx’s 1st operating mine

As at 31 January 2016, ABx suspended production at the Company’s first mine, Bald Hill bauxite project in northern Tasmania due to an oversupply of bauxite from Malaysia into the China market. ABx had 40,000 tonnes of high quality bauxite stockpiled at Bell Bay port ready for shipping to customers.

Port Stockpile Completely Sold. New shipments being assembled at mine site

During the first half of 2016, ABx identified new markets other than the Chinese metallurgical bauxite market and sold the 40,000 tonnes stockpile as cement-grade bauxite. Furthermore, sales of fertiliser grade bauxite have continued to grow at moderate tonnages in a seasonal agricultural demand cycle.

ABx reopened the Bald Hill bauxite project ahead of schedule on 4 August 2016, in conjunction with its mine contractors, Stornoway, to continue with routine rehabilitation and to commence assembling the next 3 bauxite lots for sale from existing mine stockpiles, including a large ship load, planned for shipment in late 2016. The Company is currently in contact with several repeat business customers and customers seeking long-term contracts that will underpin the recommencement of full-scale mine production from Bald Hill and may justify and early start-up of a second mine nearby at Fingal Rail.

ABx bauxite is a dust free aggregate, ideal for road, rail and sea transport and is very stable in stockpiles. ABx bauxite is rigorously processed by Stornoway contractors at the Bald hill mine, carefully transported pit to port by TasRail and efficiently managed at Bell Bay port by Qube Ports.

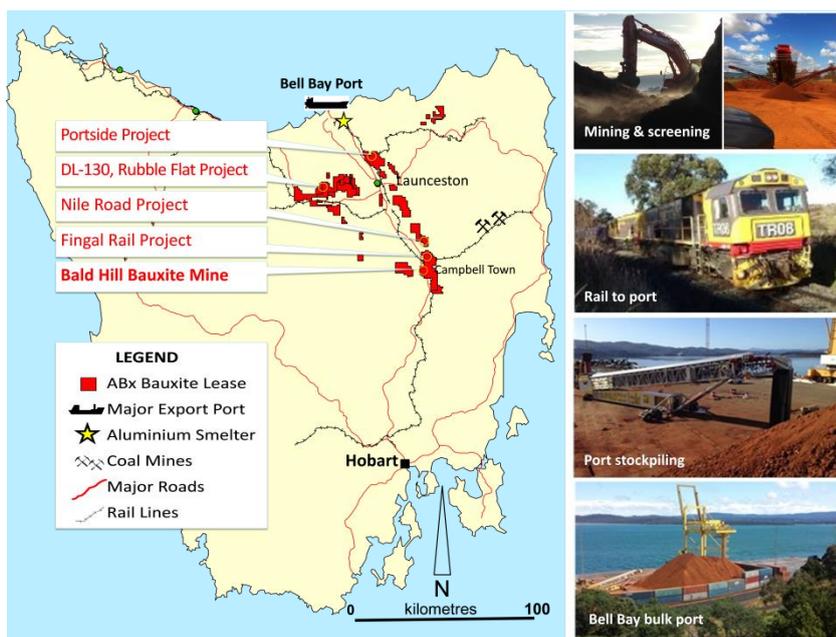


Figure 1
Location of Bald Hill Bauxite Project, other development prospects & Tasmanian infrastructure

Figures 1 to 7 show the simple mining, screening and high-standard logistics from the mine to the ship. As sale tonnages grow, this will become cost-competitive with larger bauxite projects which are usually in less well serviced locations.

ABx and its contractors are assembling bauxite stockpiles for a new customer that has satisfactorily tested the ABx product. ABx is also in discussions with several customers to conclude long-term sale contracts that will underpin the opening new bauxite mines in addition to the Bald Hill Bauxite Project.



Figures 2 & 3: Bench mining & dry-screening by Stornoway Contractors



Loading bauxite into B-Double Trucks



Loading onto rail wagons



Bauxite Train to Bell Bay Port

Figures 4, 5 & 6 (left)

TasRail transport operations have run seamlessly, pit to port



Bauxite shiploading at Bell Bay Port 7 August 2016

Figure 7 (left)

Bell Bay Port of Launceston 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 recent loading pictured here.

TasTech Technology can increase revenue & further reduce market risk

The core objective of TasTech is to extract 3 constituent bauxite types from Tasmanian bauxite:

1. High grade, ultra-cleaned metallurgical-grade bauxite for the aluminium industry;
2. Cement-grade bauxite for the manufacture of certified, high specification cement; and,
3. Fertiliser-grade bauxite for the fertiliser industry.

The technology involves 3 steps:

1. A specific mining process to pre-prepare the broken bauxite ore for TasTech processing;
2. During a simple, specific screening and handling process, the bauxite naturally breaks into lumps that each have their own separate chemistry and physical properties;
3. Lumps are separated by low-cost physical processes into the 3 separate bauxite types listed above.

Proof-of-Concept Achieved

Table 1 and Figure 8 shows the natural grouping of lump qualities after TasTech technology is applied under ideal conditions. This recent fundamental testwork is proof of concept but operational practicalities and customer requirements will change product specifications.

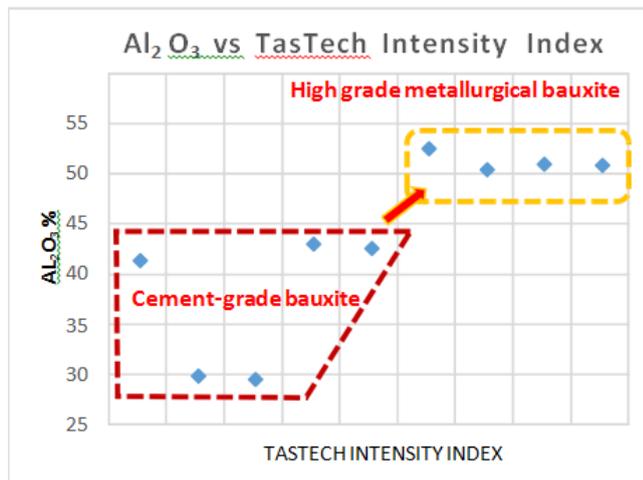


Figure 8 (left):

Recent TasTech Fundamental Testwork Results

Plot of bauxite Al₂O₃ grades versus TasTech Intensity Index which is a measure of the degree of processing via TasTech technology under ideal conditions.

The natural separation into High Grade Metallurgical Bauxite and Cement Grade Bauxite products is clearly evident in all tests conducted to date.

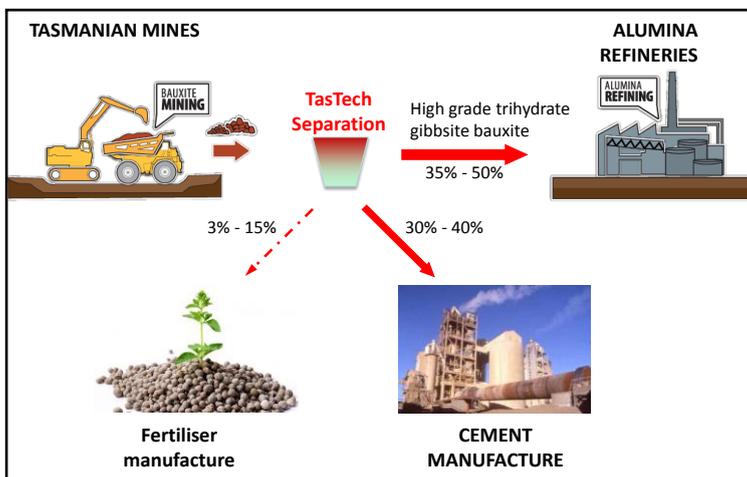
Table 1: Grade separation achieved under ideal conditions

Bauxite Product Type	Al ₂ O ₃ Grades	SiO ₂ %	Fe ₂ O ₃ %	TiO ₂ %
Metallurgical Grade	51.13	2.10	15.15	2.23
Cement-Grade	37.20	1.78	34.98	2.83

Table 1 (left) shows the main product grades of the two natural product groups achieved by recent fundamental testwork conducted under ideal conditions.

Operational practicalities and customer requirements will change product specifications.

Note: SiO₂ is increased for some cement customers



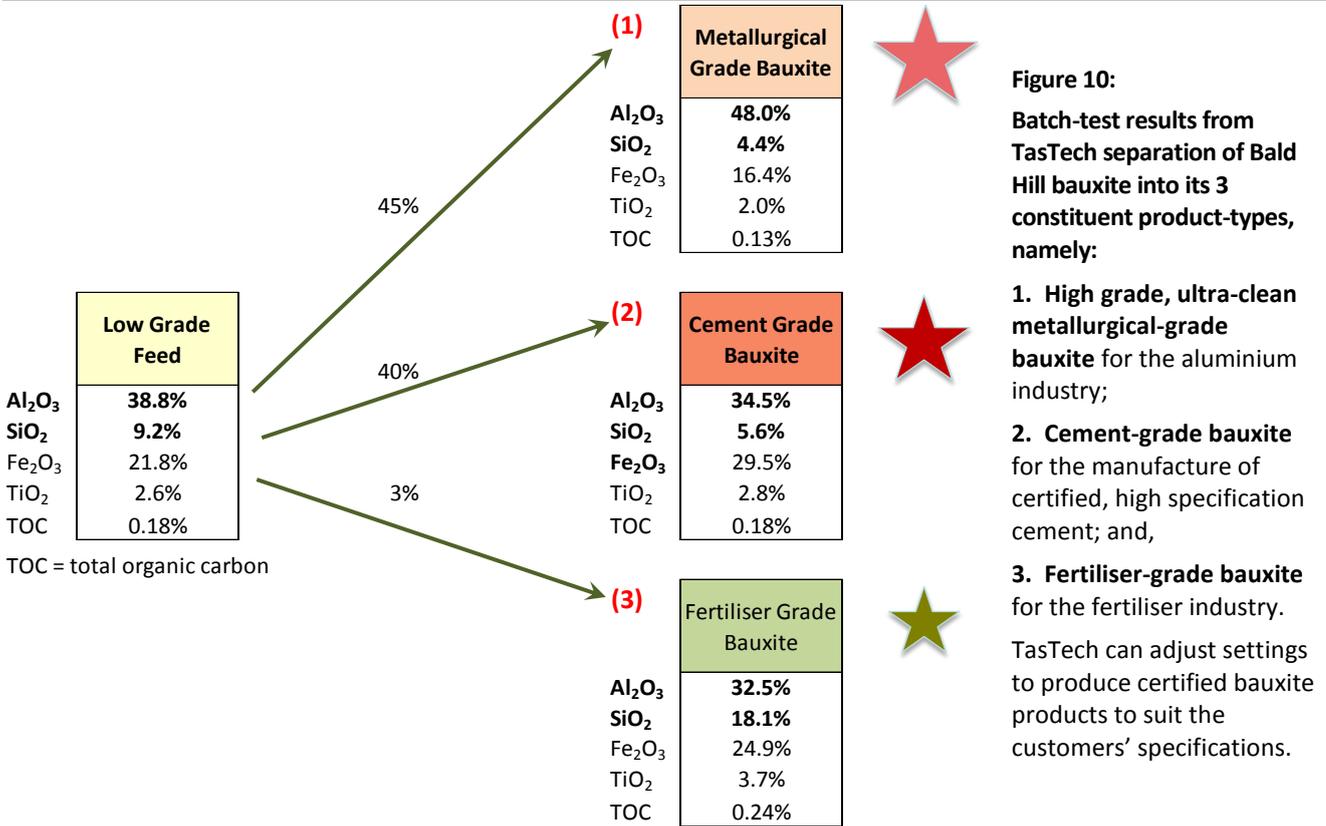
Figures 9 and 10 summarise the process and results under operational conditions.

Figure 9:

TasTech’s role in ABx marketing strategy.

TasTech is a low-cost, 3-stage process that separates Tasmanian bauxite into its 3 constituent product-types:

- (1) High grade metallurgical bauxite;
- (2) Cement-grade bauxite and
- (3) Fertiliser-grade bauxite.



Exploration

Significant Resource Increase at Fingal Rail Bauxite Project to 6 million tonnes

ABx has announced a significant increase in the cement-grade bauxite resources at the Fingal Rail project located 14kms north of Bald Hill Bauxite Mine (see ASX release dated 25 August 2016).

- Cement-grade bauxite resources for the Fingal Rail Bauxite Project totalled 6.3 million tonnes¹ which is a 5-fold increase compared with its maiden resource estimate of 1.18 million tonnes
- Fingal Rail is considered the most likely second mine for ABx and would be operated by the same operating team that is working on the Bald Hill Mine
- When long-term sale contracts are finalised, ABx will expedite development of Fingal Rail which holds substantial tonnages of cement-grade bauxite and is located immediately adjacent to the rail line (see Figures 11 & 12)
- 90% of Fingal Rail resources meet saleable grade in its raw state but it is anticipated that most of the bauxite production from Fingal Rail Bauxite Project will be dry-screened into a range of quality-assured product types to suit the specific requirements of each customer
- Total Tasmanian bauxite resources now exceed 12 million tonnes (an increase of 33%)¹
- The upgrade to Fingal Rail bauxite resources increase ABx's total resource base for all regions in Eastern Australia to 124 million tonnes, of which 12 million tonnes are in Tasmania

Marketing: Offtake Cooperation Agreement in place

ABx has executed a long-term offtake cooperation agreement with Rawmin Mining and Industries Pvt Ltd (Rawmin) of Mumbai, India. The Offtake Agreement runs for 5 years and covers all bauxite produced by the Company out of Tasmania. The Offtake Agreement provides for Rawmin to purchase a total of up to 4.7 million wet metric tonnes of bauxite over the 5 year period.

The Offtake Agreement further provides for blended shipments of ABx and Rawmin bauxites on a profit sharing basis for any blending profits achieved. ABx and Rawmin are currently working together on a possible sale of metallurgical grade bauxite to a major non-Chinese refinery.

¹ See resource & qualifying statements

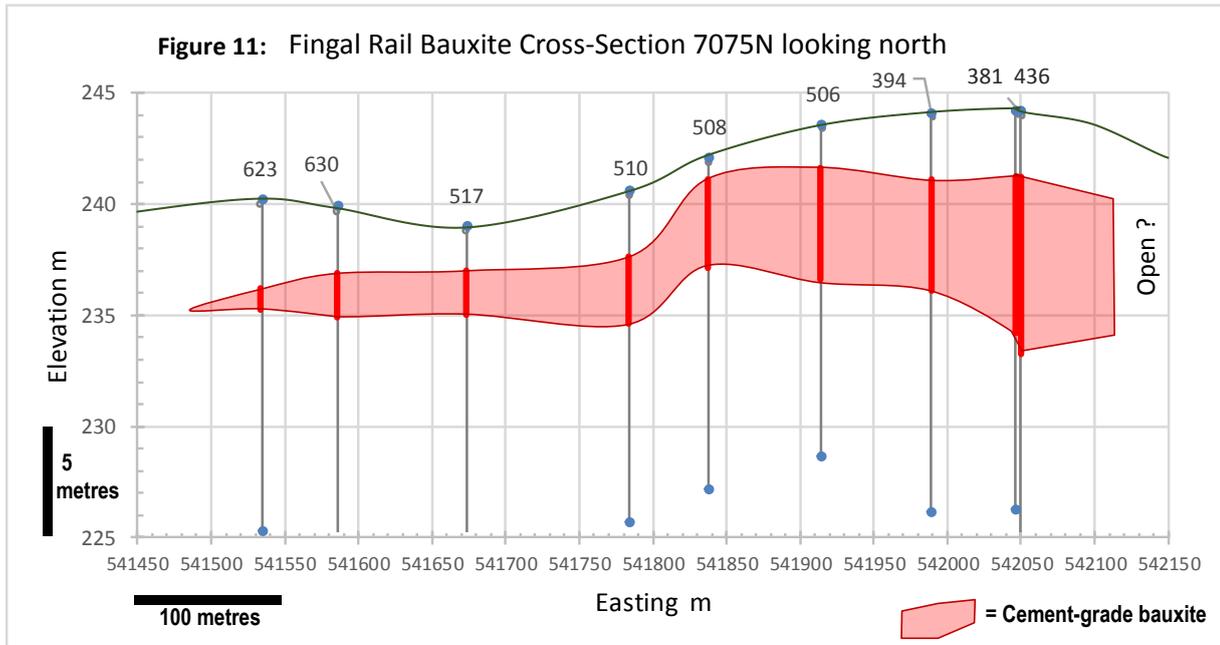
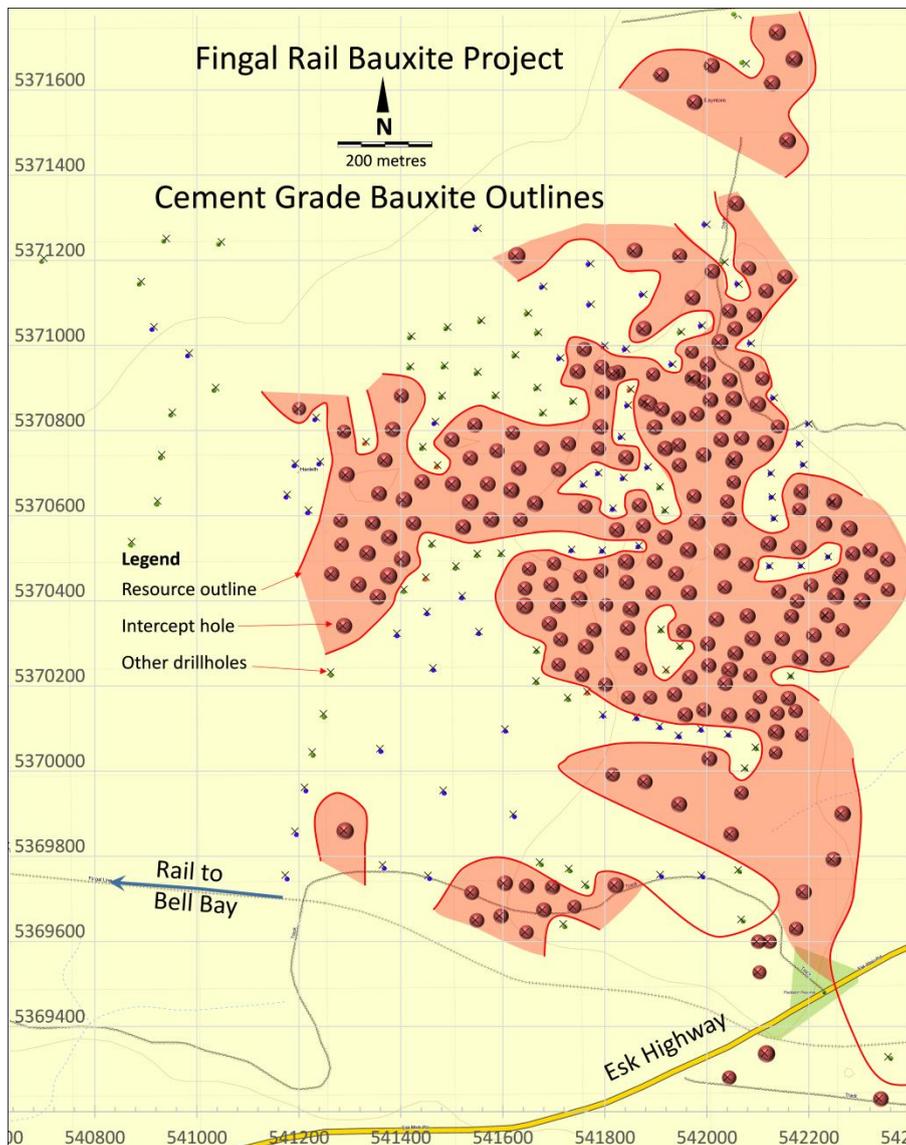
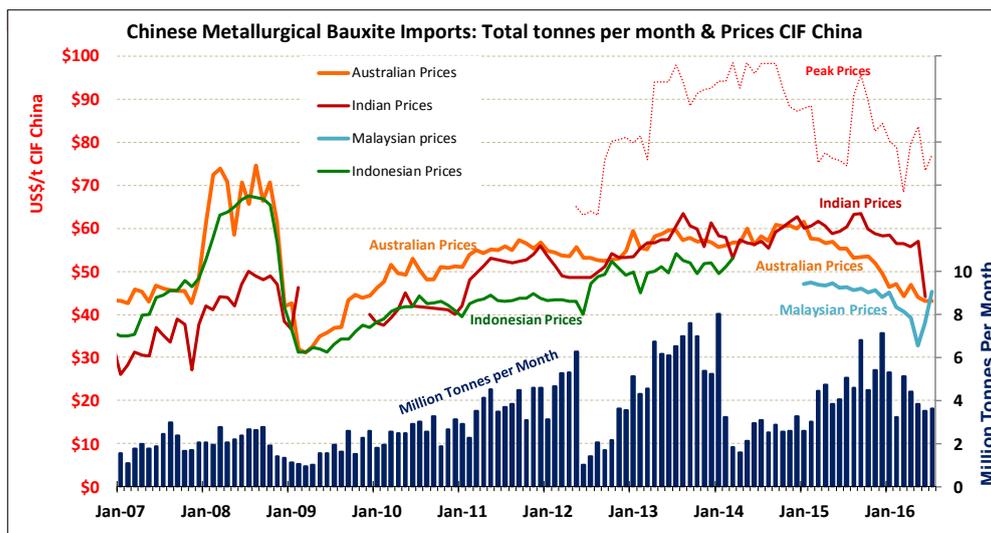
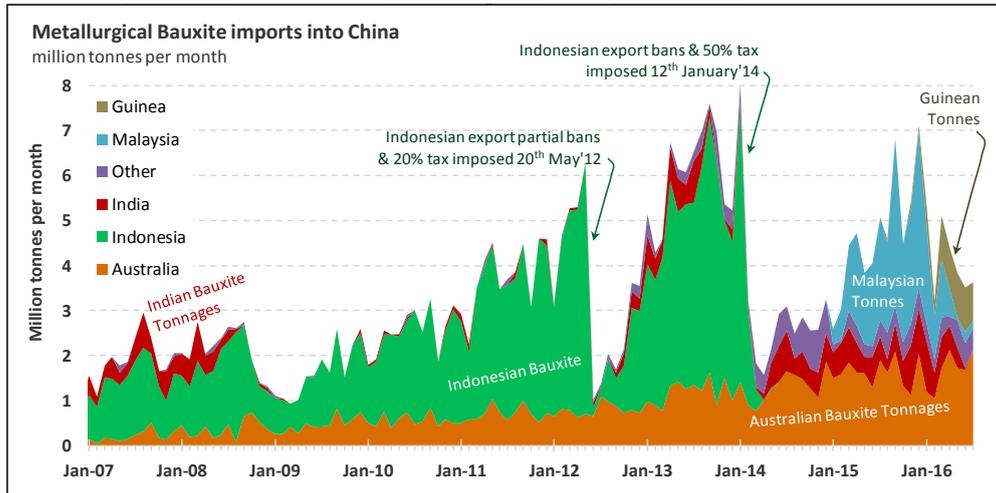


Figure 12: Location of Fingal Rail Bauxite Project and resources identified by drilling to date



Chinese Metallurgical Bauxite Market to 31 July 2016 Remains Flat

- July tonnages of 3.63Mt are 49% lower than December 2015 and are lower than China’s consumption rate.
- Malaysian tonnages down 96% on December 2015 to only 0.15Mt but is still a threat to market-dump again
- Guinean Bauxite keeps flooding into China: 0.87Mt at a remarkably low US\$54.74/t CIF price
- Indian Bauxite supply ceased as Chinese refineries buy Guinean bauxite instead
- Australian bauxite is dominating at 2.1Mt or 59% of the total, mainly from Rio’s Weipa and Gove mines but also a trial shipment by Alcoa from its WA mines.
- Average metallurgical bauxite import price remained flat at US\$48.33 per tonne CIF China.



CEMENT GRADE BAUXITE DEMAND IS GROWING:

When cement kilns convert from coal to gas fuel, they must also replace the supply of Al₂O₃ and some Fe₂O₃ that coal ash previously supplied. ABx can now provide both Al₂O₃ and Fe₂O₃ in a tailor-made single bauxite product which processes superbly through the cement kilns and makes extra-strong, corrosion-resistant cement, stops kiln blockages, reduces fuel consumption and saves wear on the kiln.

Medium-Term Marketing Strategy

Until metallurgical bauxite markets stabilise, ABx will focus on sales of Cement-Grade, Fertiliser-Grade and other non-metallurgical bauxite markets, with an emphasis on customers that require strict Quality Control and assured technical specifications. Overall, the demand for bauxite cement is growing world-wide – as is the demand for fertiliser-grade bauxite as demand for fertiliser grows in all agricultural areas across Australia and internationally.

DIRECTORS' REPORT

Your directors present their report together with the financial statements of the parent entity and the consolidated entity (referred to hereafter as the Group) consisting of Australian Bauxite Limited (the Company) and the entities it controlled at the end of or during the period ended 30 June 2016 and the Auditor's Review Report thereon.

Principal activities	The principal continuing activities of the Group during the reporting period were selling bauxite mineral, conducting the bauxite exploration and development programs.
Financial performance	The net consolidated profit of the Group for the six months ended 30 June 2016 was \$534,340 (2015: Loss \$975,219) Cash holding of the Group at 30 June 2016 was \$0.67 million. The Group will have sufficient cash reserves to fund its current exploration and development programs.
Review of operations	Information on the operations and financial position of the Group and its business strategies and prospects are set out in the Review of Operations on pages 3 to 8 of this report.
Dividends	The Directors of the Company do not recommend that any amount be paid by way of dividend. The Company has not paid or declared any amount by way of dividend since the commencement of the financial year.

Directors

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

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

Subsequent Events

At the date of this report there are no matters or circumstances which have arisen since 30 June 2016 that have significantly affected or may significantly affect:

- the operations, in financial half-year subsequent to 30 June 2016, of the Group;
- the results of those operations; or
- the state of affairs, in financial half-year subsequent to 30 June 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 *Environmental Protection Act (1994)*.
- The Company's operations in the State of NSW involve exploration activities. These operations are governed by the *Environment Planning and Assessment Act 1979*.
- The Company's operations in the State of Tasmania involve drilling operations. These operations are governed by the *Environmental Management and Pollution Control Act 1994*.
- The Company operates within the resources sector and conducts its business activities with respect for the environment while continuing to meet the expectations of the shareholders, employees and suppliers.
- The Company aims to ensure that the highest standard of environmental care is achieved, and that it complies with all relevant environmental legislation. The Directors are mindful of the regulatory regime in relation to the impact of the Company's activities on the environment.
- To the best of the directors' knowledge, the Group has adequate systems in place to ensure compliance with the requirements of all environmental legislation described above and are not aware of any breach of those requirements during the financial year and up to the date of the Directors' Report.

Directors' Report (continued)

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

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

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

Access to Land

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

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

Type of Land

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

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

Mineral Exploration Programs

Access

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

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.

Directors' Report (continued)

Qualifying Statements

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

25 August 2016 ASX ABX Resource Upgrade for Fingal Rail Project Tasmania

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

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

Mr Rebek and Mr Levy have sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which they are undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of exploration Results, Mineral Resources and Ore Resources. Mr Rebek and Mr Levy have consented to the inclusion in this announcement of the Exploration Information in the form and context in which it appears.

Directors' Report (continued)**TENEMENT LIST (as at 31 July 2016)**

Licence No	Project	Status	Date Granted	Expiry Date	Size Sq km	
ABx1 Pty Ltd				New South Wales		
EL 6997	Inverell	Granted	24-Dec-07	24-Dec-17	147	
EL 7361	Guyra	Granted	17-Jul-09	17-Jul-16	138	
EL 7597	Merriwa - 2	Granted	18-Aug-10	18-Aug-17	159	
*ELA 5225	New Stannifer	Application			147	
					Total	591
ABx2 Pty Ltd						
EL 7269	Windellama	Granted	23-Dec-08	23-Dec-16	51	
EL 7357	Taralga	Granted	1-Jul-09	1-Jul-16	246	
EL 7681	Taralga Extension	Renewal Pending	11-Jan-11	11-Jan-16	111	
EL8370	Penrose Forest	Granted	6-May-15	6-May-18	129	
					Total	537
ABx3 Pty Ltd				Queensland		
EPM 17790	Hampton	Granted	28-Apr-09	27-Apr-17	42	
EPM 17830	Haden	Renewal Pending	25-Feb-09	24-Feb-16	24	
EPM 17831	Hillgrove	Renewal Pending	25-Feb-09	24-Feb-16	18	
EPM 18014	Binjour	Granted	9-Oct-09	8-Oct-18	126	
EPM 18772	Binjour Extension	Granted	31-Jan-11	30-Jan-18	42	
EPM 25787	Harrami	Granted	8-Apr-15	7-Apr-17	81	
EPM 25146	Toondoon	Granted	07-Jan-14	06-Jan-17	9	
EPM 19390	Brovinia	Granted	2 Oct 13	1 Oct 15	147	
EPM 19427	Brovinia 2	Granted	28-Jul-15	27-Jul 17	39	
					Total QLD	528
ABx4 Pty Ltd				Tasmania		
EL 4/2010	Evandale	Granted	14-Sep-10	13-Sep-16	83	
EL 6/2010	Cleveland	Granted	14-Sep-10	13-Sep-16	34	
EL 7/2010	Conara	Granted	14-Sep-10	13-Sep-16	154	
EL 9/2010	Deloraine	Granted	14-Sep-10	13-Sep-16	168	
EL 37/2010	Westbury	Granted	7-Nov-11	6-Nov-16	107	
EL 3/2012	Ross	Granted	11-Sep-12	10-Sep-17	93	
EL 12/2012	Scottsdale	Granted	12-Dec-12	11-Dec-17	46	
EL 16/2012	Reedy Marsh	Granted	16-Jun-13	15-Jun-18	109	
ML 1961P/M			19-Sep-14	21-Oct-23		
EL 18/2014	Prossers Road	Granted	2-Dec-14	1-Dec-19	114	
					Total TAS	908
					TOTAL	2,564

*Application

Directors' Report (continued)

Auditor's Independence Declaration

A copy of the independence declaration by the auditor K.S. Black and Co. under section 307C is included on page 14 of this half year financial report.

Signed in accordance with a resolution of the Directors:



Ian Levy
Managing Director



Paul Lennon
Chairman

Sydney
05 September 2016

Level 6, 350 Kent Street
Sydney NSW 2000

75 Lyons Road
Drumoyne NSW 2047

K.S. Black & Co.
Chartered Accountants
ABN 48 117 620 556

20 Grose Street
North Parramatta NSW 2151

PO Box 2210
North Parramatta NSW 1750

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

I declare that, to the best of my knowledge and belief, during the half year ended 30 June 2016 there has been:

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

The entities 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 *5th* day of *September* 2016


.....

Scott Bennison
Partner



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Standards Legislation

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CHARTERED ACCOUNTANTS
AUSTRALIA • NEW ZEALAND

INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Australian Bauxite Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Australian Bauxite Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the consolidated statement in changed in equity and the statement of cash flows for the half-year ended on that date, noted comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the entity comprising the company at the half-year's end or from time to time during the half-year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on *Review Engagements ASRE 2410 Review of a Financial Performed by Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporation Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Australian Bauxite Limited, ASRE 2410 required that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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75 Lyons Road
Drummoyle NSW 2047

K.S. Black & Co.

Chartered Accountants

ABN 48 117 620 556

20 Grose Street
North Parramatta NSW 2151

PO Box 2210
North Parramatta NSW 1750

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Australian Bauxite Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

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

- a) giving a true and fair view of the entity's financial position as at 30 June 2016 and of its performance for the financial half-year ended on that date; and
- b) complying with Australian Accounting Standards *AASB 134 Interim Financial Reporting and Corporations Regulations 2001*

KS Black & Co
Chartered Accountants



Scott Bennison
Partner

Dated: 5th September 2016



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CHARTERED ACCOUNTANTS
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DECLARATION BY DIRECTORS

The Directors of the Company declare that:

1. The financial statements and notes, set out on pages 18 to 31, are in accordance with the *Corporations Act 2001*, and:
 - i give a true and fair view of the financial position of the consolidated entity as at 30 June 2016 and of its performance for the half-year ended on that date; and
 - ii comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.
2. In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



Ian Levy
Managing Director



Paul Lennon
Chairman

Sydney
05 September, 2016

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
for the Half-Year Ended 30 June 2016

	Notes	Consolidated	
		Half-year ended 30 Jun 2016 \$	Half-year ended 30 Jun 2015 \$
REVENUE	3	3,988,969	911,098
Development, exploration and administrative expenses	3	(3,362,707)	(1,813,766)
Finance expenses	3	(91,922)	(72,551)
PROFIT/(LOSS) FROM OPERATIONS BEFORE INCOME TAX		534,340	(975,219)
Income tax expense		-	-
NET PROFIT/(LOSS) FOR THE PERIOD		534,340	(975,219)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income before income tax		-	-
Income tax expenses		-	-
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		534,340	(975,219)
Profit attributable to non-controlling interests		-	-
TOTAL COMPREHENSIVE INCOME / (LOSS) ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		534,340	(975,219)
EARNINGS PER SHARE		Cents	Cents
Basic earnings/(losses) per share (cents per share)		0.38	(0.69)
Diluted earnings/(losses) per share (cents per share)		0.37	(0.69)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2016

	Notes	Consolidated	
		Jun 2016 \$	Dec 2015 \$
ASSETS			
Current assets			
Cash and cash equivalents	4	667,228	1,496,106
Trade and other receivables		3,594,222	109,065
Other current assets		98,227	76,834
Total current assets		4,359,677	1,682,005
Non-current assets			
Trade and other receivables		46,138	110,568
Plant and equipment		1,280	5,205
Mining tenements	5	15,872,247	18,043,930
Total non-current assets		15,919,665	18,159,703
Total Assets		20,279,342	19,841,708
LIABILITIES			
Current liabilities			
Trade and other payables		1,923,040	2,256,562
Employee benefits provision		112,272	106,020
Total current liabilities		2,035,312	2,362,582
Non-current liabilities			
Employee benefits provision		84,252	79,470
Other Liabilities		435,000	435,000
Total non-current liabilities		519,252	514,470
Total Liabilities		2,554,564	2,877,052
Net Assets		17,724,778	16,964,656
EQUITY			
Issued capital	6	24,966,029	24,740,247
Reserves		593,250	593,250
Accumulated losses		(7,834,501)	(8,368,841)
Total Equity		17,724,778	16,964,656

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the Half-Year Ended 30 June 2016

	Notes	Issued Capital \$	Options Reserve \$	Accumulated Losses \$	Total Equity \$
Consolidated					
At 31 December 2014		24,483,627	593,250	(7,324,183)	17,752,694
Share placement – received		20,000	-	-	20,000
Loss for the period		-	-	(975,219)	(975,219)
At 30 June 2015		<u>24,503,627</u>	<u>593,250</u>	<u>(8,299,402)</u>	<u>16,797,475</u>
At 30 June 2015		24,503,627	593,250	(8,299,402)	16,797,475
Share placement – received		236,620	-	-	236,620
Loss for the period		-	-	(69,439)	(69,439)
As at 31 December 2015	6	<u>24,740,247</u>	<u>593,250</u>	<u>(8,368,841)</u>	<u>16,964,656</u>
At 31 December 2015		24,740,247	593,250	(8,368,841)	16,964,656
Share placement – received		225,782	-	-	225,782
Profit for the period		-	-	534,340	534,340
At 30 June 2016	6	<u>24,966,029</u>	<u>593,250</u>	<u>(7,834,501)</u>	<u>17,724,778</u>

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

CONSOLIDATED STATEMENT OF CASH FLOW

for the Half-Year Ended 30 June 2016

	Notes	Consolidated	
		Half-year ended 30 Jun 2016	Half-year ended 30 Jun 2015
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipt from customer		234,068	-
Interest received		15,013	77,178
Costs recovery		-	807,313
Payment for exploration and development expenditures		(1,032,839)	(2,001,987)
Payments for administration expenses		(96,306)	(659,644)
Interest paid		(13,708)	-
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(893,772)	(1,777,140)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of tenements		-	-
Payments for plant and equipment		-	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues/placements		225,781	20,000
Advance from other parties		(660,887)	-
Repayment to other parties		500,000	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		64,894	20,000
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(828,878)	(1,757,140)
Cash and cash equivalents at the beginning of the reporting period		1,496,106	4,710,110
CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD	4	667,228	2,952,970

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

NOTES TO THE FINANCIAL STATEMENTS

for the Half-Year Ended 30 June 2016

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

Reporting Entity

Australian Bauxite Limited (the "**Company**") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 30 June 2016 comprises the Company and its controlled entities (together referred to as the "**consolidated entity**").

Statement of Compliance

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

Estimates

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Preparation

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

Statement of Compliance

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

Critical to accounting estimates

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

(i) Options valuation

Refer to Note for estimates and assumptions used to calculate the valuation of options.

Critical judgements

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

(i) Capitalisation of exploration costs

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

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

NOTES TO THE FINANCIAL STATEMENTS continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

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

Historical cost convention

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

Material accounting policies

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

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Australian Bauxite Limited ("parent entity") as at 30 June 2016 and the results of all subsidiaries for the period then ended.

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

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

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

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

Business Combinations

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

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

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.

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

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

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

(c) Segment reporting

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

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major business activities as follows:

Interest Revenue

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

Other Income

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

(e) Income Tax

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

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

(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.

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

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

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

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

(g) Cash and cash equivalents

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

(h) Trade and other receivables

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

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

(i) Acquisition of assets

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

(j) Tenement exploration, evaluation and development costs

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

- the carrying values are expected to be justified through successful development and exploitation of the area of interest; or
- exploration activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of recoverable mineral resources, and active and significant operations in relation to the area are continuing.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS continued**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued****(k) Impairment of assets**

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

(l) Trade and other payables

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

(m) Restoration and rehabilitation provisions

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

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

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

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

(o) Share based payments

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS continued**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued****(p) Earnings per share (EPS)**

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

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

3. REVENUE AND EXPENSES**Specific Items**

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

	Consolidated	
	Half-year ended 30 Jun 2016	Half-year ended 30 Jun 2015
	\$	\$
Revenue		
Sale of mineral	2,523,443	-
Interest income	39,211	103,785
	<u>2,562,654</u>	<u>103,785</u>
Other income		
Cost recovery and others	1,426,315	807,313
	<u>3,988,969</u>	<u>911,098</u>
Development, exploration and administration expenses		
Development costs and exploration costs not capitalized	(2,969,200)	(1,218,977)
Consultancy and professional fees	(114,261)	(138,073)
Director and employee expenses	(168,806)	(164,211)
Other administrative expenses	(110,440)	(292,505)
	<u>(3,362,707)</u>	<u>(1,813,766)</u>
Finance expenses		
Depreciation	(3,925)	(15,252)
Others	(87,997)	(57,299)
	<u>(91,922)</u>	<u>(72,551)</u>

4. CASH AND CASH EQUIVALENTS

	Consolidated	
	30 Jun 2016	31 Dec 2015
	\$	\$
Cash at bank and deposit	12,228	800,220
Cash held in trust – tenement guarantees and deposits	655,000	695,886
	<u>667,228</u>	<u>1,496,106</u>

Subsequent to the reporting date, a further of \$3.2 million, net of loan repayment, has been received.

NOTES TO THE FINANCIAL STATEMENTS continued**5. MINING TENEMENT**

	Consolidated	
	30 Jun 2016	30 Jun 2015
	\$	\$
Tenement interest, development costs and capitalized exploration expenditures	15,872,247	18,043,930

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

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

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

NOTES TO THE FINANCIAL STATEMENTS continued

Tenement List

Application No	Licence No	Project	Status	Area (sq km)	Mining tenement cost + capitalisation
ABx1 Pty Ltd					
	EL 6997	Inverell	Renewal Pending	297	2,430,635
	EL 7361	Guyra	Granted	138	587,283
	EL 7597	Merriwa - 2	Granted	159	31,199
				594	3,049,116
ABx2 Pty Ltd					
	EL 7269	Windellama	Renewal Pending	51	338,631
	EL 7357	Taralga	Granted	246	1,530,063
	EL 7681	Taralga Extension	Granted	300	440,284
ELA 5141	EL 8370				5,250
				597	2,314,229
ABx3 Pty Ltd					
	EPM 17830	Haden	Granted	24	197,374
	EPM 17831	Hillgrove	Granted	18	176,358
	EPM 17790	Hampton	Renewal Pending	90	118,634
	EPM 18014	Binjour	Granted	126	2,164,720
	EPM 18772	Binjour Extension	Granted	42	486,441
	EPM 25146	Toondoon	Granted	9	16,780
	ML 80126	Tondoon ML**	Granted		-
EPMA 19427		Brovinia 2	Application	39	4,897
				348	3,165,204
ABx4 Pty Ltd					
	EL 4/2010	Evandale	Granted	83	86,278
	EL 6/2010	Cleveland	Granted	34	183,206
	EL 7/2010	Conara	Granted	154	2,771,181
	EL 9/2010	Deloraine	Granted	168	992,513
	EL 37/2010	Westbury	Granted	107	291,552
	EL 3/2012	Ross	Granted	103	99,790
	EL 12/2012	Scottsdale	Granted	82	184,773
	EL 16/2012	Reedy Marsh	Granted	109	538,013
	EL 18/2014	Prossers Road	Granted	135	233,902
	ML 1961P/M	Bald Hill	Granted		-
ELA 4/2013					-
		Harami			666,121
		Mining Production			1,796,369
				975	7,843,698
Total				2,514	16,372,247
Less provision					(500,000)
					15,872,247

NOTES TO THE FINANCIAL STATEMENTS continued**6. ISSUED CAPITAL**

	Consolidated Entity and Parent Entity		Consolidated Entity and Parent Entity	
	Jun 2016	Dec 2015	Jun 2016	Dec 2015
	Number of Shares	Number of Shares	\$	\$
Ordinary shares issued	142,170,153	141,507,730	24,966,029	24,740,247

Movements during the year:

Opening balance	141,507,730	140,507,730	24,740,247	24,483,627
Share placement – in lieu of services	662,423	1,000,000	80,000	250,000
Share placement fund in transit	-	-	145,782	6,620
Share issuing costs	-	-	-	-
Closing balance	142,170,153	141,507,730	24,966,029	24,740,247

(b) Options

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

(c) Terms and Conditions

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

7. COMMITMENTS AND CONTINGENT LIABILITIES

The minimum exploration expenditure commitments and lease payments on the Company's exploration tenements totalling approximately \$0.89 million (2015:\$1.14 million) over remaining term of tenements.

Executive services agreement

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

Corporate Service agreement

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

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

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

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

9. EVENTS SUBSEQUENT TO BALANCE DATE

At the date of this report there are no other matters or circumstances, other than noted above, which have arisen since 30 June 2016 that have significantly affected or may significantly affect:

- the operations, in financial half-year subsequent to 30 June 2016, of the Group;
- the results of those operations; or
- the state of affairs, in financial half-year subsequent to 30 June 2016, of the Group.